

Letter to Shareholders 2017

Results for the six months to June 30, 2017



Letter to Shareholders

Dear Shareholder,

It is our pleasure to present you with a strong set of half year results that reflect the progress our people are making in growing our local businesses, improving our underwriting and reducing our costs. These achievements illustrate our commitment to delivering on our strategic priorities for 2017 to 2019, while fulfilling our promise to simplify our business and become even more responsive to the needs of our customers.

In the first six months of 2017, our business operating profit (BOP)¹ rose by 14 percent to USD 2.5 billion, excluding a one-time industry-wide accounting rate change² ('Ogden') in the UK that affected results by USD 289 million in the first quarter. BOP rose 13 percent and the net income after tax attributable to shareholders rose 21 percent in the three months to June 30.

Progress in individual businesses

The Property & Casualty business made robust progress over the period, particularly in commercial lines, reflecting rate actions, a declining cost base and an improved underwriting result.

Our Life business continued to deliver on its unit-linked and protection-oriented strategy, while benefiting from successful acquisitions in Australia and Malaysia, its expanding bank distribution networks and strong regional results in Asia Pacific and Latin America.



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 Ogden is the discount rate for calculating personal injury and accident claims in the UK. A change to the rate in February had a USD 289 million impact on profitability in Q1.

Farmers Management Services delivered continued growth in fee income. Underwriting actions taken by the Farmers Exchanges³ contributed to an improved underwriting result at Farmers Re. New business value at Farmers Life increased.

Focusing on customers

We are broadening our reach through channels that give us access to new customers and ensure we can serve all customers as efficiently as possible. In the first six months, we acquired Cover-More Group Limited, a leading travel insurer based in Australia, and Halo Insurance Services Limited, a specialist UK-based online rental car insurance platform, expanding our personal lines offerings and distribution channels while solidifying Zurich's position as a leading global travel insurer.

We are also building on our position as one of the leading providers of insurance distributed through banks, signing a new exclusive distribution agreement in May with Standard Chartered to provide life insurance solutions to its customers in the United Arab Emirates.

And we are investing in ways to serve customers and improve efficiency through automation, as illustrated by an agreement with Expert System that applies 'cognitive solutions' to provide better, more innovative and faster claims services.

On track to meet strategic goals

We are delivering on the four targets for 2017 to 2019 that we presented at our Investor Day in November 2016. BOP after tax return on equity (BOPAT ROE) excluding the impact of the Ogden rate change was 12.5 percent, ahead of the target of over 12 percent and growing over the period. As of June 30, 2017, we achieved cumulative cost savings of around USD 550 million toward our target of USD 1.5 billion by 2019, against the baseline of 2015, and expect additional actions underway to flow through by the end of the year. Cash remittances for the first half of the year are in line with the target to achieve in excess of USD 9.5 billion over the 2017 to 2019 period. And the estimated Zurich Economic Capital Model ratio⁴ as of June 30 was 134 percent, above the 100–120 percent target range.

³ 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.

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

A new Chairman

In July we announced that the Board of Directors plans to propose Michel M. Liès as Chairman at the Annual General Meeting on April 4, 2018. If elected, he will succeed Tom de Swaan, who has been a member of Zurich's Insurance Group Ltd's Board since 2006 and has served as Chairman since 2013. Mr. Liès has almost 40 years' experience in global insurance and reinsurance, culminating in four years as Group CEO of Swiss Re, a position he held until June 2016. His intellect, deep grounding in insurance and ability to deliver results will reinforce both the Board and the business.

We thank you for your continued support, and look forward to updating you on our progress at our Investor Day on November 15, 2017.

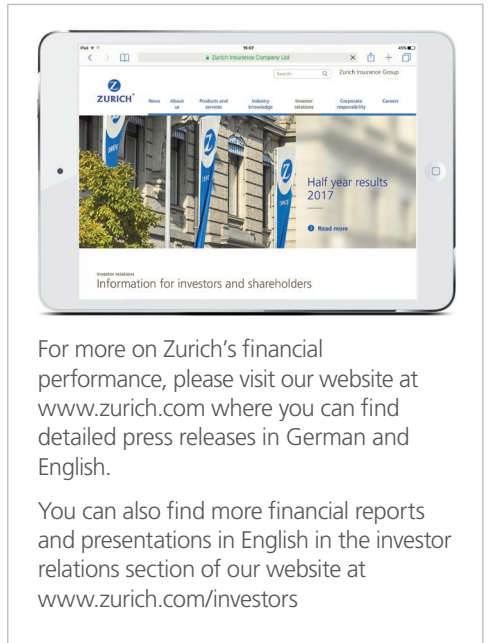
Yours sincerely,



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

Financial highlights (unaudited)

in USD millions, for the six months ended June 30, unless otherwise stated	H1 2017	H1 2016	Change in USD ¹
Business operating profit	2,167	2,163	–
Net income attributable to shareholders	1,503	1,613	(7%)
P&C business operating profit	1,020	1,204	(15%)
P&C gross written premiums and policy fees	18,005	18,517	(3%)
P&C combined ratio	99.5%	98.1%	(1.4 pts)
Life business operating profit	650	562	16%
Life gross written premiums, policy fees and insurance deposit	14,361	14,842	(3%)
Life new business annual premium equivalent (APE) ²	2,275	2,203	3%
Life new business margin, after tax (as % of APE) ²	25.3%	23.9%	1.5 pts
Life new business value, after tax ²	503	453	11%
Farmers business operating profit	794	766	4%
Farmers Management Services management fees and other related revenues	1,438	1,422	1%
Farmers Management Services managed gross earned premium margin	7.0%	7.0%	–
Farmers Re gross written premiums and policy fees	772	759	2%
Farmers Life new business annual premium equivalent (APE) ²	46	46	–
Average Group investments ³	187,372	188,564	(1%)
Net investment result on Group investments	3,091	3,651	(15%)
Net investment return on Group investments ⁴	1.6%	1.9%	(0.3 pts)
Total return on Group investments ⁴	1.7%	4.9%	(3.2 pts)
Shareholders' equity ⁵	30,717	30,660	–
Z-ECM ⁶	134%	125%	9.0 pts
Return on common shareholders' equity (ROE) ⁷	11.3%	11.9%	(0.6 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁷	11.0%	11.2%	(0.2 pts)

The table above presents the summarized consolidated results of the Group for the six months ended June 30, 2017 and 2016, and the financial position as of June 30, 2017 and December 31, 2016, respectively. Interim results are not necessarily indicative of full year results. 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 unaudited consolidated financial statements for the six months ended June 30, 2017.

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 Including investment cash.

⁴ Calculated on average Group investments.

⁵ As of June 30, 2017 and December 31, 2016, respectively.

⁶ Ratios as of June 30, 2017 and December 31, 2016, respectively. Ratio for June 30, 2017 reflects midpoint estimate with an error margin of +/- 5 pts.

⁷ 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

Update for the nine months ended September 30, 2017

November 9, 2017

Investor Day

November 15, 2017

Annual results 2017

February 8, 2018

Annual General Meeting 2018

April 4, 2018

Registered Office

Zurich Insurance Group Ltd
Mythenquai 2, 8002 Zurich
Switzerland

Update for the three months ended March 31, 2018

May 9, 2018

Half year results 2018

August 9, 2018

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. Please also note that interim results are not necessarily indicative of full year results.

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.