

Letter to Shareholders 2016



Letter to Shareholders

Dear Shareholder,

The Group delivered a good result for 2016. Both Global Life and Farmers continued to grow well while General Insurance benefited from a stronger underlying performance across all regions.

Our business operating profit (BOP)¹ for the full year 2016 was USD 4.5 billion, 55 percent higher than in 2015. Net income attributable to shareholders (NIAS) rose 74 percent to USD 3.2 billion in the same period, driven by the good performance in General Insurance, consistent growth in Global Life and higher fee income from Farmers.

Good performance in all businesses

All of our businesses made a positive contribution to these results. General Insurance performed well and we expect further gains as we maintain

our focus on efficiency and underwriting excellence. General Insurance BOP increased by 182 percent to USD 2.4 billion, reflecting a stronger net underwriting result across all regions.

Global Life delivered further growth with BOP up 3 percent to USD 1.3 billion supported by increases from our operations in Europe, the Middle East & Africa, Asia Pacific and Latin America.

Farmers BOP increased 7 percent to USD 1.5 billion due to a strong performance from Farmers Management Services. Growth in gross earned premiums at the Farmers Exchanges,² which are owned by their policyholders, contributed to higher management fees at Farmers Management Services, more than offsetting the impact on Farmers Re of natural catastrophe losses, especially hail storms in Texas.



Tom de Swaan



Mario Greco

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

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

Our capital position remains strong

As of year-end, our estimated Zurich Economic Capital Model³ ratio stood at 122 percent, above our target range of 100 to 120 percent. We have achieved cost savings of USD 300 million in 2016 and remitted cash of USD 10.4 billion over the three years ended in 2016. Zurich is a strongly cash-generative business and this, combined with the cost savings and profit growth we achieved during the year, enabled the Board of Directors to propose a dividend of CHF 17 per share for 2016.

Growing in profitable markets

During the year, we further strengthened and focused our business. We undertook selected acquisitions, which provided new customer segments and products in markets where we were already strong, and aim to be even stronger. For instance, the U.S. is a key market for the Group and our acquisition during the year of crop insurer Rural Community Insurance Services (RCIS) has performed well, reinforcing our position there. We announced plans to acquire Cover-More, a major travel insurance provider based in Australia, having secured a portfolio of life policies from the Macquarie Group in Australia earlier in the year. Our aim is to rapidly integrate acquisitions to ensure they contribute quickly to the performance of the Group.

Building on our excellent network, we secured four new distribution agreements, reinforcing our position in the promising retail market in Latin America where we are a market leader in this segment. At the same time, our employees continued to innovate, developing new and interesting products for customers. These are all exciting developments for our company.

A new strategy backed by leadership appointments

Building on the solid foundations that we laid in 2016, in November, we announced a new strategy to further strengthen our position as a leading global commercial insurer, while also bringing greater focus to our retail proposition. By creating a simpler and more efficient structure, we will be able to get closer to our customers and ensure we realize Zurich's full potential.

As part of our plan to simplify the organization, we have combined our Corporate and Commercial businesses into a single unit, Commercial Insurance, and appointed James Shea to head that business. In October, Mr. Shea joined Zurich's Executive Committee (ExCo), as did Claudia Dill, who was appointed CEO Latin America, and Jack Howell, who took on the role of CEO Asia Pacific.

Corporate responsibility is also important for our success. By acting responsibly, we create sustainable value for all our stakeholders. We are therefore very proud that in 2016, Zurich achieved its highest ever score in the Dow Jones Sustainability Index review, outperforming 97 percent of other companies in the insurance industry group.

³ The Zurich Economic Capital Model (Z-ECM) is an internal measure of capital adequacy and reflects midpoint estimates with an error margin of +/-5 ppts.

Outlook

As you can see, we have many strengths and a very solid platform from which to develop further. The economic outlook is improving, though clearly there remain challenges. In this environment, we will continue to invest for the future and reinforce capabilities to make our business more efficient and deliver excellent client service. We are well positioned in terms of products, people and geographies and remain focused on delivering sustainable earnings that meet our financial targets and support our dividend policy. We are on track to create a simpler structure, supported by smart investment and greater customer focus that will ensure we are equipped to realize the Group's full potential. These results show what we can accomplish and are an excellent start to achieving our 2019 financial targets.

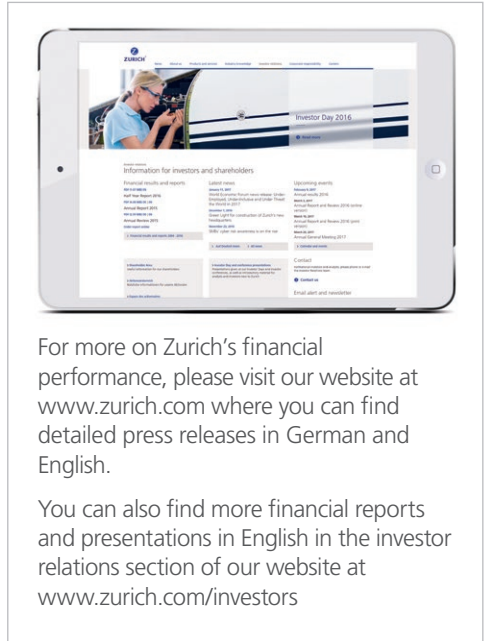
Yours sincerely,



Tom de Swaan
Chairman of the
Board of Directors



Mario Greco
Group Chief
Executive Officer



For more on Zurich's financial performance, please visit our website at www.zurich.com where you can find detailed press releases in German and English.

You can also find more financial reports and presentations in English in the investor relations section of our website at www.zurich.com/investors

Our cover Formulated by our people, for our customers, our new strategy will guide us in our efforts to provide the best service and products. Our cover features one member of the team that worked with 12 senior Zurich leaders over five months to develop our new strategy. Read more about our strategy in the Annual Report and Annual Review.

Financial highlights (unaudited)

in USD millions, for the years ended December 31, unless otherwise stated	12m 2016	12m 2015	Change in USD ¹
Business operating profit	4,530	2,916	55%
Net income attributable to shareholders	3,211	1,842	74%
General Insurance gross written premiums and policy fees	33,122	34,020	(3%)
Global Life gross written premiums, policy fees and insurance deposits	30,347	29,037	5%
Farmers Management Services management fees and other related revenues	2,867	2,786	3%
Farmers Re gross written premiums and policy fees	1,587	2,145	(26%)
General Insurance business operating profit	2,435	864	182%
General Insurance combined ratio	98.4%	103.6%	5.1 pts
Global Life business operating profit	1,344	1,300	3%
Global Life new business annual premium equivalent (APE) ²	4,779	4,772	–
Global Life new business margin, after tax (as % of APE) ²	21.0%	21.6%	(0.6 pts)
Global Life new business value, after tax ²	866	912	(5%)
Farmers business operating profit	1,520	1,421	7%
Farmers Management Services gross management result	1,367	1,338	2%
Farmers Management Services managed gross earned premium margin	7.0%	7.1%	(0.1 pts)
Average Group investments	190,523	198,049	(4%)
Net investment result on Group investments	7,045	7,462	(6%)
Net investment return on Group investments ³	3.7%	3.8%	(0.1 pts)
Total return on Group investments ³	4.3%	1.7%	2.6 pts
Shareholders' equity ⁴	30,660	31,178	(2%)
Z-ECM ⁵	122%	121%	1.0 pts
Diluted earnings per share (in USD)	21.36	12.33	73%
Diluted earnings per share (in CHF)	21.04	11.86	77%
Book value per share (in CHF) ⁴	208.44	209.27	–
Return on common shareholders' equity (ROE) ⁶	11.8%	6.4%	5.4 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁶	11.6%	6.4%	5.2 pts

The table above presents the summarized consolidated results of the Group for the years ended December 31, 2016 and 2015, and the financial position as of December 31, 2016 and 2015, respectively. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated, 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 amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2016 for Zurich Insurance Group available on www.zurich.com and with its consolidated financial statements to December 31, 2016.

¹ Parentheses around numbers represent an adverse variance.

² Details of the principles for calculating new business are included in the embedded value report in the annual results 2016. 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 Calculated on average Group investments.

⁴ As of December 31, 2016 and December 31, 2015, respectively.

⁵ Ratios as of December 31, 2016 and December 31, 2015, respectively. Ratio for December 31, 2016 reflects midpoint estimate with an error margin of +/- 5pts.

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.

Additional information

Contact information

For more information please visit:
www.zurich.com/shareholder-area

Financial calendar¹

Annual General Meeting 2017

March 29, 2017

Ex-dividend date

March 31, 2017

Dividend payable as from

April 4, 2017

Results for the three months ended March 31, 2017

May 11, 2017

Registered Office

Zurich Insurance Group Ltd
Mythenquai 2, 8002 Zurich, Switzerland

Half year results 2017

August 10, 2017

Results for the nine months ended September 30, 2017

November 9, 2017

¹ Note: all dates are subject to change

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 Group Ltd 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; (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; and (viii) 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. 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 Farmers Exchanges and in that capacity provide certain non-claims administrative and management 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.

Persons requiring advice should consult an independent advisor.

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.

The Letter to Shareholders is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.