Financial Condition Report 2022

Zurich Insurance Group

Zurich Insurance Group

Contents

The information published in this report is consistent with the information published in the Annual Report 2022 of Zurich Insurance Group and the regulatory reporting of Zurich Insurance Group for the year 2022, including the regulatory reporting to the Swiss Financial Market Supervisory Authority FINMA (FINMA) on the Swiss Solvency Test, in accordance with Art. 25 ISA and Art. 53 ISO. While the financial statements and the information therein were subject to audit by the statutory auditor of Zurich Insurance Group Ltd, Ernst & Young Ltd (see Appendix 2), there was no external audit or review of this report.

Please further note that while this report has been filed with FINMA, FINMA has not reviewed the report.

Zurich Insurance Group (continued)

Overview

Business profile

Zurich Insurance Group (Zurich or the Group) is a leading multi-line insurer serving people and businesses in more than 200 countries and territories. With about 60,000 employees, it provides a wide range of property and casualty, and life insurance products and services.

Total revenues

USD 54.1bn[1]

Business operating profit

USD 6.5bn[2]

Investment portfolio

USD 168.5bn[3]

System of governance and enterprise risk management

Good corporate governance enables Zurich to create sustainable value for its shareholders, customers, employees, and other stakeholders.

Our Enterprise Risk Management framework supports achievement of Zurich's strategy and helps protect capital, liquidity, earnings, and reputation.

Risk profile

The Group Swiss Solvency Test (SST) ratio increased to 267% as of January 1, 2023, from 212% as of January 1, 2022. The Group solvency has benefited from the strong rise in interest rates across all currencies. Strong capital generation and M&A transactions had further positive impact on the ratio.

Swiss Solvency Test ratio as of January 1, 2023

SST 267%

Financial condition

The Group maintained its strong rating level in 2022. As of January 2023, the insurance financial strength rating of Zurich Insurance Company Ltd, the main operating entity of the Group was 'AA/Stable' by Standard and Poor's Global Ratings, 'Aa3/positive' by Moody's, and 'A+(Superior)/Stable by AM Best.

Shareholders' equity

USD 26.6bn

Standard and Poor's financial strength rating as of January 2023

AA/Stable

1 Total revenues excluding net investment result on unit-linked investments.
2 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.
3 Market value of the investment portfolio (economic view).

Acronyms

AEL	annual expected losses
AGM	Annual General Meeting
APE	annual premium equivalent
BEL	best estimate liability
bn	billion
Board	Board of Directors
BOP	business operating profit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss franc
CIO	Chief Investment Officer
CRNHR	cost of residual non-hedgeable risks
CRO	Chief Risk Officer
DAC	deferred acquisition costs
EMEA	Europe, Middle East & Africa
ERM	Enterprise Risk Management
ESG	environmental, social and governance
EUR	euro
EV	embedded value
EY	Ernst & Young Ltd
ExCo	Executive Committee
FC	frictional costs
FCR	Financial Condition Report
FINMA	Swiss Financial Market Supervisory Authority FINMA
FMIA	Swiss Financial Market Infrastructure Act
GBP	Great Britain pound
Group	Zurich Insurance Group Ltd and its subsidiaries
ICR	issuer credit rating
IFRS	International Financial Reporting Standards
IFSR	insurance financial strength rating
ISA	Swiss Insurance Supervision Act
ISO	Swiss Insurance Supervision Ordinance
KPI	key performance indicator
Ltd	company limited by shares
MCBS	market-consistent balance sheet
Nat Cat	natural catastrophes
NBM	new business margin
NBV	new business value
NCI	non-controlling interest
NZIA	Net-Zero Insurance Alliance
PH div	policyholder dividends
P&C	property and casualty
PML	probable maximum losses
PVNBP	present value new business premium
SFCR	Solvency and Financial Condition Report
SST	Swiss Solvency Test
TRP	Total Risk Profiling™
UK	United Kingdom
UPR	unearned premium reserve
U.S.	United States
USD	United States dollar
Z-ECM	Zurich Economic Capital Model
ZIC	Zurich Insurance Company Ltd
ZIG	Zurich Insurance Group Ltd
Zurich	Zurich Insurance Group Ltd and its subsidiaries

Introduction

How to read the report

The financial condition report of the Zurich Insurance Group, consisting of Zurich Insurance Group Ltd and its subsidiaries (Zurich or the Group), is prepared in compliance with Art. 25 ISA and FINMA's Circular 2016/2 'Disclosure – insurers' (FINMA circular).

The report focuses on the 2022 financial year and should be read in conjunction with the Annual Report 2022 of the Group (available on www.zurich.com/investor-relations). Wherever applicable, this report makes reference to the Group's Annual Report for more information.

The report presents information following the structure given in FINMA circular. It covers Zurich's business activities, performance, corporate governance and risk management, climate-related financial risks, risk profile, valuation, capital management and solvency. Quantitative information supporting the presentation of the information refers to different frameworks applicable or mandatory to the Group:

- 'Business activities'-related information and 'Performance' section are presented based on International Financial Reporting Standards (IFRS).
- The 'Capital management' and the 'Risk profile' sections make reference to the (SST).
- 'Valuation' presents the market-consistent balance sheet (MCBS) of the Group following Swiss Solvency Test (SST) principles. The SST MCBS is compared with the IFRS balance sheet as of December 31, 2022.
- Finally, the 'Solvency' section shows the regulatory capital adequacy, supported by the results of the SST.

In accordance with the Group's Annual Report, the reference currency is the U.S. dollar. SST ratios are calculated as of January 1, following FINMA requirements.

FINMA mandates the disclosure of quantitative templates for insurance groups that are presented in Appendix 1.

1 Executive summary

Business activities

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 60,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 200 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. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX.

Company results

Overall Group business operating profit (BOP) increased in 2022, up 12 percent compared with 2021, registering improvement across almost all operating segments. Growth came from a strong underlying performance driven by increasing premiums and lower natural catastrophe losses in Property & Casualty, solid underlying performance, management actions and improved COVID-19 claims experience in Life and the increased Farmers BOP following a higher premium base of the Farmers Exchanges[1].

Gross written premiums in Property & Casualty (P&C) rose 8 percent in 2022. All regions reported strong underlying growth supported by higher premium rates of 6 percent on average, partially offset by adverse currency developments. Business operating profit rose 14 percent to USD 3.6 billion. The improvement was driven by higher prices feeding into the result, supporting increasing premiums and a consistently strong combined ratio.

The Group's Life business delivered a business operating profit of USD 2.0 billion for 2022 which was 8 percent higher than in the prior-year period, driven by solid underlying performance, management actions and improved COVID-19 claims experience, more than offsetting unfavorable foreign exchange and market movements.

Farmers Management Services (FMS) business operating profit increased 13 percent compared with the prior year. This was mainly driven by growth in the premium base of the Farmers Exchanges[1], up 9 percent compared with 2021, benefiting from the inclusion of the acquired MetLife U.S. P&C business. Farmers Life business operating profit of USD 168 million doubled compared with 2021, driven by an improved mortality experience related to COVID-19 and favorable actuarial assumptions updates, partially offset by negative market impacts on the amortization of deferred acquisition costs.

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

Introduction (continued)

Corporate governance and risk management

Zurich is committed to effective corporate governance for the benefit of its shareholders, customers, employees, and other stakeholders based on the principles of fairness, transparency, and accountability. Structures, rules, and processes are designed to enable proper conduct of business by defining the powers and responsibilities of its corporate bodies and employees.

The operational structure reflects the businesses operated by the Group and how these are strategically run to offer different products and services to specific customer groups. The Group is managed by regions, and in addition, Commercial Insurance, Zurich Global Ventures and Farmers in the U.S.

The Executive Committee (ExCo) is headed by the Group CEO. Seven members of the ExCo represent the Group's businesses: the CEOs of the regions (CEO North America, CEO EMEA (Europe, Middle East & Africa) and Bank Distribution, CEO Latin America, CEO Asia Pacific), CEO Commercial Insurance, CEO Zurich Global Ventures and the CEO of Farmers Group, Inc. Three members of the ExCo represent Group Functions and Operations: The Group Chief Information and Digital Officer, the Group Chief Risk Officer (Group CRO) and the Group Chief Financial Officer (Group CFO). On the investment side, Investment Management manages the Group's own assets and the assets of policyholders; Investment Management is headed by the Group Chief Investment Officer (Group CIO).

Events in 2022 clearly demonstrated a world where risks increased in dynamism and interconnectivity. It was a year marked by the resurfacing of historic and intertwined challenges previously considered to have been vanquished – war in Europe, high inflation, energy crises and escalating tensions between major geopolitical powers.

Despite the volatile environment, the Group has continued to remain financially robust and operationally resilient to continue to serve our customers. While there are significant external challenges, our solid risk management provides optimism that the Group can continue to build on its success in the years to come.

This position has been reached through diligent and patient preparation, which has allowed us to adapt quickly to identify, assess and manage the threats arising from today's uncertain and rapidly changing world. Risk management has been at the center of this preparation, equipping all our employees with the right level of information and discipline to continue to actively take risks within the Group's risk appetite and tolerance.

This has been underpinned by a culture, driven by risk management experts, where risk-reward trade-offs are transparent, understood and appropriately managed.

Our integrated Enterprise Risk Management (ERM) framework has continued to support effective risk identification and assessment to help protect our capital, liquidity, earnings, and reputation. This has been supplemented by the ongoing application of our Total Risk Profiling™ methodology, which has helped to maintain our focus on the risks that matter.

Sustainability and climate-related financial risks

Sustainability and climate-related financial risks

A sustainable company must care for the planet. As climate change is one of the most pressing challenges of our time, the Group considers the impact it has on our business as an insurer, an investor, and an employer. The Group continues to report in line with the recommendation of the Financial Stability Board's Taskforce on Climate-related Financial Disclosure (TCFD). As part of the Integrated Sustainability Disclosure (ISD), which is part of the Annual Report, it outlines the Group's understanding of potential climate risk impacts to its insurance and investment activities and an assessment of the resilience of its strategy of transitioning to a climate-neutral world. Additionally, impacts on own operations are assessed and disclosed in the ISD as well (see Group's Annual Report on pages 131–169).

Risk analysis on short- medium- and long-term

The Group analyzes risks on short, medium-, and long-term. The current year analysis is based on the analysis of specific climate-related Key Performance Indicators (KPIs). For the underwriting portfolio, for example, natural catastrophe modelling is used, covering annual expected losses (AEL[1]), probable maximum losses (PML[2]) as well as monetary losses attributable to insurance pay-outs from natural catastrophes. Additionally, short-term risks are covered within the regular planning cycle which focuses on 1 to 3-year time frame. On the medium- and long-term, in 2021, the Group performed for the first time its portfolio-level climate risk scenario analysis. In 2022, we reviewed the risk analyses performed in 2021 and updated them where needed.

1 AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years.
2 PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence.

Introduction (continued)

In the tables below you can find a summary of the different types of risk analysis performed within each time frame, for underwriting, investment management and own operations.

Risk and opportunities presented by climate change on short-, medium- and long-term

1. Underwriting (Table 1)		
Current year	Analysis	Natural catastrophe modelling AEL AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years. PML PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence. Monetary losses Amount of monetary losses attributable to insurance payouts from natural catastrophes.
	Period	1 year
	Scope	Property and Casualty business
	Reference	Group Annual Report pages 132, 135–137, 154–156
Short-term	Analysis	Captured in regular planning time frame
Medium- to long term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed to underpin our medium-term assessment (to 2030), impacts to 2050 are analyzed qualitatively.
	Scope	The in-depth analyses performed consider: Analysis of the Group by: Lines of business | Region | Industry/sector ↓ Set of nine clusters with potentially high exposure to physical and transition risk representing: 49% of P&C | 37% of Life ↓ Each cluster was analyzed in depth for: Impact on demands | Impact on losses
	Impact	Please see heatmap Group Annual Report on page 141
	Conclusion	The Group's strategy is resilient under the different scenarios
	Reference	Group Annual Report pages 132 and 138–145

Introduction (continued)

2. Investment Management (Table 2)		
Current year	Analysis	Monitoring climate-related KPIs enables to understand how risks and opportunities unfolded during the year. The progress over the years helps to better understand how well the risk mitigation strategy is working and whether the presented opportunities could be captured. Please refer to table 4 for more information on the KPIs used.
Short-term	Analysis	Captured in regular planning time frame
Medium- to long term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed on a long-term period (by 2050).
	Scope	The in-depth analyses performed consider: proprietary investment portfolio listed equities / corporate credit / real estate / sovereign debt listed equities, corporate credit, real estate: 36% of our proprietary investment portfolio Within each asset class, between 70% and 100% of holding -based on number of securities– are covered, representing significant contribution to our market risk position. sovereign debt: Independent analysis
	Impact	Please see heatmaps Group Annual Report on pages 147 and 149
	Conclusion	The Group's strategy is resilient under the different scenarios
	Reference	Group Annual Report pages 132, 138–139, 146–150 and 154–156

3. Own Operations (Table 3)		
Current year	Analysis	Monitoring climate-related KPIs enables to understand how risks and opportunities unfolded during the year. The progress over the years helps to better understand how well the risk mitigation strategy is working and whether presented opportunities could be captured. Please refer to table 4 for more information on the KPIs used.
Short-term	Analysis	Captured in regular planning time frame
Medium- to long term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed on medium (2030) and long term (2050).
	Scope	The in-depth analyses performed consider: Own operations All offices with 250 employees + / All data centers / Suppliers representing 75% of MPS
	Impact	The assessment identified the number of employees or percentage of locations (relative to the overall total) exposed to the qualitative hazard levels for our offices, data centers and supplier locations.
	Conclusion	The analysis indicates the in-force remediating strategies are suitable, though the evolution of certain perils in certain areas may require some action.
	Reference	Group Annual Report pages 151–152 and 154–156

The outcome of the analysis of the underwriting portfolio (see Group's Annual Report on pages 140–141) remains unchanged compared to 2021, as the business mix did not change significantly in 2022. The Group monitors this closely and have prioritized strategic actions in our underwriting portfolio to work upon. On the investment side, the scope of the scenario analysis was extended to additional asset classes, covering a bigger portion of the balance sheet (see Group's Annual Report on pages 146–150). In terms of own operations, the Group reviewed further risks, including the impact of climate change on distributed workforce and supply chain (see Group's Annual Report on pages 151–152). By performing these updates, the Group was able to conclude that the current strategy is resilient under the different modelled scenarios. More specifically:

Underwriting: The Group undertook a materiality assessment in 2022 to build on the observations from the 2021 in-depth scenario analysis of the underwriting portfolio. The materiality assessment compared shifts in business mix (e.g., changes in line of business, industry and region mix), year on year, as well as any change in climate scenarios that might result in a different outcome for the scenario analysis. It was concluded that there was no material change to the in-depth analysis of our underwriting portfolio. As such, the findings of the 2021 climate risk scenario analysis still stand.

Introduction (continued)

In addition, the Group undertook action on those areas that have been identified as most critical in the 2021 Group's Annual Report, with priority given to four areas:

- Retail and commercial motor;
- Property, including catastrophe management;
- Sustainable energy; and
- Construction.

Investment Management: Scenarios indicate climate change-related risk to asset valuation would not pose a major risk to our capital position. The climate risk assessment was expanded in 2022 by including corporate credit and real estate next to the listed equities that were assessed in 2021.

Furthermore, in response to carbon risks, the Group made a long-term commitment to decarbonize the investment portfolio to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5°C above preindustrial temperatures.

Own Operations: In 2022, the Group conducted an additional assessment to consider climate risks for the workforce around the world. The results of this analysis show that remediating strategies currently in force are sufficient to mitigate climate risk.

Concluding, our scenario-based climate risk assessment has strengthened our understanding of the potential impacts of climate risk on our business. The heatmaps demonstrate the materiality of the climate risk on the portfolio across different lines of business and sectors represented in the underwriting an investment portfolio. The assessment suggests that the customer-focused approach and diversified portfolios, supported by strong risk management practices, provide the resilience and flexibility to adapt to the impacts observed.

Governance principles and risk-management processes to support resilience

Sustainability, and therefore climate-related topics, are integrated into the existing governance structure and is an executive-level responsibility. The overall governance principles are described in the Corporate Governance Report (see Group's Annual Report on pages 28–73). Within the ISD, more details on how these overall governance principles are translated into the topic of sustainability are provided (see Group's Annual Report on pages 129–130), and finally the TCFD report contains very specific aspects to climate-related governance principles (see Group's Annual Report on page 154). This funnel structure is used to demonstrate the Group's integrated governance principles and shows that sustainability is included in the regular governance principles. Further information on sustainability risk and its governance is set out in the risk review (see Group's Annual Report on pages 198–229). On the reporting side, the procedures and governance of the ISD has been aligned with the financial reporting processes and governance.

Outcomes of scenario-based climate risk assessments were discussed with management as part of strategy setting processes and presented to the Board. The Group considers impacts from climate change as drivers for other risks, such as market or natural catastrophe risks, that are managed within existing risk management framework. The approach to managing climate risk is embedded in the multi-disciplinary Group-wide risk management framework, following the same objectives of informed and disciplined risk taking. The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring, and reporting risk (see Group's Annual Report on pages 154–156).

Quantifying our risks and impact

As mentioned above, the Group uses three different heatmaps to quantify the impact of climate risk on its portfolio under different scenarios. Next to these heatmaps, further strategic KPIs have been selected to measure the impact of climate-related risk, as well of the efficiency of our mitigation strategy. For underwriting and investment management, as well as for own operations, specific targets have been chosen to guide the Group's strategy and actions. Please see below for an overview of the most important targets and KPIs, for a full overview of the complete targets and the progress made so far, please refer to the ISD (see Group's Annual Report on pages 157–169).

Introduction (continued)

4. Metrics and Targets (Table 4)			
	Underwriting	**Investment Mangement**	**Own operations**
Materiality	Analysis Quantification of climate risk on our underwriting portfolio under two scenarios (Current policies vs. Net-zero 2050). See Group Annual Report page 141.	Analysis Quantification of climate risk on our listed equity and corporate bond portfolio under two scenarios (Current policies vs. Net-zero 2050). See Group Annual Report pages 147 and 149.	Analysis Quantification of climate risk on our own operations under two scenarios (Delayed transition vs. Net-zero 2050). See Group Annual Report page 151.
	Quantification 6 grades, from high risk to high growth	Quantification 6 grades between very high to low risk	Quantification A risk is considered material if it is likely to lead to business disruption
Other KPIs and targets	Targets See roadmap Group Annual Report page 120 and page 157. Targets include: – Phase out of thermal coal – Targets in line with Net-Zero Insurance Alliance (NZIA) Target setting protocol under development (Group Annual Report page 121)	Targets See roadmap Group Annual Report pages 119–120 and page 157. Targets include: – Reduce emission intensity of our listed equity, corporate bond and real estate portfolio – Engage and support investee companies to set targets in line with the Paris Agreement – Increase proportion of green and socially responsible companies and buildings in our portfolio	Targets See roadmap Group Annual Report pages 119–120 and page 158. Targets include: – Reduction of total emissions – Reduction of scope 1+2 emissions – Reduction of scope 3 emissions
	Metrics **Risk management** is quantified by measuring: – Engagement target of our portfolio. **Opportunities** quantified by measuring: – Revenues generated from sustainable solutions, e.g.,: – Energy efficiency products – Zurich Resilience Services – Involvement in the target setting Protocol of the NZIA to define a methodology for setting Science Based Targets for the underwriting portfolio See Group Annual Report pages 158–161 and 171 to 174	Metrics **Risk management** is quantified by measuring: – Engagement target of our portfolio to set targets in line with the Paris Agreement – Absolute and relative emissions of our investment portfolio, including real estate **Opportunities** are quantified by measuring: – Our impact investment portfolio, including the amount of CO_2e avoided and the number of people benefitted. – Climate solutions, including green certified buildings in real estate portfolio See Group Annual Report pages 158–168	Metrics **Risk management** is quantified by measuring: – Reduction of total emissions – Reduction of scope 1+2 emissions – Reduction of scope 3 emissions See Group Annual Report pages 169

Introduction (continued)

Please find below an overview of the FINMA circular requirements on climate-related risk disclosures and respective references to the Group's Annual Report.

FINMA Circular reference		Disclosure details/splits	Disclosure reference
The main features of the governance structure at the insurance company to enable it to identify, evaluate, manage, monitor and report on climate-related financial risks	13.3	Overall governance	Group Annual Report pages 30–108
		Sustainability related governance	Group Annual Report pages 129–130
		Climate-risk related governance	Group Annual Report pages 154
Description of the short-, medium- and long-term climate-related financial risks and their impact on the insurance company's business and risk strategy and any effects on existing risk categories	13.4	Approach & Scenario used Conclusion	Group Annual Report pages 138 Group Annual Report pages 153
		Underwriting	Group Annual Report pages 139 Group Annual Report pages 140–145
		Investment Management	Group Annual Report pages 139 Group Annual Report pages 146–150
		Own Operations	Group Annual Report pages 151–152
Risk management structures and processes in place to identify, evaluate and manage climate-related financial risks	13.5		Group Annual Report pages 154–156 Group Annual Report pages 228–229
Quantitative information (targets and key data) on climate-related financial risks including the methodology used.	13.6	Roadmap	Group Annual Report pages 119–121 and 157–158
		Underwriting	Group Annual Report pages 158–161
		Investment management	Group Annual Report pages 158–168
		Own operations	Group Annual Report pages 169
Insurance companies must disclose the criteria and methods used to evaluate the materiality of climate-related financial risks.	13.7		Group Annual Report pages 141, 147, 149 and 154–169

Risk profile

The Group identifies, assesses, manages, monitors, and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

Taking and managing risk is an integral part of the insurance business. Zurich takes risks in order to support the achievement of its strategy and serve its customers in global and local markets. Risk management contributes to enhancing the value of Zurich by embedding disciplined and conscious risk taking, where risk-reward trade-offs are transparent and understood, and risks are appropriately rewarded.

To foster transparency about risk, the Group regularly reports on its risk profile at business, legal entity, and Group levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner. In determining the Group's exposure to risks resulting from digital transformation, the Group assesses risks in cyber, information technology, data security and risks arising from emerging technologies and innovation.

The Group's solvency position is disclosed on the basis of the SST ratio. The Group's SST internal model is approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group, which translates into an SST ratio target of 160 percent or above. The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Introduction (continued)

Valuation for SST purposes

Under the SST, the market-consistent balance sheet (MCBS) represents a listing of all rights and obligations that are to be valued in accordance with economic principles in a market-consistent manner unless specified otherwise in the Swiss Insurance Supervision Ordinance (ISO).

A market-consistent valuation is based on, and does not contradict to, the most recent information that can be obtained from trading in liquid and transparent financial markets, and reflects the price at which independent, knowledgeable, and willing business partners would normally purchase or sell the assets or transfer the liabilities in an arm's length transaction. The market-consistent value principles and valuation methods applied by the Group to determine the SST market-consistent balance sheet are detailed in sections E.1, E.2.4 to E.2.5 of this report.

The SST net asset value, which represents the difference between the SST market-consistent value of the assets and liabilities, forms the basis for the calculation of the risk-bearing capital.

During 2022, the Group's SST risk-bearing capital decreased by USD 9.9 billion to USD 42.5 billion as of January 1, 2023, compared to USD 52.4 billion as of January 1, 2022.

Capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2022, International Financial Reporting Standards (IFRS) shareholders' equity of USD 26.6 billion and subordinated debt of USD 8.9 billion were part of the capital available in the Group's SST available financial resources (AFR). Further adjustments usually include items such as intangible assets, deferred tax assets and liabilities, allowing for discounting of liabilities and the value of in-force business, and market-consistent valuation of external debt according to the methodology under SST.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

The Group has interactive relationships with three global rating agencies: S&P Global Ratings (S&P), Moody's, and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

On January 13, 2023, Moody's changed ZIC's rating outlook from Aa3 stable to positive, positioning the company as one of the first European insurers to approach the Aa2 level.

According to Moody's, "the change in outlook to positive reflects Zurich's improved profitability that has become stronger and less volatile, supported by a more balanced business mix with reduced risk in its commercial insurance business and diminished exposure to interest rate and credit risk expected on completion of its life insurance back-book sales."

As of January 2023, the IFSR of ZIC was rated 'AA/Stable' by Standard and Poor's Global Ratings, 'Aa3/positive by Moody's, and 'A+ (Superior)/Stable' by AM Best. The AM Best issuer credit rating (ICR) was 'aa–/positive'.

Solvency

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to FINMA.

The SST ratio as of January 1, 2022 stands at 267 percent (unaudited). It is filed with FINMA at the end of April 2023 and is subject to review by FINMA. Zurich met the regulatory solvency requirements in Switzerland throughout 2022.

In the SST ratio calculations as of January 1, 2023, no allowances have been made for the sale of part of the German life and pension back book which is subject to regulatory approval and is expected to be completed in 2023.

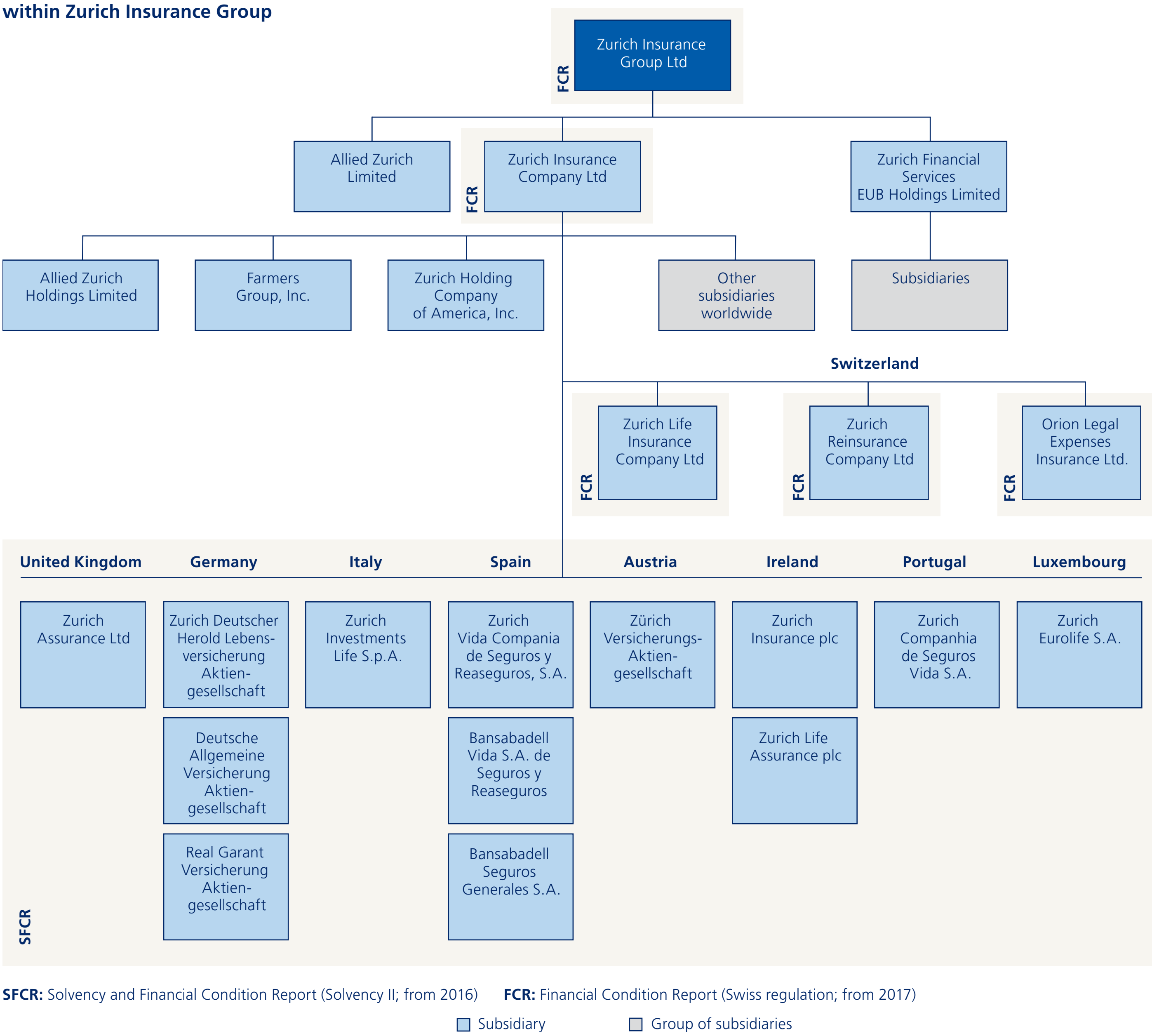
2 Approval of the Financial Condition Report

This Report was reviewed and signed-off by the Board of Directors of Zurich Insurance Group Ltd on April 6, 2023.

A. Business activities

A.1 Company structure and major subsidiaries

Public reporting on solvency and financial condition within Zurich Insurance Group



SFCR: Solvency and Financial Condition Report (Solvency II; from 2016) **FCR:** Financial Condition Report (Swiss regulation; from 2017)

Note: The purpose of the chart above is to provide a simplified overview of the Group's major subsidiaries (as of December 31, 2022), with special focus on the public reporting of their solvency and financial condition. Please note that this is a simplified representation showing entities that must publish such a report and therefore it may not comprehensively reflect the detailed legal ownership structure of the entities included in the overview. The ordering of the legal entities under each country is not indicative of ownership; these are independent legal entities.

A. Business activities (continued)

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 60,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 200 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

The Group consists of Zurich Insurance Group Ltd (holding entity 'ZIG') and its subsidiaries. Zurich Insurance Company Ltd ('ZIC') is the principal operating insurance company of ZIG. ZIC and its subsidiaries are collectively referred to as 'Zurich Insurance Company Group' or 'ZIC Group.'

The subsidiaries of ZIC in scope of the public disclosure requirements under Swiss regulation are:

- Zurich Life Insurance Company Ltd
- Zurich Reinsurance Company Ltd
- Orion Legal Expenses Insurance Ltd.

The ZIC subsidiaries based in the European Union produce their own Solvency and Financial Condition Reports under Solvency II regulation. All reports are accessible through Zurich's website https://www.zurich.com/investor-relations/results-and-reports/other-statutory-filings.

For additional information on the Group structure, please see the Corporate Governance report in the Group's Annual Report 2022 on pages 33 and 34.

Also, a list of the **significant subsidiaries of the Group** can be found in note 28 of the audited consolidated financial statements of the Group's Annual Report 2022 on pages 357–359.

Significant acquisitions and divestments in2022 impacting the Group structure are detailed in note 5 of the audited consolidated financial statement in the Group's Annual Report 2022 on pages 278–280.

For information about **significant shareholders** within the meaning of Article 120 para 1 FMIA, please see the Corporate Governance report section of the Group's Annual Report 2022 on page 37.

A.2 Information about the company's strategy, objectives and key business segments

Zurich's business is focused on providing best-in-class insurance products and services to individuals, small businesses, mid-sized and large companies. Zurich's strategy focuses on:

- Customers, by providing solutions to customers' changing needs and continuing the transformation into a truly customer led company,
- Simplification, by reducing unnecessary complexity to make better use of resources, and
- Innovation, continuously adapting to make sure Zurich continues to meet customers' expectations and needs.

Zurich's strategy is to become the insurer of choice by fostering loyalty among our customers and link customer loyalty to financial performance. This involves multi-channel customer engagement as well as improving digital capabilities around customer data to enable understanding our customers' changing needs. Zurich will invest in simplification and automation capabilities, such as robotic process automation and process mining to improve customer experience and efficiency, while delivering cost savings. Zurich will focus on innovation through collaboration, including themes on sustainability, commercial insurance and customer experience.

For additional information on the **Group's strategy**, see pages 17–21 of the Group's Annual Report 2022.

For details on the **activities of the various businesses** refer to note 27 of the audited consolidated financial statements in the Group's Annual Report 2022, on pages 342–356.

A. Business activities (continued)

A.3 Information about the company's external auditors as per Article 28 ISA

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were re-elected as ZIG's external auditors for the financial year 2022 by the AGM on April 6, 2022.

EY assumes all auditing functions which are required by law and the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association). EY is responsible for auditing the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements.

For additional information on the Group's external auditors, refer to page 71 of the Group's Annual Report 2022.

A.4 Significant unusual events

For significant events during 2022 and thereafter until March 10, 2023, please refer to the Group's Annual Report 2022, as well as to the news releases available at https://www.zurich.com/en/media/news-releases.

On January 1, 2023 the Group adopted IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'. For more information including the transitional effects on shareholders' equity from the adoption of IFRS 17, refer to note 2 of the Group's consolidated financial statements on pages 260–265.

The Group continues to closely monitor and deal with the evolution of the COVID-19 pandemic, though most of the impacts on the Group's business are known and reflected in management's best estimates.

During 2022, most economies saw a continued rise in inflation further intensified by the war in Ukraine. Central banks have responded by tightening monetary policy, triggering a significant sell-off in equity and bond markets. Investment valuation and interest rates incorporate these market conditions as of December 31, 2022. The Group's exposure to Russia and Ukraine through its property & casualty operations and its investments portfolio is immaterial.

B. Performance

Financial highlights

in USD millions, for the years ended December 31	2022	2021	Change[1]
Business operating profit	**6,451**	5,742	12%
Net income attributable to shareholders	**4,603**	5,202	(12%)
P&C business operating profit	**3,554**	3,121	14%
P&C gross written premiums and policy fees	**43,335**	40,123	8%
P&C combined ratio	**94.3%**	94.3%	0.0 pts
Life business operating profit	**1,963**	1,812	8%
Life gross written premiums, policy fees and insurance deposit	**25,890**	28,353	(9%)
Life new business annual premium equivalent (APE)[2]	**3,555**	3,824	(7%)
Life new business margin, after tax (as % of APE)[2]	**24.8%**	29.1%	(4.3 pts)
Life new business value, after tax[2]	**761**	959	(21%)
Farmers business operating profit	**1,909**	1,617	18%
Farmers Management Services management fees and other related revenues	**4,490**	4,265	5%
Farmers Management Services managed gross earned premium margin	**6.6%**	6.6%	0.0 pts
Farmers Life new business annual premium equivalent (APE)[2]	**80**	78	2%
Average Group investments[3]	**167,714**	203,121	(17%)
Net investment result on Group investments[3]	**4,133**	7,085	(42%)
Net investment return on Group investments[3,4]	**2.5%**	3.5%	(1.0 pts)
Total return on Group investments[3,4]	**(11.2%)**	(0.8%)	(10.4 pts)
Shareholders' equity	**26,634**	37,881	(30%)
Swiss Solvency Test ratio[5]	**267%**	212%	55 pts
Return on common shareholders' equity (ROE)[6]	**14.1%**	16.4%	(2.3 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[6]	**15.7%**	14.0%	1.7 pts

1 Parentheses around numbers represent an adverse variance.
2 New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
3 Including investment cash.
4 Calculated on average Group investments.
5 Swiss Solvency Test (SST) ratio calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
6 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Overall Group business operating profit (BOP) increased in 2022, up 12 percent compared with 2021, registering improvement across almost all operating segments. Growth came from a strong underlying performance driven by increasing premiums and lower natural catastrophe losses in Property & Casualty, solid underlying performance, management actions and improved COVID-19 claims experience in Life and the increased Farmers BOP following a higher premium base of the Farmers Exchanges.

Net income attributable to shareholders (NIAS) decreased by 12 percent in 2022, mostly attributable to adverse mark-to-market effects impacting profit or loss.

Detailed financial results are disclosed in the Group's Annual Report 2022. In particular, additional information on overall performance, is provided in the 'Financial overview' section in the Group's Annual Report 2022 on pages 235–244.

For information on **investment performance**, please see note 6 of the consolidated financial statements of the Group's Annual Report 2022 on pages 281–283.

C. Corporate governance and risk management

C.1 Composition of the Board of Directors and Executive Committee

Zurich's corporate governance principles are described in a number of corporate documents, in particular in the Articles of Association, the Organizational Rules and the Charter of the Committees of the Board of Directors of Zurich Insurance Group Ltd (Organizational Rules) (https://www.zurich.com/about-us/corporate-governance/corporate-documents). Zurich also complies with the Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice) issued by economiesuisse. The Governance, Nominations and Sustainability Committee (GNSC) regularly reviews the Group's corporate governance against best practice standards.

Information about the composition of the **Board** and **Executive Committee (ExCo)** are disclosed in the Corporate Governance Report section in the Group's Annual Report, on pages 40–65. Changes to the composition of the Board and ExCo in 2022 and since January 1, 2023 are disclosed on page 44 and page 59, respectively.

C.2 Corporate governance and risk management

Zurich manages and takes risks in an informed and disciplined manner and within a pre-determined risk appetite and tolerance. All information in relation to the Group corporate governance and risk management is available in the Corporate Governance Report and Risk Review of the Group's Annual Report 2022, and include notably the following information:

- The major **risk management objectives** at Zurich are described in the Risk Review in the Group's Annual Report 2022, on page 203.
- The Group **ERM framework** is the structure to manage risks within the organization. It is comprised of six components: risk governance and risk culture, risk appetite and tolerance, risk identification and risk assessment, risk response, risk monitoring, and risk reporting, as further detailed in the Group's Annual Report 2022, on page 203.
- The **internal control system** implemented by the Group is considered essential for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's consolidated financial statements and disclosures are materially correct, support reliable operations, and ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks that could impact the achievement of business objectives. For additional information on risk management and internal controls, please see page 226 of the Group's Annual Report 2022.
- The **Group compliance** function is a control function responsible for enabling the business to manage its compliance risks, being a trusted advisor, providing independent challenge, monitoring and assurance and assisting management to promote compliance culture and ethics. For additional information on Group Compliance and its operational controls, please see page 69 of the Group's Annual Report 2022.
- The Group's **internal audit function**, Group Audit, is tasked with providing independent and objective assurance on the adequacy and effectiveness of the Group's risk management, internal control and governance processes to the Board, the Audit Committee, the Group CEO and management and to the boards and audit committees of subsidiary companies. For additional information on Group Audit, please see page 70 of the Group's Annual Report 2022.

D. Risk profile

The Group's ERM framework sets forth clear responsibilities for identifying, assessing, managing, monitoring and reporting risks.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings and reputation by monitoring those risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

Additional qualitative and quantitative information about the Group's risk profile, can be found in the Risk Review in the Group's Annual Report 2022, for each of the following risk categories:

- Insurance risk, see as pages 210–216;
- Market risk, including investment credit risk, see pages 217–223;
- Other credit risk related to reinsurance assets and receivables, see pages 223–224;
- Operational risk, including digital, data, third-party and resilience, see pages 225–226;
- Liquidity risk, see page 227;
- Strategic risk and risks to the Group's reputation, see page 228;
- Sustainability risk, see pages 228–229.

E. Valuation

E.1 Overarching market-consistent valuation principle

The following section presents the Group's market-consistent balance sheet (MCBS) which is essential in determining the Group's risk-bearing capital.

As an overarching principle, all assets and liabilities are valued in accordance with economic principles in a market-consistent manner including market-consistent discounting of insurance liabilities. A market-consistent valuation is based on, and does not contradict to, the most recent information that can be obtained from trading in liquid and transparent financial markets.

FINMA stipulates that the SST market-consistent balance sheet value of all insurance and non-insurance liabilities (with the exception of instruments eligible for risk-bearing capital) shall be determined under the assumption that the Group will fulfill its obligation in full; thus, own credit risk is not considered.

In summary, the following valuation methods apply:

MCBS valuation principles

Mark-to-market	Highest priority for third-party assets, IFRS equity instruments and eligible capital instruments	Fair value as defined in the consolidated IFRS financial statements.
Mark-to-model	If mark-to-market cannot be applied	Fair value as defined in the consolidated IFRS financial statements; or
		Best estimate valuation using parameter or assumptions explicitly stipulated by FINMA (e.g. liabilities valued at discounted cash flows using risk-free rate, thus, without consideration of own credit risk).
IFRS carrying value		As a practical expedient, IFRS carrying value other than fair value is used as proxy to market-consistent valuation provided such measurement can be considered reasonable. For example, IFRS carrying value may be considered as a reasonable proxy based on the following considerations: – It represents current balances (e.g., cash accounts); or – It involves high-frequency turnover with daily settlements (e.g., operational clearing accounts); or – It is expected to be settled/realized within relatively short period after origination (generally, within three months and always less than twelve months) and is exposed to only insignificant risk of changes in value.

When applying the mark-to-model method, adequate and best-practice valuation models and methodologies are used and sufficiently documented.

For more information on fair value measurement, see notes 6, 7 and 23 of the consolidated financial statements in the Group's Annual Report 2022, pages 281–283, 284–287, 328–334. The summary of accounting policies underlying IFRS valuations, as well as significant judgments and assumptions, are included in notes 3 and 4 of the consolidated financial statements in the Group's Annual Report 2022, pages 266–277.

E.2 Market-consistent balance sheet following SST principles

The Swiss Solvency Test requires to assess risk quantitatively. SST calculations are based on a market-consistent valuation of balance sheet positions. The following tables show the main drivers for the differences in valuation between MCBS (used for SST purposes) and the IFRS values, where certain IFRS amounts have been reclassified in order to comply with FINMA disclosure requirements.

E. Valuation (continued)

As of December 31, 2022, the Group had USD 22.1 billion of assets held for sale and USD 21.3 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios). These assets and liabilities are presented separately in the audited balance sheet and shown under 1.12 Other assets and 2.8 Other Liabilities. This reclassification is not applicable in the SST MCBS, therefore, presentation differences arise in multiple line items (e.g., Fixed-income securities, Loans, and Technical provisions: gross).

In the following sections all amounts, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Asset valuation MCBS vs IFRS

In USD millions, as of December 31	2021 (SST)	**2022 (SST)**	Evolution 2021 – 2022 (SST)	**2022 (IFRS)**	Difference 2022 (IFRS – SST)
Market-consistent value of investments					
Real estate	14,449	14,798	349	14,798	–
Participations	68	92	24	92	(0)
Fixed-income securities	131,243	100,279	(30,965)	85,141	15,137
Loans	7,792	6,179	(1,613)	2,620	3,559
Mortgages	6,594	5,331	(1,263)	5,497	(165)
Equities	8,061	4,812	(3,249)	4,782	31
Other investments	32,670	27,676	(4,994)	27,696	(20)
Collective investment schemes	5,235	4,265	(970)	4,265	–
Alternative investments	11,134	9,758	(1,377)	9,777	(20)
Structured products	–	–	–	–	–
Other investments	16,300	13,653	(2,647)	13,653	–
Total Investments	**200,878**	**159,167**	**(41,711)**	**140,625**	**18,542**
Market-consistent value of other assets					
Financial investments from unit-linked life insurance	144,667	122,633	(22,033)	122,462	171
Receivables from derivative financial instruments	938	770	(168)	766	4
Deposits made under assumed reinsurance contracts	510	971	461	960	11
Cash and cash equivalents	8,719	7,609	(1,110)	7,560	49
Reinsurers' share of best estimate of provisions for insurance liabilities	22,458	20,434	(2,025)	25,667	(5,234)
Direct insurance: life insurance business (excluding unit linked life insurance)	5,089	4,433	(656)	6,505	(2,073)
Reinsurance: life insurance business (excluding unit linked life insurance)	316	297	(19)	307	(9)
Direct insurance: non-life insurance business	11,021	10,569	(452)	11,706	(1,137)
Direct insurance: health insurance business	–	–	–	–	–
Reinsurance: non-life insurance business	6,059	5,135	(924)	7,150	(2,015)
Reinsurance: health insurance business	–	–	–	–	–
Direct insurance: other business	–	–	–	–	–
Reinsurance: other business	1	–	(1)	–	–
Direct insurance: unit-linked life insurance business	(27)	(0)	27	–	(0)
Reinsurance: unit-linked life insurance business	–	–	–	–	–
Fixed assets	2,736	2,564	(172)	2,225	340
Deferred acquisition costs	–	–	–	20,710	(20,710)
Intangible assets	–	–	–	11,516	(11,516)
Receivables from insurance business	10,691	11,748	1,057	11,719	29
Other receivables	3,672	4,627	954	4,625	1
Other assets	1,174	913	(261)	23,460	(22,547)
Unpaid share capital	–	–	–	–	–
Accrued assets	3,459	3,690	231	5,444	(1,754)
Total other assets	**199,025**	**175,960**	**(23,065)**	**237,115**	**(61,155)**
Total market-consistent value of assets	**399,903**	**335,127**	**(64,776)**	**377,739**	**(42,613)**

E. Valuation (continued)

MCBS vs IFRS – best estimate liabilities and risk-bearing capital

In USD millions, as of December 31	2021 (SST)	2022 (SST)	Evolution 2021–2022 (SST)	2022 (IFRS)	Difference 2022 (IFRS – SST)
BEL: Best estimate liabilities (including unit linked life insurance)					
Best estimate of provisions for insurance liabilities	**(173,495)**	**(138,356)**	**35,139**	**(160,051)**	**21,695**
Direct insurance: life insurance business (excluding unit linked life insurance)	(99,179)	(70,081)	29,098	(72,135)	2,053
Reinsurance: life insurance business (excluding unit linked life insurance)	(1,863)	(1,452)	410	(1,445)	(8)
Direct insurance: non-life insurance business	(68,156)	(62,205)	5,950	(80,561)	18,356
Direct insurance: health insurance business	–	–	–	–	–
Reinsurance: non-life insurance business	(3,698)	(4,018)	(320)	(5,132)	1,114
Reinsurance: health insurance business	–	–	–	–	–
Direct insurance: other business	(592)	(591)	1	(771)	180
Reinsurance: other business	(7)	(7)	–	(7)	–
Best estimate of provisions for unit-linked life insurance liabilities	**(140,771)**	**(119,034)**	**21,737**	**(123,069)**	**4,035**
Direct insurance: unit-linked life insurance business	(140,770)	(119,034)	21,736	(123,069)	4,035
Reinsurance: unit-linked life insurance business	(1)	–	1	–	–
Market consistent value of other liabilities					
Non-technical provisions	(2,672)	(2,076)	596	(2,074)	(2)
Interest-bearing liabilities	(5,803)	(4,824)	979	(5,131)	307
Liabilities from derivative financial instruments	(532)	(1,167)	(635)	(1,167)	–
Deposits retained on ceded reinsurance	(883)	(692)	191	(857)	166
Liabilities from insurance business	(3,954)	(4,271)	(317)	(4,270)	(1)
Other liabilities	(10,758)	(11,646)	(888)	(33,367)	21,721
Accrued liabilities	(5,045)	(5,256)	(211)	(12,219)	6,963
Subordinated debts	(10,447)	(7,915)	2,533	(8,899)	984
Total BEL plus market-consistent value of other liabilities	(354,360)	(295,236)	59,124	(351,105)	55,869
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**45,543**	**39,891**	**(5,653)**	**26,635**	**13,256**

E.2.1 Evolution of assets since 2021

Total Investments

The market value of **Total Investments** decreased by USD 41.7 billion from USD 200.9 billion in 2021 to USD 159.2 billion in 2022.

This is mostly driven by a decrease of USD 31.0 billion in **Fixed-income securities** from USD 131.2 billion in 2021 to USD 100.3 billion in 2022, primarily resulting from reduction in market valuation due to increasing yields and widening credit spreads of USD 21.8 billion. The reduction in market value was mainly driven by the larger fixed income portfolios held by the Group in Germany (USD 6.0 billion), Switzerland (USD 4.0 billion), the U.S. (USD 2.6 billion) and Italy (USD 2.6 billion). Unfavorable currency translation resulted in a further reduction of USD 4.4 billion due to U.S. dollar appreciation against other major currencies, mainly EUR and GBP. Lastly, the disposal of a part of the life and pension back book in Italy to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida, S.A. completed on November 30, 2022, contributed to a reduction of the fixed-income portfolio by USD 4.7 billion.

Other investments decreased by USD 5.0 billion from USD 32.7 billion in 2021 to USD 27.7 billion in 2022, primarily resulting from a reduction in market value of USD 3.7 billion. The reduction in market value was driven by rising rates and widening of credit spreads affecting mortgage-backed securities and private debt in the U.S. as well as negative market performance affecting fund investments. Further, unfavorable currency movements of USD 0.6 billion were observed.

Equities decreased by USD 3.2 billion from USD 8.1 billion in 2021 to USD 4.8 billion in 2022, mainly due to unfavorable equity market conditions resulting in a decrease of USD 1.5 billion, net sales of USD 1.4 billion primarily in Germany and Switzerland, as well as the disposal of the life and pension back book in Italy, partially offset by net purchases in the U.S. Further, unfavorable currency movements of USD 0.2 billion were observed.

Loans decreased by USD 1.6 billion from USD 7.8 billion in 2021 to USD 6.2 billion in 2022, mainly due to decreases in fair value of USD 0.9 billion mainly in Germany and unfavorable currency movements of USD 0.3 billion.

Mortgages decreased by USD 1.3 billion from USD 6.6 billion in 2021 to USD 5.3 billion in 2022, due to net sales in Germany, the disposal of the life and pension back book in Italy of USD 0.5 billion, negative market revaluation, and unfavorable currency translation impacts.

Total Other Assets

The market-consistent value of **total other assets** decreased by USD 23.1 billion from 199.0 billion in 2021 to USD 176.0 billion in 2022.

Financial investments from unit-linked life insurance decreased by USD 22.0 billion from USD 144.7 billion in 2021 to USD 122.6 billion in 2022. This was mainly driven by decrease in value of equity investments, reflecting the general downward trends in global equity markets since the start of the year due to the war in the Ukraine resulting in higher inflation, rising energy costs, and significant tightening in the central bank interest rate policy which led to a marked slowdown in global growth below long-term average. The macroeconomic situation resulted in decreases in value of equities, government, and corporate bonds. Decreases of USD 16 billion were mainly observed in the larger portfolios in the UK, Ireland, Germany, and the U.S. They were partly offset by an increase in Brazil of USD 1.8 billion due to post pandemic recovery driven by commodity exports. Unfavorable currency translation resulted in a reduction of USD 8.0 billion, mainly from appreciation of USD against GBP and EUR.

The market value of **Reinsurers' share of best estimate of provisions** for insurance liabilities decreased by USD 2.0 billion from USD 22.5 billion in 2021 to USD 20.4 billion in 2022 mostly driven by the non-life business.

- **Reinsurance: non-life insurance business** decreased by USD 0.9 billion from USD 6.1 billion in 2021 to USD 5.1 billion in 2022, mainly due a decrease of reserves transitioned into payments of USD 0.6 billion, in addition to a decrease of USD 0.4 billion due to higher interest rates.
- **Direct insurance non-life insurance business** decreased by USD 0.5 billion from USD 11.0 billion in 2021 to USD 10.6 billion in 2022, mainly due to an increase in interest rates causing a decrease of USD 1.1 billion and an unfavorable FX impact of USD 0.2 billion, partially offset by an increase of ceded technical provisions of USD 0.9 billion, mainly driven by crop business in Zurich North America.
- **Direct insurance: life insurance business (excluding unit linked life insurance)** decreased by USD 0.7 billion from USD 5.1 billion in 2021 to USD 4.4 billion in 2022, mainly in Australia due to the discounting impact from significantly higher interest rates and to a lesser extent in Spain due to a refinement in the calculation methodology for reinsurance.

E.2.2 Evolution of liabilities since 2021

Best estimate of provisions for insurance liabilities

The market-consistent value of **best estimate liabilities (including unit linked life insurance)** decreased by USD 56.9 billion from USD 314.3 billion in 2021 to USD 257.4 billion in 2022.

- **Direct insurance: life insurance business (excluding unit linked life insurance)** decreased by USD 29.1 billion from USD 99.2 billion in 2021 to USD 70.1 billion in 2022. The decrease is mainly driven by Germany due to policyholder sharing of market value losses as a result of higher interest rates. Increased interest rates also reduced liabilities in Switzerland, Spain, and the UK albeit to a lesser extent. The disposal of a part of life and pension back book in Italy contributed to a further reduction in liabilities by USD 5.2 billion. Favorable currency translation resulted in a reduction of USD 3.1 billion due to USD appreciation against GBP and EUR.
- **Direct insurance unit-linked life insurance business** decreased by USD 21.7 billion from USD 140.8 billion in 2021 to USD 119.0 billion in 2022. The decrease is mainly driven by significant increase in interest rates which reduced market value of liabilities (and assets) in the UK, Germany, and Ireland. Favorable currency translation resulted in a reduction of USD 7.7 billion due to USD appreciation against GBP and EUR.
- **Direct insurance: non-life insurance business** decreased by USD 6.0 billion from USD 68.2 billion in 2021 to USD 62.2 billion in 2022, primarily driven by higher interest rates causing a decrease of USD 6.1 billion and currency translation effects of USD 1.8 billion. Decreases were partly offset by a USD 2.0 billion reserve increase related to Zurich North America multi-peril (crop) (USD 0.8 billion) and volume-driven increase in the UK (USD 0.5 billion).

E. Valuation (continued)

Total other liabilities

The market-consistent value of **Total other liabilities** decreased by USD 2.2 billion from USD 40.1 billion in 2021 to USD 37.8 billion in 2022. The decrease was primarily driven by decrease in **subordinated debt** of USD 2.5 billion from USD 10.4 billion in 2021, to USD 7.9 billion in 2022 mainly due to redemptions and repurchases of USD 1.7 billion in Switzerland and of USD 0.6 billion in the UK, partly offset by new issuances of USD 1.1 billion in Ireland and USD 0.3 billion in Switzerland, as well as market movements of USD 1.5 billion.

E.2.3 Changes in MCBS valuation methodology

In 2022, there were no significant changes to the MCBS valuation methodology.

E.2.4 Market-consistent value of assets

Market-consistent value of investments

Under IFRS, investments are measured at fair value, amortized cost or using the equity method. In addition, IFRS requires fair value disclosures for financial assets that are not measured at fair value. The MCBS value of investments reflects fair value determined in accordance with the overarching valuation principles outlined in section E.1.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022

Total value of investments (IFRS)		**140,625**
Fixed-income securities	Bonds held-to-maturity measured at fair value in MCBS	87
Loans	Other loans measured at fair value in MCBS	217
Mortgages	Mortgage loans measured at fair value in MCBS	(450)
Other investments	Other investments measured at fair value in MCBS	(20)
	The reclassification to held for sale is not applicable in MCBS	18,708
Total market-consistent value of Investments (SST)		**159,167**

Market-consistent value of financial investments from unit-linked life insurance

The investments for unit-linked insurance are measured at fair value under both IFRS and MCBS. Therefore, no measurement difference arises in MCBS.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022

Total value of financial investments from unit-linked life insurance (IFRS)		**122,462**
Financial investments from unit-linked life insurance	The reclassification to held for sale is not applicable in MCBS	171
Total market-consistent value of financial investments from unit-linked life insurance (SST)		**122,633**

Market-consistent value of reinsurers' share of best estimate of provisions for insurance liabilities

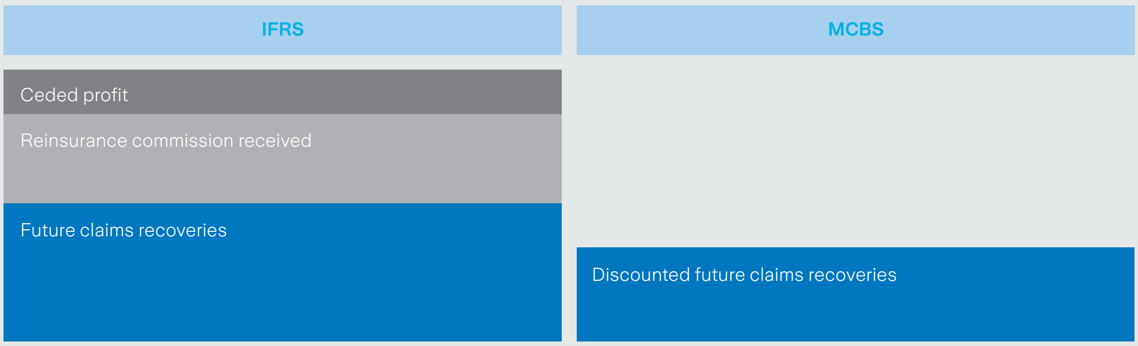
Similar to IFRS, the calculation of the best estimate of reinsurers' share of best estimate provisions as well as best estimate insurance liabilities is performed on a gross basis in MCBS (i.e., no offsetting of assets with liabilities). However, the MCBS valuation is based on the actuarial discounted best estimate of future cash flows, taking into account the lifetime expected credit losses. The calculation of the expected credit loss allowance considers the rating of the reinsurance counterparty, the expected timing of future recoveries and the expected value of any collateral held.

E. Valuation (continued)

Reinsurers' share of best estimate unearned premium reserve

Under IFRS, the reinsurers' share of unearned premium reserve (UPR) represents the portion of the ceded premiums related to the unexpired coverage period. Under MCBS, the ceded UPR shall only reflect a market-consistent value of future claims recoveries. The illustration below provides the breakdown of ceded UPR where ceded IFRS UPR reflects the premium paid (less commission received) for the remaining bound period and the adjustments performed to arrive at the MCBS value for ceded UPR.

Illustrative break-down of ceded Unearned Premium Reserve (UPR)



Reinsurers' share of property and casualty loss reserves

Under IFRS, reinsurance assets for ceded loss reserves are already held at best estimate (i.e., sum of all expected future recoveries), but generally not discounted. To make these assets market-consistent, the future cash flows are discounted while taking into account the timing of these future cash flows and expected credit losses.

Reinsurers' share of life benefits

In order to determine the SST MCBS value of best estimate ceded reserves of life insurance and investment contracts, the following generally applies:

- The best estimate of future cash flows is based on the principles discussed in the section 'Best estimate of life investment and insurance liabilities';
- The SST MCBS value for ceded reserves only reflects the market-consistent value for future claims recoveries, i.e., only present value of future cash flows to be reimbursed by the reinsurer; and
- If the reinsurer's credit risk is not included in the best-estimate future cash flows, the expected credit loss allowance is considered.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022

Total Best estimate of Reinsurers' share of best estimate of insurance liabilities (IFRS)		**25,667**
Reinsurers' share of best estimate of insurance liabilities	Valuation differences	(6,523)
	The reclassification to held for sale is not applicable in MCBS	1,289
Total Best estimate of Reinsurers' share of best estimate of insurance liabilities (SST)		**20,434**

Market-consistent value of other assets

Under IFRS, other assets include deferred acquisition costs (DAC), deferred tax assets, goodwill and other intangible assets, which are valued at zero in the MCBS. Real estate held for own use is measured at cost less depreciation and impairment, whereas the MCBS value reflects fair value. Right-of use assets are reported at IFRS carrying value (i.e., cost less depreciation and impairment) provided this is a reasonable proxy for fair value. Otherwise, if there is a major change in the market prices for comparable leases observed since inception, the MCBS value is determined considering current rental prices for comparable property and current interest rates for high-quality corporate bonds.

Cash and cash equivalents are presented at IFRS carrying value because such balances are current and solely held for the purpose of meeting short-term (operational) cash commitments.

Deposits made under assumed reinsurance contracts, receivables from insurance business and other receivables are valued at the IFRS carrying value, provided this is a reasonable proxy for fair value (i.e., the balances are subject to only insignificant risk of changes in value and settlement is expected to occur generally within three months and no more than twelve months). In this case, the IFRS carrying value is reported net of credit impairment allowance. Otherwise, the value is based on fair value (including credit risk) using the IFRS valuation principles.

Derivative financial instruments are measured at fair value under both IFRS and MCBS.

The reclassification of assets of USD 22.1 billion as held for sale, presented within other assets under IFRS, is not applicable in MCBS.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022

Total value of other assets (IFRS) (excluding Financial investments from unit-linked life insurance & Reinsurers' share of best estimate of provisions for insurance liabilities)		**88,985**
	Deposits made under assumed reinsurance contracts: Valuation differences	11
	Fixed assets: Real estate held for own use is at fair value in MCBS	340
	Deferred acquisition costs: Value set to zero in MCBS	(21,655)
	Deferred origination costs: Value set to zero in MCBS	(431)
	Deferred tax assets: Value set to zero in MCBS	(2,179)
	Goodwill and other intangible assets: Value set to zero in MCBS	(11,582)
	The reclassification to held for sale is not applicable in MCBS	(20,592)
Other assets	Other	(4)
Total market-consistent value of other assets (SST) (excluding Financial investments from unit-linked life insurance & Reinsurers' share of best estimate of provisions for insurance liabilities)		**32,893**

E.2.5 Market-consistent value of liabilities

Best estimate of non-life insurance liabilities

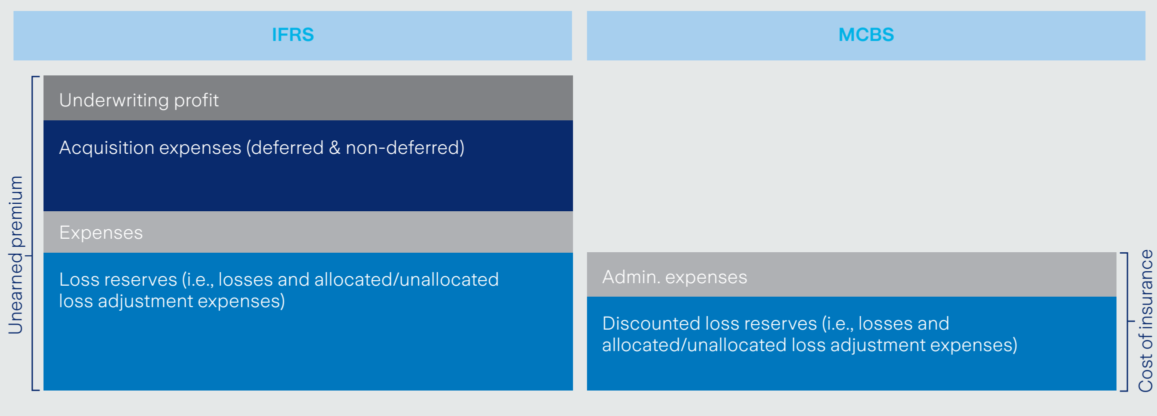
Best estimate of unearned premium reserves

Under IFRS, the unearned premium reserve (UPR) represents the portion of the premiums written related to the unexpired coverage period. The UPR typically relates to one year of premiums invoiced, which is also the case for multi-year contracts where only the first year of premium is recognized and not the entire contractual future premium volume due in future periods. This reserve covers expected future losses, loss adjustment and policy administration expenses as well as underwriting profits for contracts in force. To arrive at the MCBS value for UPR, the following adjustments are made:

- Expected future losses (including loss adjustment expenses) are discounted;
- Underwriting profits are not included, as these do not represent future cash flows; and
- Future administration expenses only encompass the estimated costs to administer and maintain the insurance policy over the remaining coverage period. Consequently, any deferred or non-deferred acquisition-related costs (such as commissions, sales and distribution management, underwriting, risk engineering, and marketing costs) are excluded. Further, claims settlements costs are not included in administration expenses as such costs are typically part of future losses. Similarly, amortization of DAC and intangible assets is not included because DAC and intangible assets are set to zero in MCBS.

The illustration below provides the breakdown of the UPR where IFRS UPR reflects the unearned premium for the remaining bound period and the adjustments performed to arrive at the MCBS value for UPR:

Illustrative breakdown of Unearned Premium Reserve (UPR)



For multi-year contracts, the determination of the best estimate of UPR requires an additional adjustment to reflect the net present value of the future cash flows from the bound multi-year contracts. The adjustment is determined using all unearned premiums (invoiced and not invoiced) as a volume metric with the best estimate of cost of insurance discounted using a discount factor reflective of the expected cash flows over the duration of the underlying insurance contracts and the discounted future premium not yet invoiced (less attributable future acquisition expenses) included as an inflow.

Best estimate of loss reserves

Reserves for losses under IFRS represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Such reserves are not discounted, except reserves for claims with payment patterns that are fixed and reasonably determinable. Reserves are held at best estimate including recoverable for salvage and subrogation, supplemented by a provision for model and parameter uncertainty under IFRS.

In order to derive a market-consistent value, best estimate loss reserves are discounted using risk-free rates whereby the cash-flow pattern (i.e., timing of the estimated future cash flows) is adequately considered. In cases where the reserves are already presented on a discounted basis under IFRS (e.g., non-life annuities), the discounting is reversed and re-performed using the risk-free rates.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022		
Total Best estimate of non-Life insurance liabilities (IFRS)		**(85,693)**
Non-Life insurance liabilities	Valuation differences	20,759
	The reclassification to held for sale is not applicable in MCBS	(1,289)
Total Best estimate of non-Life insurance liabilities (SST)		**(66,223)**

Best estimate of life investment and insurance liabilities (including unit-linked life insurance liabilities)

Generally, the SST MCBS value of all unit-linked and non-unit-linked investments, as well as life insurance liabilities, is based on a bottom-up best estimate projection of future cash flows excluding any expected non-guaranteed surpluses or discretionary benefits. Any options and guarantees provided to the policyholder are valued on a market-consistent basis. Specifically, cash flow projections are made over the estimated contract period for the in-force portfolio (i.e., current policyholder base at valuation date) subject to the contractual contract boundary and in line with the principles for best estimate:

- Economic assumptions: expected asset return, discount rate, and inflation rate, stochastic economic simulations;
- Non-economic assumptions: demographic assumptions (mortality, morbidity), persistency, expense assumptions and dynamic bonus rates/profit sharing rates (where legally or contractually obligated).

Cash flow projections may vary, depending on the product. Contractually guaranteed benefits to be paid to policyholders – whether on surrender, maturity, death, morbidity or disability – increase the best estimate of life investment and insurance liabilities, as do taxes paid on behalf of policyholders, maintenance expenses and future commissions. Projected future premiums, fees and charges expected to be received from policyholders for existing business reduce the best estimate of life investment and insurance liabilities.

Best estimate of life insurance liabilities can be negative, for example, in protection business where projected regular premiums may often exceed expected death benefits and expenses on a best-estimate basis. Because the own fulfilment value of an insurance or reinsurance obligation may be lower than the surrender values of the underlying contracts, no implicit or explicit surrender value floor is assumed for the market-consistent value.

Realistic assumptions about management's behavior are used, e.g., assuming management discretion when capital gains on invested assets are realized or changes in asset allocation are made. In cases where management actions, as considered in the scenario modelling, would be subject to regulatory approval (e.g., potential cancellation of policyholder dividends), the assumptions used when interpreting local supervisory guidance are verified by the local regulator or external audit.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022		
Total Best estimate of life insurance liabilities (IFRS)		**(196,649)**
Life insurance liabilities	Valuation differences	21,812
Unit-linked life insurance business	Valuation differences	4,193
	The reclassification to held for sale is not applicable in MCBS	(19,924)
Total Best estimate of life insurance liabilities (SST)		**(190,568)**

E. Valuation (continued)

Market-consistent value of other liabilities

Non-technical provisions include liabilities for defined benefit pension plans measured using actuarial techniques under IFRS. Such liabilities are held at the IFRS carrying value in the MCBS.

Interest-bearing liabilities are measured in the MCBS based on risk-free rates where the future cash flows are considered over the remaining period until the earliest contractual redemption date. In case where a quoted market price is available and used, the market price is adjusted to eliminate own credit spread. Accrued interests on interest bearing liabilities are reported as a separate position in the MCBS.

Derivative financial instruments are measured at fair value under both IFRS and MCBS.

Deposits retained on ceded reinsurance are valued at the IFRS carrying value, provided this is a reasonable proxy for fair value (i.e., the balances are subject to only insignificant risk of changes in value and settlement is expected to occur generally within three months and no more than twelve months). Otherwise, the value is based on fair value using the IFRS valuation principles, however, excluding own credit risk.

The market-consistent value of other liabilities is generally determined using IFRS carrying value in accordance with the overarching valuation principles outlined in section E.1, except for the following differences:

- The market-consistent valuation of non-controlling interests is determined based on the MCBS of the underlying entities and presented separately as a liability position, whereas in IFRS non-controlling interests are presented within equity;
- Lease liabilities are measured as the present value of future lease payments for the remaining lease term, discounted at risk-free rates without consideration of own credit risk.

Further, the reclassification of liabilities for USD 21.3 billion as held for sale, presented within other liabilities under IFRS, is not applicable in MCBS.

Accrued liabilities include deferred front-end fees and deferred taxes (other than deferred tax on Swiss real estate transfers attributable to shareholders) that are valued at zero in the MCBS.

Subordinated debt instruments eligible as supplementary capital under SST are measured at market-consistent value using the IFRS valuation principles. In case where a quoted market price is available and used, the market price is not adjusted to eliminate own credit spread. The accrued interest is not reported separately and is included in the MCBS carrying value.

SST – IFRS valuation difference

in USD millions, as of December 31, 2022

Total value of other liabilities (IFRS)		**(67,985)**
	Interest-bearing liabilities: Valuation differences	307
	Deposit retained on ceded reinsurance: Valuation differences	166
	Deferred taxes (other than deferred tax on Swiss real estate transfers attributable to shareholders): Valued set to zero in MCBS	2,288
	Deferred front-end fees: Value set to zero in MCBS	4,560
	The reclassification to held for sale is not applicable in MCBS	21,629
	Subordinated debts: Valuation differences	984
Other liabilities	Other	205
Total maket-consistent value of other liabilities (SST)		**(37,846)**

F. Capital management

F.1 Capital management objectives

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints.

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities.

For additional information regarding the **Capital structure**, please see the Corporate Governance Report section in the Group's Annual Report 2022 on pages 35–39.

For more details on **Capital management framework** and **Capital management program**, see the Risk Review in the Group's Annual Report 2022 on page 205.

For details on **Issuances and redemptions of debt**, see note 18 of the consolidated financial statements in the Group's Annual Report 2022 on pages 310–311.

F.2 Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

For more information on regulatory solvency regimes applicable to the Group and the Group's subsidiaries, see the Risk Review in the Group's Annual Report 2022 on page 206.

G. Solvency

G.1 Swiss Solvency Test ratio

The Swiss Solvency Test (SST) is a principle-based, risk-sensitive supervision framework reflecting:

– A market-consistent view of the financial resources available to meet policyholder obligations – referred to as risk-bearing capital. The risk-bearing capital consist of core capital and supplementary capital as outlined further below.
– A view of the impact of the potential risks inherent to the regulated business – referred to as target capital and defined as an expected shortfall at a 99-percent confidence level over a one-year time horizon.

The SST compares risk-bearing capital with target capital through calculation of a ratio (the 'SST ratio'). The solvency test indicates whether the level of risk-bearing capital is sufficient to reduce the probability of policyholder impairment to a level consistent with regulatory objectives.

SST ratio and underlying components

in USD millions	January 1st, 2022	**January 1st, 2023**
Target capital	27,765	18,703
Risk-bearing capital	52,412	42,468
Risk margin	5,685	4,513
Target capital less Risk margin	**22,080**	**14,190**
Risk-bearing capital less Risk margin	46,727	37,954
SST ratio	**212%**	**267%**

Based on the approved SST internal model, the SST ratio as of January 1, 2023 stands at 267 percent, 55 percentage points higher compared to the SST ratio as of January 1, 2022. Strong operational capital generation net of incremental capital for growth and net of external dividend accrual contributed 7 percentage points to the ZIG SST ratio. Favorable market movements led to a 65 percentage points increase in the ratio driven by rising interest rates. Capital actions reduced the SST ratio by 13 points, allowing for USD 1.8 billion share buyback program announced in August 2022 and expected to be completed by the end of 2023, the reduction in outstanding subordinated debt in 2022, and acquisition of the Deutsche Bank Financial Advisors network in Italy partially offset by the positive impact of the sale of the Italian life and pensions back book. Model and assumption changes had an unfavorable impact of 10 points. Management actions mainly due to equity sales contribute 6 points to the SST ratio.

Solvency

in USD millions	January 1st, 2022	Adjustments Previous year	**January 1st, 2023**
Derivation of risk-bearing capital			
Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	45,543		39,891
Deductions	(3,578)		(5,338)
Core capital	**41,965**		**34,553**
Supplementary capital	10,447		7,915
Risk-bearing capital	**52,412**		**42,468**
Derivation of target capital			
Underwriting risk	11,994		11,395
Market risk	11,479		9,220
Diversification effects	(4,209)		(3,796)
Credit risk[1]	9,238		5,271
Risk margin and other effects on target capital[2]	(737)		(3,387)
Target capital	**27,765**		**18,703**
SST ratio[3]	**212%**		**267%**

1 Credit risk includes investment credit risk, reinsurance and receivables credit risk.
2 Risk margin accounts for USD 4,513 million, other effects on target capital include diversification effects between credit risk and other risk types, and other risk models.
3 SST ratio is defined in the SST Circular 2017/3 as a ratio of risk-bearing capital less risk margin to target capital less risk margin.

G. Solvency (continued)

Target capital by risk type

in USD millions	January 1st, 2022	Adjustments previous period	**January 1st, 2023**
Insurance risk derivation of target capital			
Premium and reserve risk (including UPR risk)	7,262		7,389
Nat Cat	4,914		4,280
Life insurance liabilities	3,848		3,309
Business risk	4,941		4,256
Diversification	(8,970)		(7,839)
Total	**11,994**		**11,395**
Market risk derivation of target capital			
Equity risk	4,122		2,692
Interest rate risk	4,694		3,394
Exchange rate risk	2,435		1,863
Credit spread risk	7,914		5,377
Other	14,616		10,230
Diversification	(16,591)		(12,033)
Total (including investment credit risk)	**17,190**		**11,522**
thereof			
Market risk (excluding investment credit risk)	11,479		9,220
Investment credit risk	8,999		5,147
Credit risk derivation of target capital			
Investment credit risk	8,999		5,147
Reinsurance credit risk & receivables	933		787
Diversification	(694)		(663)
Total	**9,238**		**5,271**

G. Solvency (continued)

G.2 Additional information on risk-bearing capital

The risk-bearing capital under SST consists of core capital derived from the MCBS as described in section E.2 less deductions for proposed dividends and capital repayments and supplementary capital, which includes eligible debt. The below table provides a reconciliation between the IFRS shareholders' equity and SST risk-bearing capital.

Reconciliation from IFRS equity to the SST risk-bearing capital

in USD millions, as of December 31, 2022	
Shareholders' equity	**26,634**
Dividend accrual	(3,794)
Residual Share buyback[1]	(1,544)
Effect of intangible assets and related liabilities[2]	(27,388)
Eligible subordinated debt (IFRS carrying value)	8,899
Economic valuation and other adjustments	39,660
Risk bearing capital	**42,468**

1 Amount not repurchased as of December 31st 2022 as part of the announced special share buyback program of CHF 1.8 billion
2 Net effect of intangible assets and related liabilities gross of non-controlling interests.

The below table summarizes the development of the Group's risk-bearing and target capital during the annual period ending December 31, 2022. In 2022, the solvency of the Group improved significantly. The main drivers of the Group's SST ratio increase in 2022 were strong underlying capital generation and improved market conditions.

Development SST ratio, risk-bearing capital, risk margin and target capital

in USD millions	SST ratio	Risk-bearing capital	Target capital incl. risk margin
January 1st, 2022	**212%**	**52,412**	**27,765**
Economic profit/business growth	34%	4,960	295
Market movement	65%	(6,944)	(9,322)
Assumption and model changes	(10%)	(594)	1,192
Capital actions	(40%)	(7,371)	(565)
Other	6%	4	(663)
January 1st, 2023	**267%**	**42,468**	**18,703**

Additionally, information on **Stress scenarios and sensitivity of SST ratio** to key market and insurance risks can be found in the Risk Review in the Group's Annual Report 2022 on pages 207–209.

The risk-bearing capital is allocated to the operating segments defined in accordance with IFRS. For details on the **Activities of the various businesses** refer to note 27 of the audited consolidated financial statements in the Group's Annual Report 2022 on pages 342–356.

The following table presents risk-bearing capital by segment and describes the major changes during 2022.

Split of SST risk-bearing capital by segment

in USD millions, as of December 31, 2022	Property & Casualty	Life	Farmers	Group Functions and Operations	Non-Core Business	Total
Prior year	**29,184**	**26,391**	**4,422**	**(8,158)**	**574**	**52,412**
Economic profit	2,915	1,587	1,439	(851)	(130)	4,960
Market movement	(1,578)	(3,914)	(396)	(707)	(349)	(6,944)
Assumption and model changes	(63)	(462)	(30)	–	(39)	(594)
Capital actions	(6,846)	(1,023)	(934)	1,019	413	(7,371)
Other	(49)	103	(8)	(38)	(4)	4
Current year	**23,563**	**22,683**	**4,492**	**(8,735)**	**465**	**42,468**

G. Solvency (continued)

G.3 Additional information on Life business

Life business includes all business within the Life segment as well as Farmers Life, a writer of individual Life insurance business in the U.S. which is included in the Farmers segment, and life insurance and reinsurance businesses that the Group does not consider core to its operations and are managed to achieve a beneficial run-off within the Non-Core Businesses (NCB) segment. The SST risk-bearing capital for the Life segment, Farmers Life and NCB Life was USD 27.0 billion as of December 31, 2022.

The table below provides a reconciliation between the SST risk-bearing capital to the Economic value (a shareholder view) for Life businesses. Economic value follows the Embedded value (EV) principles using a 'bottom-up' market consistent approach. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices. However, unlike EV, the Economic value is gross of frictional costs (FC) and costs of residual non-hedgeable risks (CRNHR).

Key adjustments to SST risk-bearing capital to move to Economic value are:

- USD 3.6 billion decrease from deducting shareholder taxes;
- USD 1.5 billion increase from moving from SST to economic contract boundaries for selected portfolios;
- USD 2.4 billion decrease from including future non-contractually guaranteed/discretionary surplus distributions expected to be awarded to policyholders in excess of those contractually specified or legally required in Switzerland and Germany.

Economic value was USD 22.5 billion as of December 31, 2022, gross of risk margin. The fully diversified contribution to the Group risk margin from the Life business was USD 3.6 billion. The risk margin represents the cost of holding capital under the SST regime until existing liabilities are extinguished. A cost of capital of 6% has been applied when deriving the risk margin.

Movement of Economic value based on SST risk-bearing capital

Movement of Economic Value based on SST risk-bearing capital

in USD millions, for the year ended December 31, 2022	Total Life business
Economic value prior year gross of non-controlling interest	**26,617**
Non-controlling interest	(1,495)
Economic value prior year	**25,121**
Removing future discretionary benefits from liabilities	2,712
Moving from economic to SST contract boundaries	(1,284)
Adding back shareholder taxes	4,941
SST risk-bearing capital prior year	**31,489**
Economic profit	1,693
thereof new business value[1]	1,117
Market movements	(4,483)
Experience variance, assumption, model changes	(553)
Other	103
Capital actions	(1,258)
SST risk-bearing capital current year	**26,991**
Deducting shareholder taxes	(3,636)
Moving from SST to economic contract boundaries	1,543
Including future discretionary benefits in liabilities	(2,398)
Economic value current year	**22,500**
Non-controlling interest	1,458
Economic value current year gross of non-controlling iterest	**23,957**

All metrics are reported net of non-controlling interests, unless indicated otherwise.
1 New business value (NBV) on SST basis, gross of shareholder taxes, frictional costs (FC) and costs of residual non-hedgeable risks (CRNHR), based on contractual rather than economic contract boundaries and excluding future discretionary benefits in excess of those contractually specified or legally required.

G. Solvency (continued)

The new business written during the year generated NBV of USD 816 million (net of taxes, FC, CRNHR, on economic contract boundaries and allowing for future discretionary benefits) with the following contribution by regions:

New business by geographical region for the covered business

in USD millions, for the years ended December 31	Present value new business premium (PVNBP)[1,3]		Annual premium equivalent (APE)[2,3]		New business value[4]		New business margin[4] % of APE	
	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Regions								
North America	1,156	1,062	120	108	24	9	19.8%	8.4%
Latin America	5,804	5,607	1,041	1,111	164	146	25.5%	20.7%
Europe, Middle East & Africa	22,822	18,236	2,465	2,130	668	557	28.6%	27.1%
Asia Pacific	2,057	2,071	198	206	103	49	52.7%	24.1%
Farmers Life	1,002	871	78	80	111	55	142.0%	69.1%
Total covered business	**32,842**	**27,848**	**3,902**	**3,635**	**1,070**	**816**	**31.7%**	**25.9%**

1 PVNBP is measured as new single premiums plus the present value of new annual premiums.
2 APE is measured as new annual premiums plus 10 percent of new single premiums.
3 PVNBP and APE are shown gross of non-controlling interests.
4 New business value and new business margin are shown net of non-controlling interests.

Analysis of new business value[1] for the covered business

in USD millions	Total	North America	Europe, Middle East & Africa	Latin America	Asia Pacific	Farmers Life
New business value 2021	**1,070**	**24**	**668**	**164**	**103**	**111**
Change in volumes and business mix	(17)	(6)	5	10	(5)	(21)
Economic and operating variances	(166)	(9)	(56)	(28)	(39)	(35)
Foreign currency translation effects	(71)	–	(60)	–	(11)	–
New business value 2022	**816**	**9**	**557**	**146**	**49**	**55**

1 New business value is reported net of non-controlling interests.

Analysis of new business margin[1] for the covered business

in USD millions	Total	North America	Europe, Middle East & Africa	Latin America	Asia Pacific	Farmers Life
New business margin 2021	**31.7%**	**19.8%**	**28.6%**	**25.5%**	**52.7%**	**142.0%**
New business margin 2022	**25.9%**	**8.4%**	**27.1%**	**20.7%**	**24.1%**	**69.1%**

1 New business margin (% of APE) is reported net of non-controlling interests.

Annual Premium Equivalent (APE) was USD 3.6 billion, a decrease of USD 0.3 billion compared to 2021. Main APE movements include the following:

- USD 0.1 bn decrease in Italy, resulting from both the sale of a part of the life and pension back book completed in 2022 and underperformance on the retained business, driven by lower sales of the retail hybrid products due to uncertain macroeconomic conditions discouraging policyholder investments, partially offset by higher sales in corporate protection business;
- USD 0.1 bn decrease in Spain, driven by Bansabadell Vida with lower sales in individual savings and individual protection business;
- USD 0.1 bn decrease in Ireland, due to large currency impact; APE was higher on local currency basis with increased sales across many lines, especially in the corporate life business.

G. Solvency (continued)

New business value (NBV) was USD 0.8 billion, a decrease of USD 0.3 billion compared to prior year period mainly due to negative operating variances and unfavorable currency translation effects. Main NBV movements include:

– USD 0.1 billion decrease due to operating variances which includes the effect of regular operating assumption updates, with main impacts from Japan, Switzerland and Farmers;
– USD 0.1 billion decrease due to economic variances, driven by yield curve changes, with main impacts from Spain, Farmers and Australia;
– USD 0.1 billion decrease due to a combined effect of minor modeling changes, business mix and volume as well as adverse foreign currency movements.

New business margin (NBM) decreased by 5.8 percentage points to 25.9 percent. This resulted mainly from negative operating variances and unfavorable economic variances.

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

Appendix 1: Quantitative templates

Income statement Group and segments (IFRS)

in USD millions, for the years ended December 31

	Total	
	2021	**2022**
Gross written premiums	53,185	56,118
Policy fees	2,592	2,730
Gross written premiums and policy fees	**55,777**	**58,848**
Less premiums ceded to reinsurers	(10,970)	(11,747)
Net written premiums and policy fees	**44,806**	**47,101**
Net change in reserves for unearned premiums	(1,776)	(2,569)
Net earned premiums and policy fees	**43,031**	**44,532**
Farmers management fees and other related revenues	4,265	4,490
Net investment result on Group investments	**7,085**	**4,133**
Net investment income on Group Investments	5,047	5,084
Net cap gains/losses & imp. on Group investments	2,038	(951)
Net investment result on unit-linked investments	14,388	(12,405)
Net gains/(losses) on divestments of businesses	(185)	(288)
Other income	1,283	1,286
Total revenues	**69,867**	**41,750**
Insurance benefits and losses, gross of reinsurance	34,470	34,576
Less ceded insurance benefits and losses	(6,186)	(6,372)
Insurance benefits and losses, net of reinsurance	28,284	28,204
PH div & particip. in profits, net	15,195	(11,791)
Underwriting and policy acqu. costs, net	9,213	9,873
Administrative and other operating expense	8,794	8,665
Interest expense on debt	469	434
Interest credited to policyholders and other interest	591	403
Total benefits, losses and expenses	**62,546**	**35,787**
Net income before income taxes	**7,321**	**5,962**
Income tax expense	(1,895)	(1,040)
– attributable to policyholders	(275)	239
– attributable to shareholders	(1,621)	(1,279)
Net income after taxes	5,425	4,923
Attributable to minority interests	223	319
Attributable to shareholders	5,202	4,603

Appendix 1: Quantitative templates (continued)

	Property & Casualty		Life		Farmers		Group Functions and Operations		Non-Core Businesses/ Eliminations	
	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
	40,123	43,335	11,791	10,606	992	1,843	359	422	(79)	(88)
	–	–	2,205	2,360	359	347	–	–	27	23
	40,123	**43,335**	**13,995**	**12,966**	**1,351**	**2,190**	**359**	**422**	**(52)**	**(66)**
	(9,244)	(10,252)	(1,507)	(1,212)	(175)	(179)	(194)	(267)	149	162
	30,879	**33,083**	**12,489**	**11,755**	**1,176**	**2,011**	**165**	**155**	**98**	**97**
	(1,418)	(1,650)	(190)	(166)	(161)	(756)	(11)	2	4	1
	29,461	**31,433**	**12,299**	**11,589**	**1,015**	**1,255**	**154**	**157**	**102**	**97**
	–	–	–	–	4,265	4,490	–	–	–	–
	3,171	**1,824**	**3,775**	**2,530**	**198**	**170**	**97**	**48**	**(155)**	**(438)**
	1,688	1,837	2,987	2,916	176	177	155	124	41	31
	1,483	(13)	788	(386)	22	(7)	(58)	(76)	(196)	(469)
	–	–	13,909	(11,491)	203	(252)	–	–	276	(661)
	–	(16)	(151)	(273)	–	–	(33)	1	–	–
	836	847	486	522	73	53	123	154	(235)	(290)
	33,468	**34,089**	**30,317**	**2,876**	**5,754**	**5,716**	**341**	**360**	**(13)**	**(1,291)**
	23,520	25,450	9,968	8,056	865	954	246	276	(129)	(159)
	(4,927)	(5,441)	(1,105)	(726)	(130)	(126)	(139)	(164)	115	83
	18,593	20,009	8,863	7,331	735	828	107	112	(14)	(76)
	23	20	14,660	(10,923)	213	(242)	12	8	287	(655)
	6,886	7,244	2,129	2,371	175	233	25	29	(2)	(3)
	3,152	3,201	2,167	2,001	2,902	2,940	509	466	64	58
	4	27	10	8	12	4	532	559	(89)	(163)
	279	176	315	239	111	99	124	139	(237)	(249)
	28,937	**30,677**	**28,144**	**1,027**	**4,149**	**3,861**	**1,308**	**1,311**	**8**	**(1,089)**
	4,531	**3,412**	**2,173**	**1,849**	**1,605**	**1,855**	**(967)**	**(951)**	**(21)**	**(202)**

Appendix 1: Quantitative templates (continued)

Income statement Group and major international markets (IFRS)

in USD millions, for the years ended December 31

	Total	
	2021	**2022**
Gross written premiums	53,185	56,118
Policy fees	2,592	2,730
Gross written premiums and policy fees	**55,777**	**58,848**
Less premiums ceded to reinsurers	(10,970)	(11,747)
Net written premiums and policy fees	**44,806**	**47,101**
Net change in reserves for unearned premiums	(1,776)	(2,569)
Net earned premiums and policy fees	**43,031**	**44,532**
Farmers management fees and other related revenues	4,265	4,490
Net investment result on Group investments	**7,085**	**4,133**
Net investment income on Group Investments	5,047	5,084
Net cap gains/losses & imp. on Group investments	2,038	(951)
Net investment result on unit-linked investments	14,388	(12,405)
Net gains/(losses) on divestments of businesses	(185)	(288)
Other income	1,283	1,286
Total revenues	**69,867**	**41,750**
Insurance benefits and losses, gross of reinsurance	34,470	34,576
Less ceded insurance benefits and losses	(6,186)	(6,372)
Insurance benefits and losses, net of reinsurance	28,284	28,204
PH div & particip. in profits, net	15,195	(11,791)
Underwriting and policy acqu. costs, net	9,213	9,873
Administrative and other operating expense	8,794	8,665
Interest expense on debt	469	434
Interest credited to policyholders and other interest	591	403
Total benefits, losses and expenses	**62,546**	**35,787**
Net income before income taxes	**7,321**	**5,962**
Income tax expense	(1,895)	(1,040)
– attributable to policyholders	(275)	239
– attributable to shareholders	(1,621)	(1,279)
Net income after taxes	5,425	4,923
Attributable to minority interests	223	319
Attributable to shareholders	5,202	4,603

Appendix 1: Quantitative templates (continued)

Europe, Middle East & Africa Property & Casualty		North America Property & Casualty		Europe, Middle East & Africa Life		Farmers		Other	
2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
17,845	17,806	18,232	21,034	6,948	5,735	992	1,843	9,168	9,699
–	–	–	–	1,573	1,722	359	347	659	661
17,845	**17,806**	**18,232**	**21,034**	**8,521**	**7,457**	**1,351**	**2,190**	**9,827**	**10,361**
(3,549)	(3,581)	(6,302)	(7,347)	(703)	(469)	(175)	(179)	(241)	(171)
14,296	**14,225**	**11,930**	**13,687**	**7,818**	**6,988**	**1,176**	**2,011**	**9,586**	**10,189**
(578)	(558)	(685)	(730)	(11)	(43)	(161)	(756)	(341)	(482)
13,718	**13,668**	**11,246**	**12,957**	**7,807**	**6,945**	**1,015**	**1,255**	**9,245**	**9,707**
–	–	–	–	–	–	4,265	4,490	–	–
913	**674**	**1,784**	**801**	**3,139**	**2,029**	**198**	**170**	**1,050**	**460**
524	534	888	929	2,278	2,021	176	177	1,182	1,424
389	140	896	(128)	861	8	22	(7)	(131)	(964)
–	–	–	–	12,606	(12,382)	203	(252)	1,579	229
–	(30)	–	–	(151)	(273)	–	–	(33)	15
486	506	205	173	336	364	73	53	182	191
15,117	**14,818**	**13,236**	**13,930**	**23,737**	**(3,317)**	**5,754**	**5,716**	**12,023**	**10,602**
10,775	10,782	10,622	12,855	6,928	5,197	865	954	5,281	4,788
(1,412)	(1,633)	(3,430)	(4,602)	(459)	(268)	(130)	(126)	(755)	255
9,363	9,149	7,192	8,253	6,469	4,929	735	828	4,526	5,044
9	9	12	7	13,380	(11,857)	213	(242)	1,581	291
2,788	2,757	2,825	3,137	909	1,045	175	233	2,517	2,702
1,610	1,513	596	684	1,236	1,092	2,902	2,940	2,450	2,435
4	14	–	4	–	2	12	4	453	410
174	87	60	46	228	199	111	99	18	(27)
13,947	**13,530**	**10,684**	**12,131**	**22,222**	**(4,589)**	**4,149**	**3,861**	**11,544**	**10,855**
1,170	**1,288**	**2,551**	**1,799**	**1,515**	**1,273**	**1,605**	**1,855**	**479**	**(253)**

Appendix 1: Quantitative templates (continued)

Market-Consistent Balance Sheet

in USD millions, for the years ended December 31	2021	Adjustments previous period	2022
Market-consistent value of investments			
Real estate	14,449		14,798
Participations	68		92
Fixed-income securities	131,243		100,279
Loans	7,792		6,179
Mortgages	6,594		5,331
Equities	8,061		4,812
Other investments	32,670		27,676
Collective investment schemes	5,235		4,265
Alternative investments	11,134		9,758
Structured products	–		–
Other investments	16,300		13,653
Total Investments	**200,878**		**159,167**
Market-consistent value of other assets			
Financial investments from unit-linked life insurance	144,667		122,633
Receivables from derivative financial instruments	938		770
Deposits made under assumed reinsurance contracts	510		971
Cash and cash equivalents	8,719		7,609
Reinsurers' share of best estimate of provisions for insurance liabilities	22,458		20,434
Direct insurance: life insurance business (excluding unit linked life insurance)	5,089		4,433
Reinsurance: life insurance business (excluding unit linked life insurance)	316		297
Direct insurance: non-life insurance business	11,021		10,569
Direct insurance: health insurance business	–		–
Reinsurance: non-life insurance business	6,059		5,135
Reinsurance: health insurance business	–		–
Direct insurance: other business	–		–
Reinsurance: other business	1		–
Direct insurance: unit-linked life insurance business	(27)		(0)
Reinsurance: unit-linked life insurance business	–		–
Fixed assets	2,736		2,564
Deferred acquisition costs	–		–
Intangible assets	–		–
Receivables from insurance business	10,691		11,748
Other receivables	3,672		4,627
Other assets	1,174		913
Unpaid share capital	–		–
Accrued assets	3,459		3,690
Total other assets	**199,025**		**175,960**
Total market-consistent value of assets	399,903		335,127

Appendix 1: Quantitative templates (continued)

Market-Consistent Balance Sheet

in USD millions, for the years ended December 31	2021	Adjustments previous period	2022
BEL: Best estimate liabilities (including unit linked life insurance)			
Best estimate of provisions for insurance liabilities	**(173,495)**		**(138,356)**
Direct insurance: life insurance business (excluding unit linked life insurance)	(99,179)		(70,081)
Reinsurance: life insurance business (excluding unit linked life insurance)	(1,863)		(1,452)
Direct insurance: non-life insurance business	(68,156)		(62,205)
Direct insurance: health insurance business	–		–
Reinsurance: non-life insurance business	(3,698)		(4,018)
Reinsurance: health insurance business	–		–
Direct insurance: other business	(592)		(591)
Reinsurance: other business	(7)		(7)
Best estimate of provisions for unit-linked life insurance liabilities	**(140,771)**		**(119,034)**
Direct insurance: unit-linked life insurance business	(140,770)		(119,034)
Reinsurance: unit-linked life insurance business	(1)		–
Market consistent value of other liabilities			
Non-technical provisions	(2,672)		(2,076)
Interest-bearing liabilities	(5,803)		(4,824)
Liabilities from derivative financial instruments	(532)		(1,167)
Deposits retained on ceded reinsurance	(883)		(692)
Liabilities from insurance business	(3,954)		(4,271)
Other liabilities	(10,758)		(11,646)
Accrued liabilities	(5,045)		(5,256)
Subordinated debts	(10,447)		(7,915)
Total BEL plus market-consistent value of other liabilities	(354,360)		(295,236)
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	45,543		39,891

Appendix 2: Report of the statutory auditor on the Group consolidated financial statements 2022

The Financial Condition Report is not audited.

The consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries (the Group), which comprise the consolidated income statements, consolidated statements of comprehensive income, consolidated balance sheets, consolidated statements of cash flows, consolidated statements of changes in equity and notes to the consolidated financial statements for the year ended December 31, 2022 are audited. Please refer to the report of the statutory auditor in the Group's Annual Report 2022 on pages 381–384.

https://www.zurich.com/en/investor-relations/results-and-reports

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance GroupLtd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the three Exchanges and in that capacity provide certain non-claims services and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

Zurich Insurance Group
Mythenquai 2
8002 Zurich, Switzerland

www.zurich.com