

Our customers:
at the center of everything we do



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Our cover

Our innovative spirit makes the difference to our customers. For more information on how we are driving change, see page 14.

About us

Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 53,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

Highlights

USD 3.8 bn

Business operating profit¹

USD 4.8bn

Underlying business operating profit^{1,2}

9.2%

Business operating profit after tax return on equity³

12.1%

Underlying business operating profit after tax return on equity^{2,3}

USD 64.0 bn

Total revenues

Z-ECM 132%

Zurich Economic Capital Model (Z-ECM) ratio estimated as of December 31, 2017⁴

¹ Business operating profit (BOP) indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

² Adjusted for the impact of the hurricanes Harvey, Irma and Maria, measures related to the Group's restructuring, and the impact of changes to UK capital gains tax indexation relief.



“Our industry is undergoing a profound change. We, too, must change if we are to meet our customers’ evolving needs. After restoring our ability to generate consistent returns, we are now well positioned to look to the future with confidence.”

Mario Greco
Group Chief Executive Officer

USD 3.0 bn

Net income attributable to shareholders (NIAS)

USD 3.7 bn

Cash remittances

USD 207 bn

Investment portfolio

AA-/stable

Standard & Poor’s financial strength rating of Zurich Insurance Company Ltd as of December 31, 2017

USD 2.8 bn

Total amount of impact investments⁵

over 550,000

Number of customers interviewed through Zurich’s NPS program⁶

2.1 tons

CO₂e emissions per employee (tons per FTE)⁷

21.0%

Female participation in Leadership Team

Moving toward integrated reporting

This report represents a further step in Zurich’s journey toward integrated reporting. It aims to show how we create value for our stakeholders and brings together information about our operations, strategy, governance, performance, prospects and external environment. It is intended to reflect the varied interests and perspectives of all Zurich’s stakeholders, offering a holistic view of our performance.

³ Shareholders’ equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains or losses on available-for-sale investments and cash flow hedges.

⁴ The Z-ECM is an internal measure of capital adequacy and reflects midpoint estimates with an error margin of +/- 5 pts.

⁵ Impact investments in 2017 consisted of: green bonds (USD 2.41 billion), investments committed to private equity funds (USD 116 million, thereof 38 percent drawn down) and other investments (USD 303 million).

⁶ In 2017, Zurich interviewed over 550,000 customers (including Zurich Santander) in over 20 countries through its NPS (Net Promoter Score) program.

⁷ Number shown as of 2016; 2017 data will be available in Q2 2018.

Message from our Chairman

Executing our strategy to deliver for customers

“

We remain on course to meet our strategic targets and deliver sustainably. I am fully confident that Zurich will continue to succeed and thrive in the future.”

Tom de Swaan

Chairman of the Board of Directors



For Zurich, 2017 was a year of action. Our strategy – to drive simplification and innovation to better serve our customers – has now taken hold and we are beginning to see the results.

USD 33.1 bn

Shareholders' equity

CHF 18.00

Proposed dividend per share

From planning to execution

The strength of our determination to focus on customers is now different from anything I have seen previously at Zurich. One example is the work of our outstanding Group Strategy Task Force. Building on its contribution to Zurich's Strategy, in 2017 the Task Force worked with our Executive Committee to develop Zurich's purpose and values. These let customers know, in a clear and simple way, why we are relevant to their lives and how we deliver on that relevance.

2017 also saw Zurich complete a number of acquisitions. These will expand our service offering across an even broader range of segments. They include the planned purchase of ANZ's Australian life insurance arm OnePath Life, pending regulatory approval. This will see Zurich become the largest retail life insurer in Australia, protecting 1.5 million Australians, while retaining our focus on capital-light protection and unit-linked business. It includes a 20-year distribution agreement with ANZ in Australia to distribute life insurance products through its bank channels.

We also purchased leading travel insurance services and assistance provider Cover-More. This makes Zurich the third-largest global travel insurance provider. Cover-More's clear customer focus makes it an ideal addition. Just as one example, they were the only travel insurance provider to send a team and aircraft to Nepal to help rescue earthquake survivors in 2015.

And as digitalization transforms our value chain and customer expectations, Zurich is responding to the challenge. This includes acquisitions such as Bright Box, a global telematics solutions provider. We are also establishing a new business that will focus on developing state-of-the-art mobile insurance solutions across our Group.

Our actions come alongside strong financial performance and we remain on course to meet strategic targets. There has been progress in the Property & Casualty, Life and Farmers businesses coming alongside resilience to the natural catastrophes witnessed in the third quarter. Reflecting the Group's strong performance in 2017, and with expectations of further improvement in 2018, the Board is proposing to increase the dividend to 18 CHF per share. In addition, in line with our policy on anti-dilution, we intend buy back shares in the amount of about USD 1 billion.

Delivering sustainably

Our customers expect us to deliver sustainably. Zurich's continued corporate responsibility focus ensures we meet these expectations. We have committed to further actions on our flood resilience program, divestment, disengagement and dialogue around thermal coal and reduction of our own carbon footprint. We have also recommitted to our responsible investment program, where we will be increasing our impact investments to USD 5 billion. And in 2017, Zurich was

extremely proud to be one of only six companies worldwide to achieve a prestigious EDGE 'Move' certification – both in Switzerland and Austria – for gender equality.

Farewell and the future

My 12 years at this fantastic organization – of which five years were as Chairman – draw to a close. I am fully confident that Zurich will succeed and thrive in the future. The ever-stronger emphasis on the customer combined with an entrepreneurial culture will be the main ingredients for this success. The company is showing the necessary adaptive attitude to evolve in the fast changing environment in which it operates.

The Board will propose to shareholders at the Annual General Meeting to elect Michel Liès as my successor. I am very pleased with the choice of Michel and am convinced he would be an excellent chairman.

I would like to thank all stakeholders for the support they have extended to me over the last 12 years. A special word of thanks to all of our approximately 53,000 employees worldwide for their relentless commitment to Zurich.

It was an honor to serve you all.



Tom de Swaan
Chairman of the Board of Directors

Our business segments



Property & Casualty
Property and casualty insurance and services, risk insights.

USD 1.5 bn
Business operating profit

USD 33.0 bn
Gross written premiums and policy fees



Life
Protection, savings and investment solutions.

USD 1.3 bn
Business operating profit

USD 33.2 bn
Gross written premiums, policy fees and insurance deposits



Farmers
Management services related to property and casualty insurance.

USD 1.7 bn
Business operating profit

USD 2.9 bn
Management fees and other related revenues

Message from our Group CEO

Embracing a customer-led transformation

“

We are in the midst of a revolution affecting every aspect of our business. We must adapt. We are fortunate to enter this period of change in a strong, competitive position.”

Mario Greco
Group Chief Executive Officer



Our industry is facing unprecedented changes. How we operate, the value we provide – and above all – our customers’ expectations are undergoing a profound transformation. To succeed, we must ensure we can continue to meet the challenges of the future.

We are in the midst of a revolution affecting every aspect of our business. New competitors are entering the market, digital technology is reshaping how we do even the simplest tasks, and technological advances hold potential for innovative new service offerings.

The forces driving change in our industry are diverse. For us, the transformative power that they give to customers is key. This is, above all, a customer-led revolution. Customers today can easily compare insurance products and providers, consult peers and ultimately determine how they protect themselves against risk. Customers may even bypass conventional insurance all together.

Positioned for the future

We are fortunate to be in a strong, competitive position, as our performance in 2017 demonstrated. Despite historic weather-related events our focus and discipline delivered improved underwriting, reduced costs and an expanded premium base, creating immense opportunities for 2018 and beyond.

Underlying our confident outlook are our clear strengths: our unique business mix balanced across products and geographies; a talent base with a heritage of innovative customer focus; a strong balance sheet; and a highly regarded brand. Our focus is now on using all of our skills, knowledge, expertise and resources to ensure we continue to meet customers' needs and deliver the best possible experience.

In anticipation of this journey, Zurich has been proactively repositioning itself to capture these opportunities. We have divested non-core businesses, targeted growth to further diversify our portfolio, and focused on a strategy that gives us a clear mandate. We have simplified our structure and unified our business to give us a clearer line of sight to our customers. And we have systematically built on our core capabilities by expanding our service offerings, distribution reach and customer engagement platforms.

Recognizing that change demands leadership, we have also made senior appointments that will help to drive our transformation. Starting in 2018, Kathleen Savio, who has been responsible for a very significant part of Zurich North America's business, has taken over as CEO of Zurich North America.

We also named Alison Martin to the post of Group Chief Risk Officer. With her background in life and health insurance, she has good knowledge of what customers need and how to bring our business priorities into line with the changes we face.

Clearly we still have work to do. We will continue to reduce our cost base and improve our technical underwriting performance, and will implement changes that allow us to devote more time and resources to interacting with customers.

Learning from our customers

No business today can afford to take customer relationships for granted. To anticipate and respond to customers' needs, we start by listening to them. One way we are doing this is by using the Net Promoter Score (NPS), which allows us to measure customer satisfaction. The NPS approach has already been effective in helping the Farmers Exchanges¹ to share customer feedback and make improvements. We will now use NPS metrics across Zurich to become more consistent about monitoring, targeting and managing customer satisfaction.

A more personalized approach

We are using targeted acquisitions to gain knowledge and expertise. In 2017, Zurich solidified its position as a leading global travel services provider by completing the acquisition of Cover-More, whose sophisticated online platform and digital reach allow it to provide tailored services to millions of customers on a real-time basis. Similarly, we acquired Bright Box HK Limited, which provides telematics solutions linking vehicles, drivers, dealers and manufacturers. Both acquisitions deepen our understanding of future customer needs, and both provide Zurich with critical new tools to expand our ability to meet their needs.

With a growing service offering, we are also looking for ways to reach customers across different channels, which is why we continue to expand our distribution arrangements with banks, retailers and other sectors. Banks are especially suited to distributing life insurance, and customers benefit from the flexibility and personalized services banks offer.

¹ The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Timeline of events



Message from our Group CEO (continued)

Augmenting the over 70 agreements we already have in place worldwide to distribute our products through banks, in December 2017 we announced plans to acquire the life insurance business of Australia and New Zealand Banking Group (ANZ) in Australia. The agreement, subject to regulatory approval, will make us the leading retail life insurer in that country. The ANZ deal includes a 20-year agreement in Australia to distribute life insurance products through the bank's network, giving us access to ANZ's six million customers.

In addition, in 2017 we agreed with Porsche to insure amateur racetrack drivers who want to test their skills on Germany's Nürburgring for a day. And we have put agreements in place with Europe's largest frequent flyer program, Miles & More, and with Payback in Italy, a customer loyalty program with 110 million customers worldwide.

Building on our travel offerings, we have also begun offering travel insurance solutions to customers of easyJet, which served more than 80 million passengers in 2017. There are many other areas to explore and we believe there is a great deal of untapped potential here.

The importance of our people

An organization can only succeed if it is able to attract and retain talented, skilled and motivated individuals. I am grateful to all our employees for their contributions, ideas and hard work. To make sure we continue to have the right people in the right roles, and to help them to further develop, we are constantly looking at ways to support them. You can read more about how we are doing this on page 24.

Changing our culture

Our strategy calls for us to focus on customers, simplify our business, and take an innovative approach. To make a difference to our customers means to completely rethink the way we do business. This will include adopting the right mindset to succeed. We must get even better at putting customers first. To ensure we are able to do this, we are transforming our culture. By introducing a clearer approach to our purpose and values (see next page), we can broaden our understanding of our relevance to customers and all our stakeholders.

Our strategy, culture, and the strengths of our business put us in an enviable position, helping us to generate cash for shareholders, while making us better at serving those who depend on us, year for year, to secure their lives, livelihoods and futures.

Based on our performance in 2017, we can look ahead with great confidence that we have the right approach, mindset and culture to compete in this exciting, customer-centric world.



Mario Greco
Group Chief Executive Officer

A clear sense of purpose in an era of change



“
We have introduced
a new, simplified
approach to how
we articulate our
purpose and values.”

Mario Greco
Group Chief Executive Officer

We have an important responsibility to our millions of customers around the world, particularly as we enter a new era of digital empowerment. That is why it is critical that we be clear about our identity, what we stand for and the fundamental value we provide our customers. Only by understanding our core beliefs will we truly understand the role that we can play in improving our customers' lives.

In December 2017, Zurich introduced a new, simplified approach to the way we articulate our purpose and values. These will serve as a constant reminder of what we stand for, no matter where these transitional forces shaping our industry take us.

But we also understand that our obligations go beyond our daily business; we have a valuable role to play in society. To deliver on this responsibility, we make sure that we stand behind the purpose and values that define our business and our role in the world.

An example of the many ways we contribute to communities is through Zurich's award-winning flood resilience program, which works to mitigate flood risks at the community level by applying an innovative approach to risk that improves decision-making.

Another is through the many skills and training initiatives we sponsor across our markets, including our innovative apprenticeship program which has been long-running in Switzerland that we are now piloting in the U.S. And yet another is the leading role we play in developing a market for green bonds and other eco-sensitive financial instruments.

At our core, we live our values to the benefit of all our stakeholders, helping society achieve its full potential. Learn more about the 'Why, How, What' that will allow us to harness our capabilities to serve all our stakeholders on page 12.



To learn more about our
corporate responsibility:
www.zurich.com/corporate-responsibility

Our business model

Creating sustainable value

We aim to create sustainable value for all our stakeholders: our customers, employees, shareholders and the communities in which we live and work.

The resources we use

Financial

Our shareholders and bondholders provide the financial capital that sustains our business. We maintain a strong balance sheet. Standard & Poor's financial strength rating of Zurich Insurance Company Ltd was AA- as of December 31, 2017.

Intellectual

Zurich's competitive advantage rests on our knowledge, skills and expertise. This includes critical components of our business model, such as customer service and claims, underwriting, risk engineering and investment management.

Human

Our approximately 53,000 employees include some of the most talented people in the insurance industry. A merit-based approach, and diversity and inclusion, are key to ensuring we have the right mix of talent to succeed.

Social

Our business relies on the relationships we have built with our stakeholders. These include our customers and suppliers; the agents, banks, brokers and others that make up our distribution network; as well as financial markets, regulators, government agencies and civil society organizations.

Natural

We recognize the risk that issues such as climate change pose to all our stakeholders, as well as our business performance. Zurich's policy is to manage environmental risks and opportunities through the progressive integration of environmental considerations into our core business processes, investment decisions and operations.

What we do

**The role of insurance**

Zurich provides property and casualty insurance, life insurance products and savings and investment solutions in more than 210 countries and territories.

We help our personal and business customers to protect themselves from risks. Freed from these risks, individuals and families can flourish and businesses can grow and prosper. Our customers transfer risks to us, and in return pay us premiums, policy fees and deposits. We are also increasingly generating revenue from activities and services that aim to mitigate customers' risks.

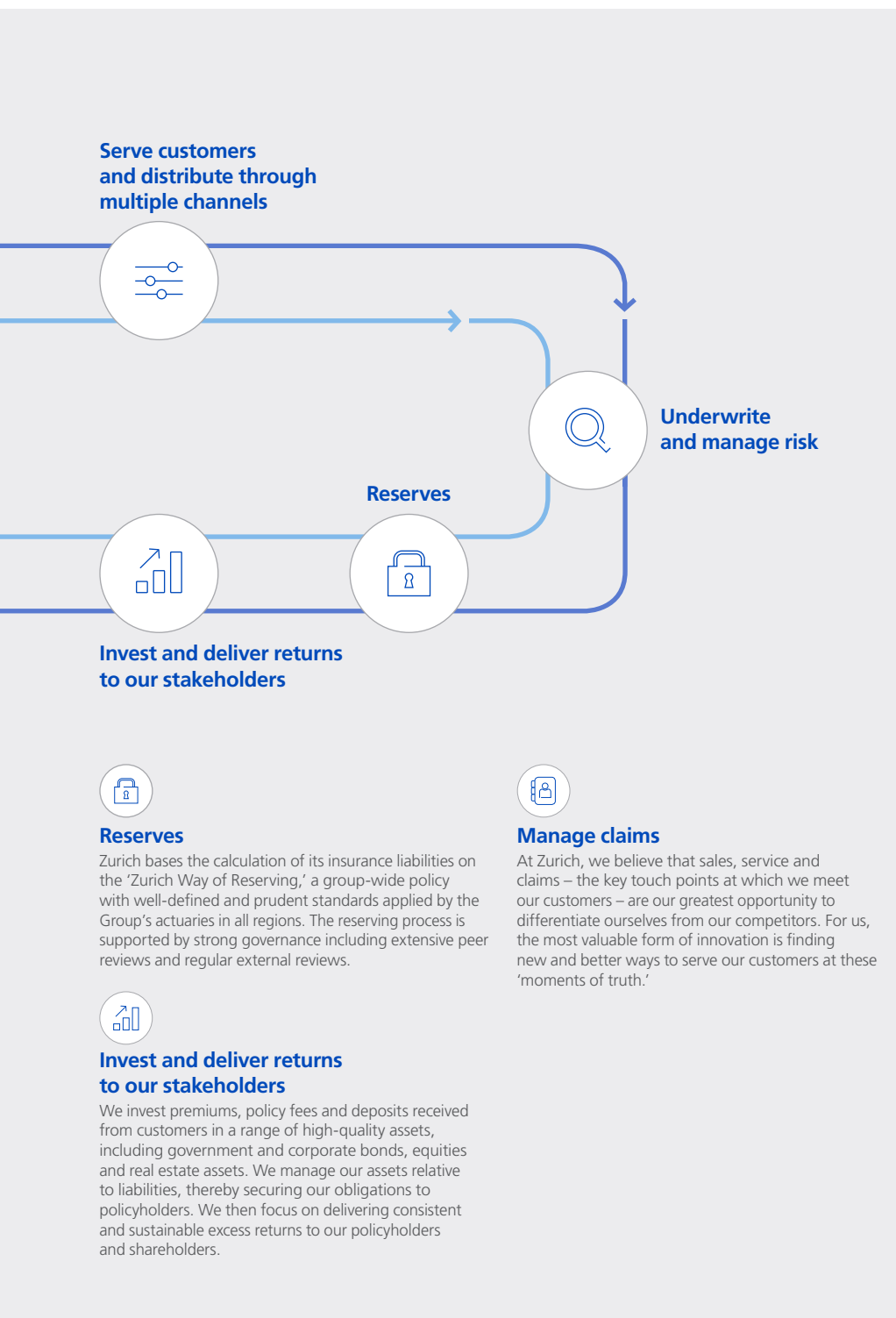
We invest their payments in high-quality assets so that we can pay claims and financial returns on savings and investment plans. We also provide risk advice, particularly to our commercial customers, to help them anticipate risks and take action to protect themselves.

**Serve customers and distribute through multiple channels**

We access our customers through a wide range of channels, both directly and through distribution partners such as agents, banks, brokers, independent financial advisers, retailers, automobile dealers and employee benefit consultants. We have seen steadily increasing demand for digital distribution – a channel that is set to transform our industry. We focus our efforts on delivering great customer service, whatever the channel.

**Underwrite and manage risk**

Our core competencies are insuring and managing risk. With investment returns at an historic low, the core skill underwriting is an ever more important part of our business model. Our ability to understand, measure and model risk enables us to price risk fairly and accurately, resulting in competitive premiums that represent value for our customers.



Reserves

Zurich bases the calculation of its insurance liabilities on the 'Zurich Way of Reserving,' a group-wide policy with well-defined and prudent standards applied by the Group's actuaries in all regions. The reserving process is supported by strong governance including extensive peer reviews and regular external reviews.



Invest and deliver returns to our stakeholders

We invest premiums, policy fees and deposits received from customers in a range of high-quality assets, including government and corporate bonds, equities and real estate assets. We manage our assets relative to liabilities, thereby securing our obligations to policyholders. We then focus on delivering consistent and sustainable excess returns to our policyholders and shareholders.



Manage claims

At Zurich, we believe that sales, service and claims – the key touch points at which we meet our customers – are our greatest opportunity to differentiate ourselves from our competitors. For us, the most valuable form of innovation is finding new and better ways to serve our customers at these 'moments of truth.'

How our stakeholders benefit

We create value for our customers

by helping them understand and protect themselves from risk.

+ Pages 14 to 23

We create value for our people

by investing in their skills and expertise so that each may fulfill his or her potential.

+ Pages 24 to 25

We create value for communities and society

both through our core insurance business, which supports economic growth and has a positive social impact, and by acting responsibly in everything we do.

+ Pages 26 to 27

We create value for our investors

by paying an attractive and sustainable dividend, and seeking to increase the value of the company by carrying out our strategy.

+ Pages 28 to 29

Throughout our business review we have highlighted how we are creating value for our stakeholders.

Our business environment

An evolving, customer-centric world

Insurers face numerous challenges, ranging from those that encompass our business risks, markets and economies to new types of hazards with systemic implications. New technologies have opened the market to new competitors. However, the biggest changes taking place are those affecting how customers approach us, how we interact with them, and what they expect from our industry.



Geopolitics and macroeconomics

An increasing number of geopolitical 'hot spots' poses significant challenges with respect to business decisions.

At the same time, interest rates, a key component of our investment income, remain at or near historic lows in major markets. See box at right for further commentary on the macroeconomic outlook.



Regulation and governments

Enhanced and at times fractured supervision and new consumer protection legislation is underscoring the importance of keeping a focus on customers. It is also influencing how insurers interact with agents, brokers and customers.

Governments may demand more direct oversight and seek to promote domestic industries. Insurers need to be alert to these developments, which can affect where and how we develop our business.



Technology and analytics

Vast pools of data are changing the way insurers analyze risk, while the internet of things poses potential new opportunities and risks. These developments are having an impact on the type of products insurers provide – even more so on how customers understand and mitigate risks.

Motor telematics and automated cars are examples of the many developments changing our business. Vehicles will be more connected to their environment, increasing safety for the driver and other cars, providing data that will also deepen our understanding of mobility risks.

Economic overview



Global economic conditions improved in 2017. Unemployment generally declined, while excess production capacity continued to be slowly absorbed. The U.S. and to a lesser extent Eurozone countries were already quite far along in the growth cycle, while some key emerging markets such as Brazil and Russia entered the early stages of growth. This has helped to extend the global expansion and keep inflation in check, allowing monetary policy to remain accommodative. Economic conditions should remain favorable even if growth plateaus. While inflation is expected to rise, it will likely do so at a modest pace. With private and public sector debt high, central banks will need a deft touch to maintain growth while curbing excesses.

The increasingly robust economic recovery pushed many global equity indices to record levels in 2017, with extremely low levels of volatility. Even though credit markets began to lag equities in the final six months of the year, spreads fell to cycle lows.

And while the U.S. Federal Reserve began to normalize policy, government bonds continued to benefit from the benign inflationary environment and central banks' asset purchase programs.

The U.S. Treasury yield curve has flattened appreciably as yields of shorter maturities moved higher relative to longer-dated yields. The global macroeconomic backdrop is expected to remain supportive, but is likely to increasingly favor equity returns over those of credit and government bonds as the cycle advances.

Guy Miller
Chief Market Strategist and
Head of Macroeconomics



Environment and emerging risks

Cyber crime has been described as the new fire insurance; despite its huge potential, this is still a nascent business. Cyber breaches and financial loss are bad in and of themselves. Even more insidious is the embedded, often systemic nature of such risks.

Interconnectivity increases customers' vulnerability. A fire could shut down a single power station. A cyber attack on a power grid could paralyze businesses and entire communities.



Insurance market dynamics

A growing number of new entrants into insurance and innovative business models are having a profound impact on the insurance industry.

Technological advances and abundant capital, together with changes in how customers interact and perceive insurers, how they choose products and providers, are driving a transformation in our industry. Broker consolidation, and new capabilities among large global brokers like data analytics, are reshaping traditional roles.



Demographics and customer behaviors

Insurers and their customers must take into account the fact that people are living longer, and working longer, and their need for protection is changing accordingly.

Our business customers must adapt to meet the needs of an aging workforce with adequate retirement and benefits programs. At the same time, customers' expectations today include hyper convenience: insurers need to adjust their business models to succeed.

Our strategy

Strategic overview

Our strategy positions Zurich for success over the long term. It builds on our unique footprint, solid financial position, balanced portfolio, trusted brand and the skills, strengths and expertise of our people.

“

We have introduced a new, simplified approach to articulating why we are relevant and how we deliver on that, no matter where the transformational forces shaping our industry will take us.”

Mario Greco
Group Chief Executive Officer

Our purpose, values and strategy

**Our
purpose**
Why

**To protect
you**

**To inspire
confidence**

**To help you reach
your full potential**

**Our
values**
How

We are one team and value the diversity and potential of every individual.

We embrace new ideas to exceed our customers' expectations.

We deliver on our promises and stand up for what is right.

**Our
strategy**
What

Focus on customers
Improve service quality and customer experience.

Simplify
More agile and responsive organization.

Innovate
Better products, services and customer care.

Financial targets

Long term

Our strategy to deliver long-term competitive advantage focuses on continuing to increase profitability and consolidating the Group's position as a leading global underwriter for property and casualty (P&C) and life insurance. The Group will expand customer relationships, simplify the business and significantly reduce costs. At the operating level, Zurich will continue to reduce complexity and improve accountability. Zurich will enhance technical excellence and strengthen its go-to-market approach for commercial customers. It will also seek to enhance its offerings to individuals by monitoring and aiming to increase customer satisfaction and retention. The Farmers Exchanges¹ will continue to focus on improving customer satisfaction and retention rates.

2017–2019

BOPAT ROE ²	>12% and increasing
Z-ECM ³	100–120%
Net cash remittances ⁴	>USD 9.5bn (cumulative)
Net savings	USD 1.5bn by 2019 compared with 2015 baseline

¹ The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

² Business operating profit (after-tax) return on shareholders' equity. Excludes unrealized gains and losses.

³ The Zurich Economic Capital Model (Z-ECM) is an internal measure of capital adequacy.

⁴ Cumulative net cash remittances to Zurich Insurance Company Ltd, after deducting central costs, over the 2017 to 2019 period.

Our strengths

Our unique footprint

Our unique footprint is balanced between Europe and North America, between commercial and retail, and between property and casualty and life insurance. The Latin American contribution is strong and growing, and the business in Asia Pacific is expanding in size and importance. This diversification positions us well to weather economic and market volatility, and gives us a strong presence across customer segments and product lines.

Our solid financial position

We have a solid financial position. That can reassure our customers that we will be there when they need us to handle their claims, our shareholders that we are financially stable, and our colleagues that we have a well-earned positive reputation as a business and an employer.

Our balanced portfolio

Our portfolio is healthy and balanced between Property & Casualty, and Life. Both are sustainable and profitable businesses. Farmers is performing well, providing stable income in line with expectations.

Our trusted brand

Our brand is strong and reinforces our reputation for being able to understand the risks our customers face and to structure offerings that meet their unique needs.

Our talented people

We have, and continue to attract, the most talented people in the industry.



To learn more about our strategy,
visit www.zurich.com/strategy

Business review 2017

Meeting changing customer needs

A revolution is affecting our business. Customers expect more, and their needs are changing. In this section we provide a few of the many examples that set us apart in our industry and show how we are adapting to thrive in this challenging new environment.

An early mover in insuring electric cars

Zurich was one of the first companies to introduce electric vehicle insurance in Europe, offering what we believe to be the world's first customized 'EV' insurance proposition in Ireland in 2011. We were also a first-mover in providing specialist EV insurance in Germany, Spain and Austria, and an early mover in Switzerland. Zurich was also the first insurer to develop a global EV insurance initiative.

“Insuring electric vehicles helps the environment and also makes perfect business sense.”

Mark O'Leary
Zurich's Sustainable Mobility Manager

Covering a customer's 'e-motional' needs

E-vehicles are changing the way we think about cars. High performance and low emissions need no longer be mutually exclusive. Stephan Schwarz, (pictured right), president of the Swiss Tesla Owners Club trusts Zurich to insure his Tesla Roadster and his Tesla Model S. As an insurer, we want to make sure that electric vehicle owners like Stephan are able to stay on the move, no matter where they drive.



Watch video about how we are supporting drivers of e-vehicles:
www.zurich.com/e-motional-driving

A global presence

Zurich takes a lead role in insuring and protecting major building and infrastructure projects for some of the biggest construction companies and project owners around the world. We helped to insure over 600 such projects in 2017, supported by our underwriters in major cities. Our unified approach allows us to provide coverage for construction projects, and helps companies to have financial protection in place to ensure projects are completed and potential damages are covered.

High-level insights for Zurich customers

Walking a 64-meter long jib 75 meters off the ground is all in a day's work for a Zurich engineer surveyor. Just ask Trevor Shaw, shown here examining a crane erected to assist in construction of a building by customer Balfour Beatty. His job includes doing a thorough close-up examination, and then making sure the customer gets the report on time.

“Working at height doesn't bother me as long as the risks are controlled. I love doing what I do, and helping our customers.”

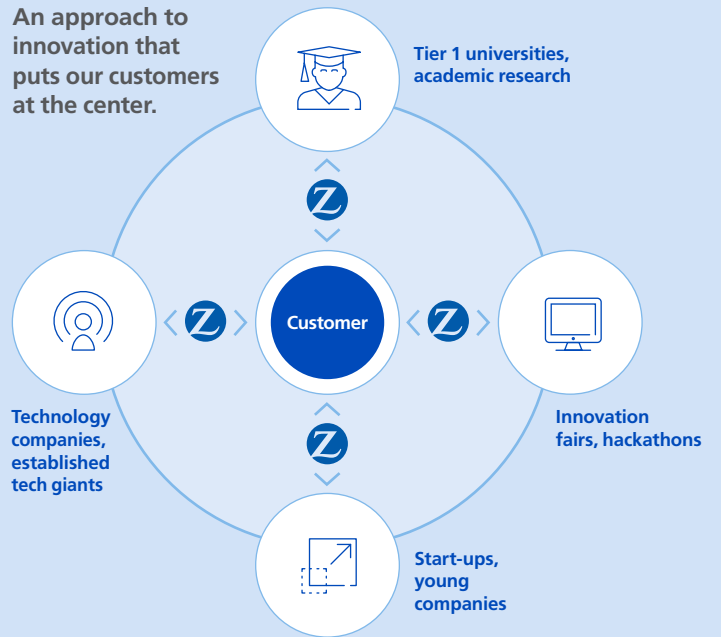
Trevor Shaw
Zurich Engineer Surveyor



Business review 2017 (continued)
Meeting changing customer needs: Smarter personalized solutions

Innovating with customers in mind

A revolution led by technology is affecting everything we do, and changing what our customers expect from us. Mindful of that, we are looking beyond risk transfer to satisfying customers' expectations and needs in many ways. Digital technology is helping to make the difference.

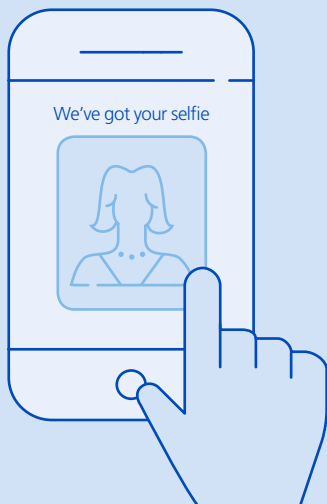


Got a smartphone? Get a life insurance quote.

One of the most common reasons people don't buy life and income protection insurance is that they overestimate the price. A smartphone application Zurich introduced in the UK in 2017, 'FaceQuote', estimates the user's age based on a photo and calculates a premium for life or income protection insurance. Apart from getting customers thinking about protection, they might also find that the cost is lower than they assumed.

“The selfie app allows us to approach serious issues in a fun and engaging way.”

Chris Atkinson
Head of Consumer Distribution in the UK



Faster, better claims response

We are working with technology companies to make our claims handling faster and more accurate. For example, by using artificial intelligence we can better understand and process claims, helping us to become faster and more efficient. In the UK we were able to speed up the responses to medical injury claims – in some cases from over an hour to just seconds – reducing repetitive paperwork to let us focus on customers' needs. In the U.S., we improved how we evaluate claims to serve customers more effectively and efficiently.



Watch video about how we are working with young tech start-ups to make the world safer for everyone: www.zurich.com/safer-lives

From coding to saving lives

We are committed to addressing the skills gap in our industry, while focusing on new ways to access digital talent. One way we are doing this is through our cooperation with CoderDojo to help youngsters learn computer programming languages, which it believes is an essential tool that should be accessible to anyone, anywhere in the modern world. We are also active at 'hackathons.' At these weekend events, the world's best coders compete to develop technology to address specific problems. HackZurich held in September 2017 brought together 550 talented coders and software developers from 55 countries. Grand-prize winner 'HoloBrigade' (below) developed a solution for rescuers to 'see' hazards and people in dangerous situations, based on a challenge provided by Zurich. In Germany, Zurich sponsored a similar event, InsurHack.

“We are keen to find and support ways to develop and encourage new digital talent.”

Giovanni Giuliani

Group Chief Strategy, Innovation and Business Development Officer



Business review 2017 (continued)

Meeting changing customer needs: *Wherever we can help, we're there*

Many channels to reach customers

By cooperating with different providers and businesses, we gain access to over 100 million potential customers through collaboration agreements, for example via retailers, the travel industry and banks.

Did you know that Zurich has over 70 agreements worldwide to distribute our products through banks? Banks typically have a strong relationship with customers. They can provide products and services – including insurance – through secure digital platforms. Our most significant relationships include joint ventures with Banco Santander S.A. in Latin America and Banco Sabadell S.A. in Spain, as well as a strategic cooperation with Deutsche Bank in Germany, Italy and Spain. These three major agreements contributed more than USD 500 million to Zurich's business operating profit in 2017 across Life and Property & Casualty. In December 2017 we announced we will purchase ANZ's life insurance business in Australia, pending regulatory approval. This agreement includes a long-term distribution arrangement that will give Zurich access to ANZ's six million customers.

Customers through a bank adviser's eyes

In some countries including Spain, banks are a major retail insurance channel. Our partner in Spain, Banco Sabadell S.A., is going beyond traditional service. In 2017 it introduced a system that helps to ensure its customers have the right insurance, and the right amount. Cristina García Villamor (shown right), an adviser in the Cerdanyola del Vallès branch of Banco Sabadell S.A., says customer response has been enthusiastic. After she helped one bank customer he was so impressed that he soon returned with his wife to make sure that she, too, had adequate coverage.



Closer to travelers

Zurich is one of the world's three top travel insurance providers. We acquired Cover-More Group in 2017, underscoring our determination to focus on customer service. Based in Australia, Cover-More provides specialist travel insurance services and medical assistance and has operations in 14 countries, including market-leading positions in Australia, India, and in the U.S. In 2017 it assisted in providing cover for more than seven million travelers and ensured many thousands got help and support when needed. Cover-More does more than collect premiums and pay claims. It finds solutions.

Around the world, around the clock

With over 1,500 employees worldwide, Cover-More can contact and assist people almost anywhere. Its geo-location technology allows it to contact customers within minutes, including those who might be in danger. When customers are directly involved, Cover-More can mobilize care, including by arranging hospitalization for injured and flying in family members and relatives. Cover-More's Chief Medical Officer, Dr. Stephen Rashford (shown below), a specialist emergency physician with over 25 years' experience in trauma treatment, oversees all critical care cases.

What Cover-More calls its 'customer value proposition' is really about being there when it matters.



For a real customer story visit:
www.youtube.com/watch?v=gGN5xhQABPo



Business review 2017 (continued)

Meeting changing customer needs: Experience, trust, know-how

The risk spotters

As a global insurer with a strong presence on the ground, Zurich wants to ensure customers reduce risk before an event, including by working with our risk engineers, claims specialists and others who help customers identify vulnerabilities and develop emergency plans.

“We are constantly evaluating and putting into practice what we have learned from previous events to improve our processes and ultimately enhance the customer experience.”

John Parvin
Global Head of Catastrophe Claims, Zurich

Significant events in 2017 included a powerful earthquake in central Mexico and wildfires in California. But it was also a year of major storms. Cyclone Debbie hit Australia's northeast coast in March 2017. There were devastating storms and typhoons in South East Asia, major storms in Mexico and Latin America, and in Europe. In the Atlantic Basin there were an above-average 16 named storms including hurricanes.



When it matters, we're there

In 2017, Zurich North America received approximately 4,000 business claims related to hurricanes Harvey, Irma and Maria. One of those who knows first-hand about the destruction storms can cause is Steve Sherin (shown below), an executive general adjuster for Zurich North America. He helps businesses to recover from storms, floods and other events. He may spend many days with customers, logging thousands of miles per year. Some of Steve's tips for businesses? Shut down elevators and bring them to top floors before a flood; remember that floodwater can be contaminated and may conceal live electrical wires, snakes, even alligators; and check roads before sending employees to the office. Thinking with our customers to help reduce risk – all in a day's work for an expert like Steve.

“I am very proud to be part of Zurich. How we support customers reflects on Zurich's reputation, and the personal reputations of me and my fellow adjusters.”

Steve Sherin

General Adjuster, Zurich North America



To learn more:
www.zurichna.com




Insuring workers' futures

Zurich's employee benefits solutions cover over four million people worldwide. Our Corporate Life & Pensions (CLP) team helps multinationals and domestic companies cover their employees with benefits packages that include group risk and group savings solutions. We also take an active role in making sure employers and policymakers address the risks of 'income protection gaps' – when money available in the event of disability or illness falls short of what is needed. As people live longer and social safety nets come under pressure, income protection gaps are truly an issue that affects every member of society.

Important for customers and their employees

Our customers include L'Oréal, which provides benefits to employees in over 60 countries. A range of benefits offered through L'Oréal's 'Share & Care' program is an important way to attract and keep talent, including young adults ('millennials'), according to Sonia Rossi, Social Relations Specialist at L'Oréal.

 To learn more about how Zurich is helping L'Oréal visit: www.zurich.com/ipg-prevention

Did you know that 1 out of 10 employees become disabled for part of their working lifetimes?



Zurich works with employers and others to increase awareness about income protection gaps



Farmers Exchanges: putting customers first since 1928

Farmers Group, Inc. provides certain non-claims administrative and management services to the Farmers Exchanges as its attorney-in-fact. The Farmers Exchanges are owned by their policyholders.

Directly or through their subsidiaries, the Farmers Exchanges offer home and car insurance, commercial insurance and financial services throughout the U.S. They insure small businesses as well as individuals. Established in 1928, today the Farmers Exchanges are proud to serve more than 10 million households with more than 19 million individual policies across all 50 U.S. states.

Farmers Exchanges encourages safer driving

A new mobile application introduced by the Farmers Exchanges in 2017 is helping customers keep an eye on the road. It aims to address concerns about safety by reducing driving distractions. The new app, Signal, monitors distracted driving by providing ongoing feedback to drivers, allowing them to see when and where they get distracted. Signal was introduced in five states in 2017. The Farmers Exchanges are the first insurer to include mobile phone use as part of an overall driving 'score' that can affect a discount drivers might receive on their insurance. Thus, it can link safe driving habits to a reward. Equipping drivers with knowledge of their driving habits allows them to make smarter choices about their behavior behind the wheel.



Business review 2017 (continued)

Helping employees reach their full potential

An organization is only as strong and as good as its people. We continue to focus on identifying the right people for the right roles at the right time, helping them to unleash their full potential through targeted development. This benefits our employees and our customers.

Attracting and retaining talent

Keeping talent is critical to ensuring continuity that helps to keep customers safe and their businesses running. Maintaining long-term ties to customers also gives us better insights into what customers want and need.

Retaining talent is especially important in what we call 'technical functions' – underwriting, claims and risk engineering. We are very proud that employee retention improved in 2017 as the table on this page shows, including in these key roles.

We are working to improve retention. As part of our efforts, we have adopted an integrated view on talent management and simplified how we identify and promote high performers, and ensure all our professional talent get access to the right development in support of their career objectives. We have also introduced strategic talent reviews to help talented individuals meet their goals. And we have built the architecture of critical roles and development roles to develop and deploy talent.

We have also expanded our development efforts through focused planning, such as the 'country CEO acceleration centers' that actively provide assessment and development to this critical pipeline of talent. Designed as a global program, it was piloted in Latin America and North America in 2017. Another example is the 'leadership discovery program' that equips senior leaders with the skills and experience to implement our strategy, offered in all regions in 2017.

These efforts are helping us to support and motivate talent, including the many individuals who help us to succeed. For example, Michael Richards; introduced here, who shows how interesting and rewarding working in insurance can be.



careers.zurich.com

KPIs

Our people – operational KPIs

	2017	2016	Change
Total number of employees – headcount	53,146	53,894	(1.4%)
Employees – full-time equivalents (FTE)	51,633	52,473	(1.6%)
Employee turnover rate (%) ¹	14.7%	16.5%	(1.7 pts)
Average tenure (years)	9.8	9.9	(1.0%)

Talent retention KPIs

	2017	2016	Change
Group voluntary turnover (%)	7.5%	8.2%	(0.7 pts)
Technical function voluntary turnover rate (%) ²	7.1%	8.7%	(1.5 pts)

Notes: Farmers Exchanges and Bolivia are not in scope for all the above KPIs

¹ Chile sales force agents excluded.

² Technical functions include claims, underwriting and risk engineering.



A job for a detective: the motivated insurance sleuth

Insurance fraud is a serious crime costing businesses, customers, society millions, and even endangering lives. Michael Richards (shown below) is one of Zurich's counter-fraud experts. He credits his education including a law degree from the University of Birmingham, and training and mentoring he received at Zurich, for his success. In 2017 he won the UK Insurance Post's prestigious 'Young Investigator of the Year' award. Congratulations, Michael!

“The best part of my job is being able to showcase Zurich's zero-tolerance approach and capabilities in detecting fraud.”

Michael Richards
Senior Claims Handler



Business review 2017 (continued)

Creating value for communities and society

Our corporate responsibility strategy aims to create value for our company and for society as a whole. We use our core skills, risk and investment management expertise (see table) to address issues and, where possible, measure outcomes for the benefit of our customers, our business and society.


Tackling mental health issues in Ireland

Everyone has feelings, even tough rugby players. Yet there is a stigma around talking about mental health. Through the 'Tackle your Feelings' campaign in Ireland, a country with one of the highest youth suicide rates in Europe, Zurich is helping people to open up about mental health issues. Zurich Ireland has paired up with the Rugby Players Ireland in a three-year, one million euro campaign aimed at changing attitudes and breaking down the stigma attached to mental health issues. The Z Zurich Foundation provides support and funds, helping Zurich offices work with local community organizations to promote this project.

Shifting to a low-carbon world

As a leading commercial insurer, we believe we have a role to play in shifting to a low-carbon economy. In 2017, Zurich decided to apply enhanced risk screening criteria for investments in thermal coal companies and apply our existing environmental, social and governance (ESG) risks in business transactions process to that sector.

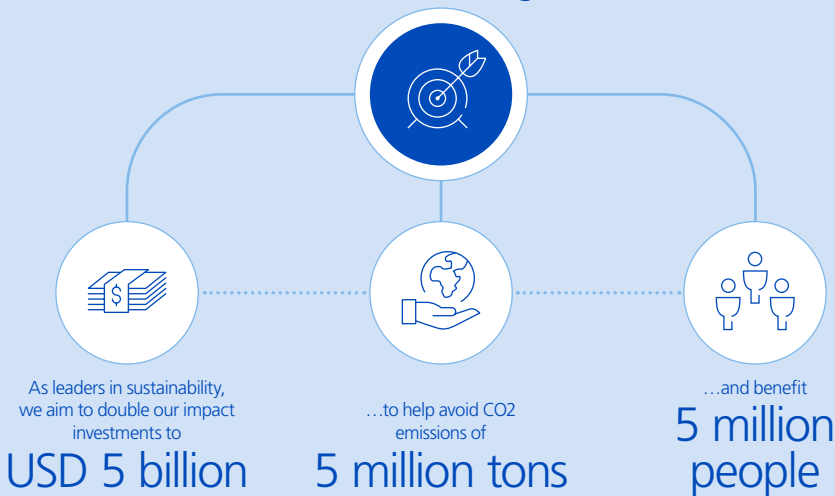
Zurich will engage in dialogue (not to exceed 24 months) with existing customers that derive more than half their revenues from mining thermal coal, or, in the case of utility companies, generate more than half of their energy from this type of coal, with the aim to facilitate a transition to another insurer or explore if an underwriting exception should be granted, based on the customer's strategy and position on climate risk. We will also divest from equity holdings in companies that get more than half of their revenues from mining thermal coal, or utility companies that generate more than half of their energy from it.

 To learn more:
www.zurich.com/low-carbon

 Learn more about our corporate responsibility initiatives in the Corporate responsibility highlights 2017 report:
www.zurich.com/corporate-responsibility

Shaping a more resilient tomorrow

Our annual targets



Lowering emissions and energy consumption faster than planned

Committed to minimizing our global environmental footprint, we achieved a 53-percent reduction in carbon emissions per employee and a 43-percent reduction in energy consumption per employee in 2016 (based on a 2007 baseline), ahead of our targeted schedule. In 2017, we defined new reduction targets to achieve and maintain an at least 20-percent reduction in energy and carbon, based on a new 2015 baseline, until 2025.

Increasing our commitment to impact investments, setting targets

Zurich believes it is the first private-sector investor to introduce impact targets for its investment portfolio. After achieving a multi-year goal of investing USD 2 billion in green bonds, we will target USD 5 billion for our entire portfolio of impact investments. And we will establish a measurement framework to track the impact of these investments, aiming to avoid five million tons of CO2 equivalent emissions annually and improve the lives of five million people per year.

Continued strong performance indices, ratings

In the 2017 Dow Jones Sustainability Indices review, Zurich achieved a score of 83 and outperformed 98 percent of the other companies in the insurance industry group. In addition, through CDP, each year we provide information on our greenhouse gas emissions, energy use and the risks and opportunities from climate change. In our annual CDP Climate Change response Zurich improved its score to 'A-' Leadership level in 2017 from 'B' Management level in 2016. In October 2017, Zurich also became a signatory of the United Nations Environment Programme Finance Initiative's 'Principles for Sustainable Insurance.'

KPIs			
Responsible investment KPIs			
	2017	2016	Change
External asset managers who are signatories to PRI (%) ¹	71.0%	74.1%	(3.1 pts)
Group assets managed by PRI signatories (%) ²	97.2%	97.7%	(0.5 pts)
Total amount of impact investments (USD millions) ³	2,830	1,704	66%
Investment portfolio (USD millions) ⁴	207,261	195,852	6%

¹ The United Nations supported Principles for Responsible Investment (PRI).
² Including assets managed by Zurich.
³ Impact investments in 2017 consisted of: green bonds (USD 2.41 billion), investments committed to private equity funds (USD 116 million, thereof 38 percent drawn down) and other investments (USD 303 million).
⁴ Starting in 2017, the investment portfolio is calculated on a market basis, and is different from the total Group investments reported in the consolidated financial statements, which is calculated on an accounting basis and doesn't include cash and cash equivalents.



Dream savers

As an insurer, our commitment includes helping communities reduce flood risks. Working with our flood resilience alliance, we can secure lives and livelihoods so people's hopes, ambitions and futures remain intact, despite floods.

Mitigation mindset for floods

In 2017 we continued to work within the Zurich flood resilience alliance to help communities. One example is work we are doing with alliance member Practical Action in Peru's Rimac river basin on flood early warning systems to monitor risks of 'huaycos' – dangerous mudflows. In this photo, Michael Szoenyi, Zurich's flood resilience program lead, tends to a warning system camera while Miguel Arestegui of Practical Action, who developed the simple, cost-effective technology, checks the camera image on his cellphone.

Business review 2017 (continued)

Creating value for our investors

Zurich has a highly cash-generative business model and is focused on paying an attractive and growing dividend while managing capital in a disciplined way.

A balanced and diverse global business

Zurich is a large and diversified global insurer. It is a leading cross-border insurer to multinational corporations, and has significant market share in North America and Europe and a growing presence in emerging markets. Zurich also benefits from the predictable fee income generated by Farmers Management Services for services provided to the Farmers Exchanges.¹

The balanced business profile of Zurich is also supported by best practice corporate governance. Its Board is independent and remarkably diverse in terms of gender and skills. Its remuneration principles align pay to performance and are an important element of the Group's risk management framework.

Zurich pro-actively addresses environmental, social and governance (ESG) factors as part of day-to-day business activity. This includes responsible investment, corporate responsibility in business transactions, minimizing its carbon footprint and helping the communities in which it operates. Zurich's excellent ESG track record is illustrated by a 'AA' rating from MSCI and

our Silver Class distinction in the Dow Jones Sustainability Indices (DJSI). Zurich also improved its score in the annual CDP Climate Change rankings to 'Leadership' level.

 www.zurich.com/CR-external-commitments

Industry-leading capital levels

Zurich is 'AA' range rated by three internationally-recognized rating agencies. The estimated Zurich Economic Capital Model (Z-ECM) ratio² stands at a very strong 132 percent (calibrated to AA). Zurich's financial flexibility is strong, with a conservative 'Aa'-level leverage as defined by Moody's.

Stable, consistent and conservatively-managed balance sheet based on disciplined risk management and producing stable cash flows. A key element of the Group's capital management strategy is to minimize the risk of limited capital fungibility by pooling risk, capital and liquidity centrally as much as possible. Zurich's investment portfolio is generally conservative with an asset allocation comprising mainly fixed income (79 percent) and a small amount of equity (5 percent).

Opportunities to grow and enhance returns through capital allocation

The Group intends to maintain its current attractive dividend policy and proposes a target payout ratio of around 75 percent of net income attributable to shareholders, subject to a minimum of CHF 17, with dividend increases subject to sustainable earnings growth.

On track to achieve financial targets

During the Investor Day in November 2017, we provided a number of examples of how we are delivering on our plans. For details, please refer to the financial review section of the Annual Report, and the Investor Day 2017 presentation available at the link below:

 www.zurich.com/IR-presentations

¹ The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

² Reflects midpoint estimates as of December 31, 2017 with an error margin of +/- 5 pts.

Proposed gross dividend per share for 2017

CHF 18.00 (CHF 17.00 for 2016).

Please refer to our website for additional information and the dividend history.

 www.zurich.com/en/investor-relations/our-shares/dividends

Dividend a key part of total shareholder return (TSR)

Total shareholder return in U.S. dollars



● Stoxx Europe 600 Insurance Index ● Zurich Insurance Group Ltd

Source: Thomson Reuters Datastream

Dialogue with investors

Zurich engages regularly with its shareholders and proxy advisers to understand investors' perspectives, exchange views about the Group's strategy, financial performance, corporate governance and compensation and other matters of importance to the Group or its shareholders. Investor Relations is responsible for overseeing this communication.

Zurich's annual financial results are published in printed and electronic form. Detailed information is published for the half and full year. For first and third quarters, the Group provides highlights for the quarter and qualitative comments on trading and market trends, capital, and notable exceptional items. Zurich's management hosts an analysts' call each quarter. Quarterly updates and current publication dates can also be found online.



www.zurich.com/en/investor-relations

Financial calendar

Annual General Meeting 2018

April 4, 2018

Ex-dividend date

April 6, 2018

Dividend payable as from

April 10, 2018

Update for the three months ended March 31, 2018

May 9, 2018

Half year results 2018

August 9, 2018

Update for the nine months ended

September 30, 2018

November 8, 2018

Annual results 2018

February 7, 2019

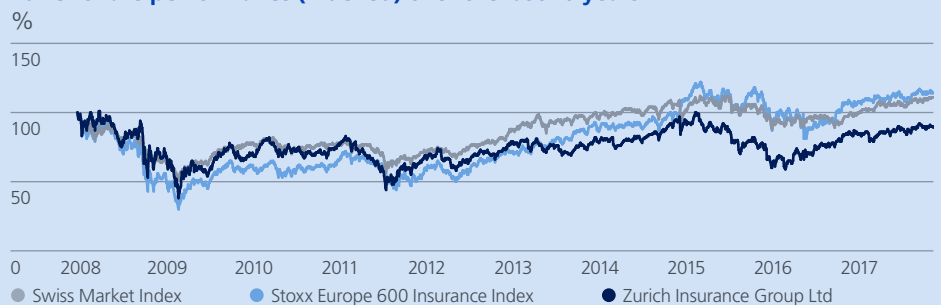
Zurich's shares

The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorenummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the blue chip segment is conducted in Swiss francs. Zurich has a level 1 American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. For further information on shareholders or capital structure, see corporate governance report or



www.zurich.com/en/investor-relations/our-shares/registered-share-data

Zurich share performance (indexed) over the last 10 years



Share data (CHF) (as of December 31)

Zurich Insurance Group Ltd

	2017	2016
Dividend per share	18.00 ¹	17.00
Share price at end of period	296.60	280.40
Price period high	306.00	281.50
Price period low	262.20	196.00
Market capitalization (CHF millions)	44,670	42,000

¹ Proposed gross dividend, subject to approval by shareholders at the Annual General Meeting; expected payment date as from April 10, 2018.

Ratings (as of December 31, 2017)

Zurich Insurance Company Ltd

Rating Agency	Financial Strength Rating	Senior Debt Rating	Subordinated Debt Rating
Standard & Poor's	AA-	A+	A
Moody's	Aa3	A1	A2
A.M. Best	A+	-	-

Message from our Group Chief Financial Officer

Building momentum

“Overall, the results show strong progress across all areas of the business and, together with improved efficiency, position the Group well to deliver further earnings growth and to take advantage of an improved market environment.”

George Quinn
Group Chief Financial Officer



For Zurich, 2017 was another year of progress, with the Group growing operating earnings¹ while continuing to improve its focus. Reflecting this performance, and management's expectations of further improvement in 2018, the Board will propose a CHF 18 per share dividend for 2017.

2017–2019 financial targets

**Executing on key strategic priorities**

2017 showed a strong underlying performance, with BOP up 6 percent versus the prior year after adjusting for the impact of the hurricanes Harvey, Irma and Maria, the impact of charges related to the Group's restructuring taken through business operating profits and the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget.

The Group further reduced expenses, with overall savings of USD 700 million achieved to date since the start of the program, and with further savings expected to be delivered in 2018. This represents good progress toward the goal to reduce expenses by USD 1.5 billion versus the 2015 baseline, a further proof of execution against the Group targets.

A strong capital position

During the year, management continued to improve the Group's focus and optimize how we use capital. Zurich has made considerable progress in refocusing on its core business, exiting under-performing or non-strategic units while building capabilities in select growth markets through targeted acquisitions totaling USD 2.7 billion in 2017.

The company underpinned its position as one of the top three global providers of travel services with the acquisitions of Cover-More Group Limited and Halo Insurance Limited.

On track to meet our 2017–2019 financial targets

This strong capital position is reflected in a Z-ECM ratio estimated at 132 percent as of December 31, 2017, with an error margin of +/-5 percentage points, which is above the 100–120 percent target range. The Group also delivered USD 3.7 billion of net cash remittances in 2017, consistent with our target of more than USD 9.5 billion for the 2017–2019 period.

Business operating profit after tax return on equity (BOPAT ROE) was 12.1 percent^{1,2} for the year, in line with the targeted 12 percent and growing over the 2017–2019 period.

The Group continued to execute against its expense targets, with cumulative net savings of USD 700 million achieved to date, on track to deliver USD 1.5 billion of savings by 2019.

¹ Full-year 2017 adjusted for the impact of the U.S. hurricanes, the change to capital gains tax indexation relief in the UK and the measures related to the Group's restructuring.

² Excluding unrealized gains and losses.

Message from our Group Chief Financial Officer (continued)

Progress made across all businesses

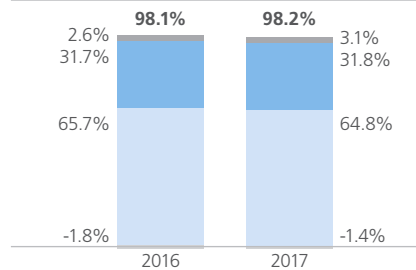
P&C results show management actions taking hold. Top-line growth has stabilized over the year, with a return to growth in the second half, while the accident year combined ratio excluding catastrophes reduced by around one percentage point, driven by an improved underwriting performance and reduced expenses. The Group expects to deliver further improvement in the underwriting results, as the focus on technical performance and the reshaping of the portfolio continues to have a positive effect, in particular in the commercial insurance business.

The Life business continued to build on its unit-linked and protection strategy. The combination of portfolio growth, improved product mix and cost improvements has led to strong growth in BOP of 22 percent,¹ as well as 28 percent growth in new business value.

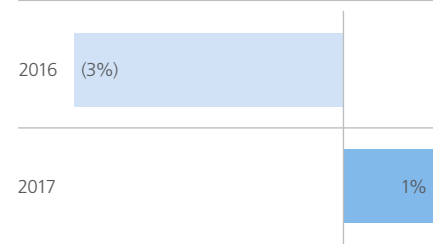
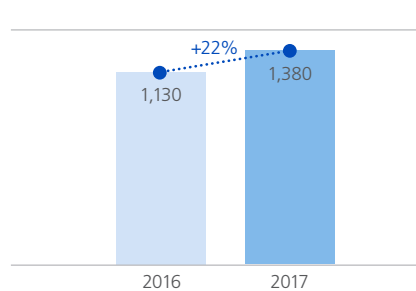
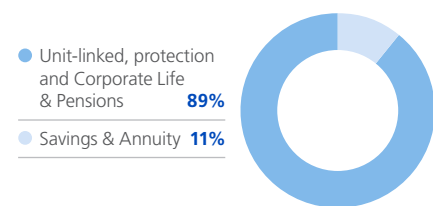
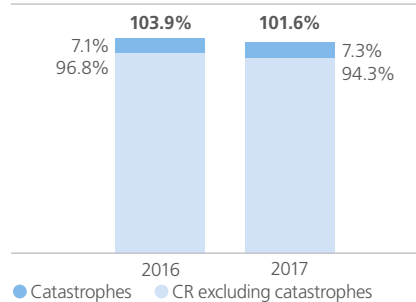
The Farmers Exchanges² have continued to show steady growth, while also improving their underwriting performance and key customer metrics. Growth in the Farmers Exchanges has also continued to drive top-line growth in Farmers Management Services, while Farmers Life has reflected the broader positive trends within the Group's life businesses with solid earnings growth combined with expanding margins for new business.



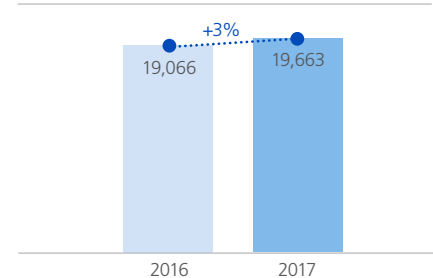
George Quinn
Group Chief Financial Officer

Continued delivery across all businesses**Property & Casualty (P&C)****Combined ratio¹ (%)**

● Catastrophes ● Expense ratio
● Accident year loss ratio excluding catastrophes
● Prior year development

Like-for-like GWP growth (%)**Life****BOP growth¹ (USDm)****2017 APE share of non-traditional products (%)****Farmers Exchanges²****Combined ratio (CR) (%)**

● Catastrophes ● CR excluding catastrophes

Continued GWP growth (USDm)

¹ Full-year 2017 adjusted for the impact of the U.S. hurricanes, the change to capital gains tax indexation relief in the UK and the measures related to the Group's restructuring.

² Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Performance overview

Consolidated income statements (unaudited)

in USD millions, for the years ended December 31

	2017	2016
Revenues		
Gross written premiums	46,685	48,208
Policy fees	2,429	2,407
Gross written premiums and policy fees	49,114	50,615
Less premiums ceded to reinsurers	(7,977)	(7,843)
Net written premiums and policy fees	41,136	42,772
Net change in reserves for unearned premiums	(79)	(150)
Net earned premiums and policy fees	41,057	42,622
Farmers management fees and other related revenues	2,892	2,867
Net investment income on Group investments	5,215	5,474
Net capital gains/(losses) and impairments on Group investments	2,034	1,560
Net investment result on Group investments	7,249	7,034
Net investment result on unit-linked investments	11,664	13,613
Net gains/(losses) on divestment of businesses	(84)	(89)
Other income	1,183	1,199
Total revenues	63,961	67,245
Benefits, losses and expenses		
Insurance benefits and losses, gross of reinsurance	34,894	35,123
Less ceded insurance benefits and losses	(6,252)	(4,682)
Insurance benefits and losses, net of reinsurance	28,643	30,441
Policyholder dividends and participation in profits, net of reinsurance	12,984	14,519
Underwriting and policy acquisition costs, net of reinsurance	9,039	8,538
Administrative and other operating expense	7,212	7,478
Interest expense on debt	411	423
Interest credited to policyholders and other interest	546	525
Total benefits, losses and expenses	58,835	61,924
Net income before income taxes	5,125	5,321
of which: Attributable to non-controlling interests	459	408
Income tax (expense)/benefit	(1,816)	(1,843)
attributable to policyholders	(171)	(304)
attributable to shareholders	(1,645)	(1,539)
of which: Attributable to non-controlling interests	(154)	(140)
Net income after taxes	3,309	3,478
attributable to non-controlling interests	305	268
attributable to shareholders	3,004	3,211
in USD		
Basic earnings per share	20.02	21.51
Diluted earnings per share	19.90	21.36
in CHF		
Basic earnings per share	19.71	21.18
Diluted earnings per share	19.58	21.04

Performance overview (continued)

Business operating profit by business (unaudited)

in USD millions, for the years ended December 31	Property & Casualty		Life		Farmers	
	2017	2016	2017	2016	2017	2016
Revenues						
Direct written premiums	31,681	31,770	11,857	12,642	566	552
Assumed written premiums	1,343	1,352	177	208	995	1,597
Gross Written Premiums	33,024	33,122	12,034	12,851	1,561	2,149
Policy fees	–	–	2,036	1,806	310	311
Gross written premiums and policy fees	33,024	33,122	14,070	14,657	1,871	2,459
Less premiums ceded to reinsurers	(6,492)	(7,014)	(1,128)	(684)	(195)	(189)
Net written premiums and policy fees	26,532	26,108	12,942	13,973	1,676	2,270
Net change in reserves for unearned premiums	(499)	(6)	(132)	(119)	546	(65)
Net earned premiums and policy fees	26,033	26,102	12,810	13,854	2,223	2,205
Farmers management fees and other related revenues	–	–	–	–	2,892	2,867
Net investment income on Group investments	1,847	1,891	2,925	2,993	215	262
Net capital gains/(losses) and impairments on Group investments	191	67	649	640	1	–
Net investment result on Group investments	2,038	1,958	3,574	3,633	216	262
Net investment result on unit-linked investments	–	–	10,892	13,259	136	39
Other income	751	708	641	716	153	177
Total BOP revenues	28,822	28,768	27,918	31,461	5,619	5,550
of which: Inter-segment revenues	(238)	(283)	(215)	(263)	(37)	(35)
Benefits, losses and expenses						
Losses and loss adjustment expenses, net	17,997	17,346	–	–	1,044	1,085
Life insurance death and other benefits, net	(1)	(2)	9,258	11,130	389	380
Insurance benefits and losses, net	17,996	17,345	9,259	11,130	1,434	1,465
Policyholder dividends and participation in profits, net	7	7	12,095	14,067	144	47
Income tax expense/(benefit) attributable to policyholders	–	–	171	304	–	–
Underwriting and policy acquisition costs, net	5,970	5,765	2,489	2,155	582	614
Administrative and other operating expense (excl. depreciation/amortization)	2,727	2,878	1,959	2,203	1,521	1,408
Interest credited to policyholders and other interest	218	153	315	307	109	148
Restructuring provisions and other items not included in BOP	(185)	(304)	(104)	(221)	(22)	(8)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	26,733	25,844	26,185	29,945	3,769	3,674
Business operating profit (before interest, depreciation and amortization)						
	2,088	2,924	1,733	1,516	1,850	1,876
Depreciation and impairments of property and equipment	89	109	15	21	34	35
Amortization and impairments of intangible assets	228	148	161	100	125	119
Interest expense on debt	100	97	9	10	–	–
Business operating profit before non-controlling interests	1,670	2,570	1,548	1,385	1,691	1,722
Non-controlling interests	124	133	289	255	–	–
Business operating profit	1,546	2,437	1,258	1,130	1,691	1,722

Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2017	2016	2017	2016	2017	2016	2017	2016
–	–	41	59	–	–	44,145	45,024
48	48	79	80	(102)	(101)	2,539	3,184
48	48	120	139	(102)	(101)	46,685	48,208
–	–	83	290	–	–	2,429	2,407
48	48	202	429	(102)	(101)	49,114	50,615
(42)	(43)	(222)	(13)	102	101	(7,977)	(7,843)
6	6	(19)	416	–	–	41,136	42,772
–	–	5	40	–	–	(79)	(150)
6	6	(14)	456	–	–	41,057	42,622
–	–	–	–	–	–	2,892	2,867
170	228	233	281	(175)	(180)	5,215	5,474
–	–	(8)	(11)	–	–	833	697
170	228	225	270	(175)	(180)	6,048	6,171
–	–	636	315	–	–	11,664	13,613
243	1,135	42	64	(648)	(1,601)	1,183	1,199
419	1,368	889	1,105	(823)	(1,781)	62,844	66,471
(318)	(1,196)	(15)	(5)	823	1,781	–	–
–	–	52	53	–	–	19,094	18,484
–	–	(97)	448	–	–	9,548	11,957
–	–	(45)	501	–	–	28,643	30,441
–	–	737	398	–	–	12,984	14,519
–	–	–	–	–	–	171	304
1	–	4	11	(7)	(7)	9,039	8,538
321	1,348	87	122	(126)	(1,072)	6,490	6,888
119	120	54	79	(269)	(281)	546	525
(66)	(100)	(1)	(1)	–	–	(377)	(634)
374	1,369	837	1,110	(402)	(1,360)	57,496	60,581
45	–	52	(4)	(420)	(421)	5,348	5,890
12	9	–	–	–	–	152	174
56	49	–	–	–	–	570	416
710	727	13	10	(420)	(421)	411	423
(733)	(785)	39	(15)	–	–	4,215	4,877
(2)	(6)	–	–	–	–	411	382
(731)	(779)	39	(15)	–	–	3,803	4,495

Performance overview (continued)

Consolidated balance sheets (unaudited)

Assets		
in USD millions, as of December 31	2017	2016
Assets		
Cash and cash equivalents	8,228	7,197
Total Group investments	194,084	182,611
Equity securities	17,787	15,908
Debt securities	148,261	140,181
Investment property	12,238	10,562
Mortgage loans	7,047	6,794
Other loans	8,730	9,146
Investments in associates and joint ventures	21	20
Investments for unit-linked contracts	120,699	125,907
Total investments	314,782	308,518
Reinsurers' share of liabilities for insurance contracts	20,918	18,347
Deposits made under reinsurance contracts	1,269	1,764
Deferred policy acquisition costs	18,663	17,796
Deferred origination costs	460	426
Receivables and other assets	18,195	17,755
Deferred tax assets	1,076	1,448
Assets held for sale ¹	29,371	530
Property and equipment	961	953
Attorney in fact contracts	1,025	1,025
Goodwill	2,353	1,795
Other intangible assets	4,762	4,795
Total assets	422,065	382,348

¹ In 2017, the Group reclassified USD 29 billion of assets to held for sale based on agreements signed to sell businesses in the UK (see note 5 of the consolidated financial statements). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 41 million and USD 9 million, respectively. In 2016, the Group reclassified USD 456 million of assets to held for sale based on agreements signed to sell businesses in Taiwan and Middle East (see note 5 of the consolidated financial statements). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 67 million and USD 7 million, respectively.

Liabilities and equity		
in USD millions, as of December 31	2017	2016
Liabilities		
Liabilities for investment contracts	55,627	69,113
Deposits received under ceded reinsurance contracts	512	568
Deferred front-end fees	5,429	4,872
Liabilities for insurance contracts	261,335	239,369
Obligations to repurchase securities	1,394	1,280
Other liabilities	18,463	18,609
Deferred tax liabilities	4,357	4,562
Liabilities held for sale ¹	29,271	290
Senior debt	3,846	4,162
Subordinated debt	6,938	7,050
Total liabilities	387,172	349,875
Equity		
Share capital	11	11
Additional paid-in capital	1,162	1,348
Net unrealized gains/(losses) on available-for-sale investments	3,078	2,809
Cash flow hedges	410	418
Cumulative foreign currency translation adjustment	(8,762)	(9,973)
Revaluation reserve	228	235
Retained earnings	36,936	35,812
Shareholders' equity	33,062	30,660
Non-controlling interests	1,831	1,813
Total equity	34,893	32,473
Total liabilities and equity	422,065	382,348

¹ In 2017, the Group reclassified USD 29 billion of liabilities to held for sale based on agreements signed to sell businesses in the UK (see note 5 of the consolidated financial statements). In 2016, the Group reclassified USD 290 million of liabilities to held for sale based on agreements signed to sell businesses in Taiwan and Middle East (see note 5 of the consolidated financial statements).

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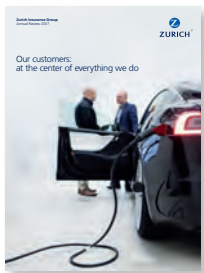
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Financial calendar

See page 29 of this report or website:
www.zurich.com/en/investor-relations/calendar

Our 2017 reports



Annual Review 2017

The Annual Review provides an overview of Zurich's business and strategy, and its financial and operating performance in 2017. It is available in English and German.



Annual Report 2017

The Annual Report contains detailed information about Zurich's financial performance, executive bodies, risk management, corporate governance and remuneration in 2017, and its strategy. It is available in English and German, with the financial statements in English only.

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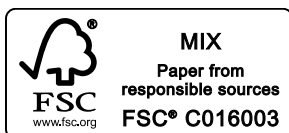
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