About us

Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 54,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich’s customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

Highlights

USD 4.6 bn
Business operating profit

USD 3.7 bn
Net income attributable to shareholders

12.1%
Business operating profit after tax return on equity

USD 3.8 bn
Cash remittances

USD 51.6 bn
Total revenues

USD 195 bn
Investment portfolio

CHF 44.4 bn
Market valuation as of December 31, 2018

Z-ECM 125%
Zurich Economic Capital Model (Z-ECM) ratio estimated as of December 31, 2018

AA-/stable
Standard & Poor’s financial strength rating of Zurich Insurance Company Ltd as of December 31, 2018

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1 Business operating profit (BOP) indicates the underlying performance of the Group’s business units by eliminating the impact of financial market volatility and other non-operational variables.
2 Shareholders’ equity used to determine ROE and BOPAT. ROE is adjusted for net unrealized gains or losses on available-for-sale investments and cash flow hedges.
3 Total revenues excluding net investment result on unit-linked investments.
4 Cash remittances for full year 2018.
5 See page 164 for more information.
6 The Z-ECM is an internal measure of capital adequacy and reflects midpoint estimates with an error margin of ±5 pts.
7 Impact investments in 2018 consisted of: green bonds (USD 2.68 billion), social and sustainability bonds (USD 425 million), and investments committed to private equity funds (USD 145 million, thereof 45 percent drawn down) and impact infrastructure private debt (USD 540 million).
8 Number shown as of 2017; 2018 data will be available in Q2 2019.
9 In 2018, Zurich interviewed over 760,000 customers (including Zurich Santander) in over 20 countries through its NPS (Net Promoter Score) program.

Read more on our financial performance from our Group Chief Financial Officer on pages 152 – 153.
Read more on our non-financial performance on pages 22 – 27.
Our industry is in the midst of a profound transformation. Led by what customers need and expect, enabled by digital technologies, we are well positioned to adapt to these changes that will define our business not only today, but also tomorrow.”

Mario Greco
Group Chief Executive Officer
Message from our Chairman

On the path to success

“We set the right priorities and we are now starting to reap the benefits of the course we have chosen.”

Michel M. Liès
Chairman of the Board of Directors
First impressions
The past year has been one of transformation – both for Zurich and for me personally. In these first months as Chairman, I have taken time to deepen my insight into this great company. Having been able to immerse, reflect and understand, I am pleased to report my confidence that Zurich’s transformation is putting us on a good path to success. Zurich has the knowledge and expertise to achieve our aims. What truly sets us apart is our people, and the commitment they are demonstrating each day to driving the transformation. Our people will drive our success: from our diverse and experienced management team, a passionate and skilled workforce, to people just starting on their career paths. I have been privileged to witness this process in action – including through our Make the Difference program and country visits – and look forward to seeing many more examples in future.

Our strategy builds confidence
Our strategy to become one of the first customer-led insurers puts us on the right path. It reflects a clear understanding of today’s fast-changing world, and identifies the right actions for us to take. Technological empowerment has raised our customers’ expectations. But if Zurich can help them enhance their lives and activities through our products and services, there is great potential to increase our value and relevance to all stakeholders. As our strategy takes hold, we are providing robust returns and strong investor confidence, meeting investors’ expectations and delivering on our financial targets. We will propose to shareholders an increase in the dividend to CHF 19 per share, further demonstrating our strength following a set of strong and sustainable results in 2018.

Living up to our brand
For nearly 150 years, Zurich’s brand has stood for technical excellence, an open and collaborative approach and both global and local expertise. Today, we are strengthening this identity by embracing the wider role that insurance and risk management can play in people’s lives, in protecting companies and strengthening communities, and in addressing society’s most pressing challenges. Risk, after all, is our expertise, and that understanding has never been in greater demand.

From transitioning to a new carbon-sensitive economy to adapting to a new digital workforce, the impact of macro-level forces on people, communities and the world will be immense, and Zurich understands that its core capabilities can have a positive impact in securing an inclusive and resilient future. We are proud of the efforts we have made to date, but even more excited about the possibilities we can envision.

Looking to the future
Going forward, our focus will be on implementing and executing our transformation. The Board has an important oversight role, ensuring that long-term thinking is embedded into the process. To facilitate this, I am ensuring that management benefits from the rich and diverse array of perspectives represented among my fellow Directors, and that we collectively understand both the challenges and opportunities that lie before us. Zurich’s ambition is a bold one, but we have all the ingredients in place to succeed. I look forward to continuing to play my part and updating you again in due course.

Michel M. Liès
Chairman of the Board of Directors

Our business segments

<table>
<thead>
<tr>
<th>Property &amp; Casualty</th>
<th>Life</th>
<th>Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and casualty insurance and services, risk insights.</td>
<td>Protection, savings and investment solutions.</td>
<td>Management services related to property and casualty insurance.</td>
</tr>
<tr>
<td>USD 2.1 bn</td>
<td>USD 1.6 bn</td>
<td>USD 1.6 bn</td>
</tr>
<tr>
<td>Business operating profit</td>
<td>Business operating profit</td>
<td>Business operating profit</td>
</tr>
<tr>
<td>USD 33.5 bn</td>
<td>USD 33.4 bn</td>
<td>USD 3.2 bn</td>
</tr>
<tr>
<td>Gross written premiums and policy fees</td>
<td>Gross written premiums, policy fees and insurance deposits</td>
<td>Management fees and other related revenues</td>
</tr>
</tbody>
</table>

Read more about Property & Casualty on pages 156–157.
Read more about Life on pages 158–159.
Read more about Farmers on page 160.
Message from our Group CEO

Delivering on our commitments

“After reshaping our business, Zurich is well-positioned to face this transformation from a position of strength.”

Mario Greco
Group Chief Executive Officer

A changing world demands focus and a clear understanding of how to create value. Zurich is delivering on both while transforming itself for a digital age.
Embracing a customer-led transformation

In a world undergoing such fundamental change, it is critical that organizations consciously choose their path, make clear commitments to how they will travel along that path, and then regularly examine their surroundings to ensure progress is being made. At Zurich, the path we have chosen is not to resist the digital revolution or to cling to old models. Instead, we are embracing a customer-led technology-enabled transformation that will redefine how we create value for our customers, shareholders, employees and society more broadly.

Positioned to succeed

After two years of reshaping our business, Zurich is well-positioned to face this transformation from a position of strength. Our business portfolio reflects a better mix of risks, while reducing volatility and expanding our customer base.

We exhibit more underwriting discipline and manage our cost base more efficiently. We are meeting or even exceeding our 2017 to 2019 financial targets, including profitability, capital strength and cash remittances. And we are delivering one of the top total shareholder returns in the insurance sector.

Together with these accomplishments we are also achieving profitable growth through targeted acquisitions that build on our geographic footprint and differentiate ourselves from peers. In Latin America these actions position us as the top composite insurer in Argentina, the biggest life insurer in Chile and the fourth-largest insurer in the region. In the Asia Pacific region, we are acquiring 80 percent of Adira, making us the largest foreign P&C insurer in Indonesia. And we essentially globalized the Cover-More travel assistance business – after acquiring it only two years ago – through a series of bolt-on acquisitions in Latin America and Europe that now make Zurich the second-largest player globally in this fast-growing market.

But our growth has not been limited to acquisitions. We also established a series of collaborations that expand our service offerings and gain us new ways to access customers, ranging from new mobility solutions through Bright Box to smart home services with Vodafone to cyber prevention capabilities with Cyence. In addition, we developed new offerings internally, including an insurance-on-demand device coverage for millennials in Spain and an innovative software-as-a-service tool for automobile dealers in the U.S. All of these represent ground-breaking new approaches to managing customers’ risks, challenging traditional product concepts and distribution models.

Customers will define the path ahead

As the balance shifts in customers’ favor, a critical part of the journey involves constantly measuring and improving customer satisfaction, with the aim being that our customers become our greatest promoters.

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Timeline of 2018 events

**January 2018**
Zurich launches Make the Difference, inviting all employees to propose ways to improve how we work.

**February 2018**
Zurich reports strong performance for 2017.

**March 2018**
Zurich accelerates growth of its Cover-More business with an acquisition in Latin America.

**April 2018**
- Zurich names Amanda Blanc new CEO of Europe, Middle East & Africa business, effective October 1, 2018.
- Zurich to acquire EuroAmerica’s life businesses in Chile.
- Shareholders elect Michel M. Liès as new Chairman and approve dividend of CHF 18 per share.
- Zurich to acquire Latin American operations of QBE to become leading insurer in Argentina.

**May 2018**
Zurich to acquire 80 percent of Adira Insurance in Indonesia.

**June 2018**
Zurich strengthens its efforts on cyber security by becoming a partner of the World Economic Forum’s Global Centre for Cybersecurity.

**July 2018**
Zurich extends its award-winning Flood Resilience Alliance program for another five years.

**August 2018**
Zurich launches a global competition for startups, seeking best-in-class customer solutions.

**September 2018**
Zurich to acquire 80 percent of Adira Insurance in Indonesia.

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We have started introducing customer satisfaction measures across the organization, as we are committed to learn from every interaction that our millions of customers have with us. Satisfied customers, after all, tend to be more loyal, and tend to have a longer and broader relationship with Zurich. Through our efforts, and by truly listening to customers, we are making changes and seeing net promoter scores improve. And to underscore how serious we are, we have also included ‘NPS’ metrics as a measure to determine leaders’ incentive plans.

To accelerate this customer journey we are also creating global capabilities to support our local businesses. For example, Zurich Insurance Mobile Services is creating digital platforms that can be used in any market, while Zurich Customer Active Management provides analytical support to better interpret customer needs, preferences and expectations. Both represent areas where skills and scale can create impact, and both are already creating value across the Group.

Engaging employees

In the end, though, our transformation will be led by our people, who are increasingly demonstrating a renewed sense of purpose that is more agile, collaborative and entrepreneurial. You can read one way we are doing this through our Make the Difference campaign described here.

We are also listening more to our employees, using the ‘employee’ NPS, or ‘ENPS’ measure, to better understand employees’ needs. And we are increasingly being recognized for our efforts to promote diversity across our organization, while providing opportunities for all our people to work to the best of their ability and develop their careers.

Having an impact on the world around us

The impact we are making goes beyond customers, shareholders and employees, though. We are also redoubling our efforts to share our expertise, spirit and energy with communities across the world. This commitment starts in Switzerland, where we provide about 4,600 people with fulfilling and rewarding careers, sponsor life-enriching programs like Vita Parcours, the music festival Lucerne Summer Festival and the Europa Institut, and educate children on computer coding and financial literacy.

We also support a range of charities that aim to improve the lives of many people and groups. Outside of Switzerland we extended the award-winning global Flood Resilience Alliance that has already enhanced resilience in 110 mostly low-income communities, expanded the Z Zurich Foundation local grants program to over 20 countries, and contributed extensively to the debates around the future of work, climate change, cyber security and other critical risk topics. We are proud of these and countless other efforts our people make to improve the lives of our neighbors, and are committed to doing even more in the years to come to promote an inclusive and resilient future.

Conclusion

Zurich embraces this customer-driven world. We have demonstrated our ability to improve our core business while creating new opportunities. We have positioned customer feedback as a key source of learning. We have energized our people around a clear purpose. And we have recognized the greater societal impact we can and must have to truly deliver sustainable value to all stakeholders. This is the path we have chosen, and it is one we believe will serve as our strength not just in today’s insurance environment, but also in tomorrow’s.

Mario Greco
Group Chief Executive Officer
For employees, by employees

Breaking down bureaucracy

Simplifying our business is one of our strategy goals. To help us achieve it, in 2018 Zurich introduced ‘Make the Difference,’ a Group-wide initiative that challenges employees to come up with ways to make us more efficient, simpler and faster at driving necessary change.

By encouraging an entrepreneurial mindset, it lets those who know our business best – our people – work without barriers to challenge bureaucracy and break down silos.

Our diverse workforce has provided multiple perspectives, which helps us to reach workable solutions: no fewer than 16 nationalities were represented among the 22 employees leading just one cohort of Make the Difference.

Acting on ideas

Through Make the Difference, we have already introduced real changes to make Zurich more flexible, agile and faster. Acting on some of the over 400 recommendations employees submitted in 2018, we have significantly simplified internal processes, and are also making changes that include working to make the language we use in policies more customer-friendly.

Another example of a tangible success introduced through Make the Difference is a global platform to share ideas and solutions through the ‘Zurich Store.’

We are also addressing rapid changes in customers’ expectations. “As part of Make the Difference, we want to radically simplify the customer experience, making it quicker, easier and more intuitive,” says Marina Cardoso, Customer Proposition and Services Manager at Zurich Insurance Mobile Solutions.
Our business model

Creating sustainable value

The resources we use

**Financial**
Our investors provide the financial capital that sustains our business.

**Intellectual**
Our expertise, including in risk management and investment, contributes to our success.

**Human**
Our approximately 54,000 employees include some of the most talented people in the insurance industry.

**Social and relationship**
We maintain strong social ties and relationships with customers, intermediaries, regulators, policymakers and others, locally and globally.

**Natural**
In our daily business we use natural resources as part of doing business. We conserve them and use them wisely.

What we do

Our employees are helping our retail and commercial customers to understand and protect themselves from risk.

Manage claims
In 2018, we paid out more than USD 22 billion in claims. To ensure that we provide a positive experience to customers who do business with us, we are systematically listening to customers through our Net Promoter Score (NPS) system, not only as part of our claims process but throughout all customer touchpoints.
Serve customers and distribute through multiple channels
Our products and solutions are available to customers with a focus on great customer service, through many channels: directly, or indirectly via brokers, through employee benefits consultants, and in cooperation with third parties including banks, travel providers, retailers, rental agreements and car dealerships.

Invest and deliver returns
Our income includes returns from invested premiums, policy fees and deposits. Our success as a business is important to those who depend on us to reliably pay claims, as well as investors who look to us to deliver savings returns and operate our business responsibly.

Underwrite and manage risk
Insuring and managing risk is central to what we do. Understanding, measuring and modeling risks helps us to price risk fairly and offer competitive premiums to customers, who also look to us to provide expertise aimed at mitigating risks.

Manage reserves
Our Group-wide policy, the ‘Zurich Way of Reserving,’ with well-defined and prudent standards, is the basis for how we calculate insurance liabilities. Our reserving process is supported by strong governance, including extensive internal and external reviews.

How our stakeholders benefit

We create value for our customers
by helping them understand and protect themselves from risk.
Read more about how we create value for our customers on pages 14–15.

We create value for our employees
by aiming to give each the opportunity to work to their full potential.
Read more about how we create value for our employees on pages 16–17.

We create value for communities and society
including by mitigating risk and sharing knowledge and expertise.
Read more about how we create value for communities and society on pages 18–19.

We create value for our investors
by paying an attractive and sustainable dividend and maintaining a strong balance sheet.
Read more about how we create value for our investors on pages 20–21.
Our business environment

Adapting to a changing world

Zurich was founded in 1872 in response to the forces of industrialization that revolutionized the global economy. We are well positioned to help our customers face the risks of today’s transformative forces.

“Our business faces nothing less than a revolution. Digital advances are changing what customers need and expect, while new entrants into our industry vie with established providers to introduce new and innovative products and services. Along with enabling new ideas, technology like artificial intelligence allows a more personalized service, increases accuracy and reduces the time needed for often mundane, repetitive tasks. Interconnectivity offers potential for making people safer, but also exposes them to new risks.

Today our customer base includes digital nomads, gig workers, companies that depend on shared services, and customers willing to chat online with strangers but mistrustful of large corporations. At the same time, multinational enterprises demand real-time information on policies, claims and risks. We welcome these changes taking place that ultimately benefit our customers, and recognize that today’s technologies are empowering customers in ways never experienced in insurance before. To embrace these changes, we are adapting our culture, how we work and the solutions we provide to allow us to fully participate in this new world of opportunity.”

Giovanni Giuliani
Group Chief Strategy, Innovation & Business Development Officer

Changing market dynamics

Growing premiums in established markets is challenging. New entrants into traditional insurance markets are putting conventional market approaches and traditional insurance models to the test.

Zurich’s approach
We have expanded our businesses in potential growth markets by acquiring businesses in Latin America, Australia and Indonesia, expanding our Cover-More travel assistance platform globally and entering new bank distribution agreements. And we have launched a number of innovative solutions for retail and commercial customers.

Insurance in the digital age

Enhanced interconnectivity, ubiquitous mobile devices and new data capabilities are increasing customers’ expectations for convenience, flexibility and tailored solutions.

Zurich’s approach
We have set up a separate company, Zurich Insurance Mobile Solutions to quickly develop and deploy new digital platforms on a commercial scale. We also established Zurich Customer Active Management to mine data and gather insights. Alongside in-house expertise we work with external tech companies and gain knowledge through targeted acquisitions.
Competition for talent

Demand for talent is increasing as insurers compete for today’s and tomorrow’s skills. A diverse workforce is also needed to ensure a range of perspectives and approaches reflecting the diversity of customers.

Zurich’s approach

As a global company, we benefit from our diversity, with over 100 nationalities in our workforce. We can attract talent through our flexible work approach. Our culture of inclusion is recognized by leading pro-diversity organizations. We have increased our listening capability via the ‘employee net promoter score’ (ENPS), and actively engage with employees to implement improvements through ‘Make the Difference.’

Renewed regulatory focus

New rules to protect customers reinforce the need for compliance. Insurers are also preparing to adopt the first major revision to global insurance reporting standards in almost 20 years, IFRS 17, which will change how insurers measure and communicate profitability.

Zurich’s approach

We have sound corporate governance throughout our company aimed at making sure we are compliant with regulations. In terms of IFRS 17, we have made progress on plans for adoption of this new standard, and are preparing for a dry run simulation in 2019 to be ready for full implementation.

Emerging risks

Interconnectivity has ushered in a new era of risk, with cyber attacks seen as the top risk in the world’s largest economies.

Zurich’s approach

We have launched an updated global cyber insurance policy and introduced services to help customers mitigate cyber risk. We opened a new Cyber Fusion Center in the U.S. and increased support for public and private efforts, including through the World Economic Forum, to combat cyber crime.

Climate change

The threat of severe weather is increased by climate change. Changes in weather patterns can worsen the risk of floods.

Zurich’s approach

We work with customers and others to enhance resilience and to reduce CO2 emissions, including those related to thermal coal. We have set clear targets on impact investing and reducing CO2 emissions. In 2018 Zurich extended its award-winning flood resilience alliance for another five years.
Our strategy

Strategic overview

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

We are well on track to fully achieve our 2017 to 2019 targets. We look ahead with great confidence to the next phase of our development.”

Mario Greco
Group Chief Executive Officer

Our purpose, values and strategy

<table>
<thead>
<tr>
<th>Our purpose</th>
<th>To protect you</th>
<th>To inspire confidence</th>
<th>To help you reach your full potential</th>
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</thead>
<tbody>
<tr>
<td>Why</td>
<td>We are one team and value the diversity and potential of every individual.</td>
<td>We embrace new ideas to exceed our customers’ expectations.</td>
<td>We deliver on our promises and stand up for what is right.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Our values</th>
<th>Focus on customers</th>
<th>Simplify</th>
<th>Innovate</th>
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</table>

Find out more about our strategy www.zurich.com/strategy
Financial targets

Long term targets
Our strategy to deliver long-term competitive advantage focuses on continuing to increase profitability and consolidating the Group’s position as a leading global underwriter for property and casualty (P&C) and life insurance. The Group will expand customer relationships, simplify the business and significantly reduce costs.

At the operating level, Zurich will continue to reduce complexity and improve accountability. Zurich will enhance technical excellence and strengthen its go-to-market-approach for commercial customers. It will also seek to enhance its offerings to individuals by monitoring and aiming to increase customer satisfaction and retention.

The Farmers Exchanges\(^1\) will continue to focus on improving customer satisfaction and retention rates.

2017–2019 targets

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOPAT ROE(^2)</td>
<td>&gt;12% and increasing</td>
</tr>
<tr>
<td>Z-ECM(^3)</td>
<td>100–120%</td>
</tr>
<tr>
<td>Net cash remittances(^4)</td>
<td>&gt;USD 9.5bn (cumulative)</td>
</tr>
<tr>
<td>Net savings</td>
<td>USD 1.5bn by 2019 compared with 2015 baseline</td>
</tr>
</tbody>
</table>

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

\(^2\) Business operating profit (after-tax) return on shareholders' equity.

\(^3\) Excludes unrealized gains and losses.

\(^4\) The Zurich Economic Capital Model (Z-ECM) is an internal measure of capital adequacy.

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

Our strengths

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

A balanced business
Our business is balanced between Europe and North America. The Latin American contribution is growing and the business in Asia Pacific is expanding. Our portfolio is healthy and balanced between Property & Casualty, and Life. Both are sustainable and profitable businesses. Farmers provides stable income. This diversification positions us well to weather economic and market volatility, and gives us a strong presence across customer segments and product lines.

A trusted brand, talented people
Our brand is strong and reinforces our reputation for being able to understand the risks our customers face and to structure offerings that meet their unique needs. Our global brand and reputation help us to continue to attract the most talented people in the industry.

Delivering on our strategy in 2018

Focus on customers
- We increased use of customer feedback through the ‘transactional’ net promoter score (TNPS) and achieved improvements in TNPS across all four business regions.
- We gained access to new customers through acquisitions in Latin America, Australia and Indonesia and expanded our Cover-More travel assistance platform globally.
- We added distribution agreements giving us access to nearly 30 million new potential customers.

Simplify
- We continued to streamline our business by consolidating data centers and decommissioning hundreds of IT and business applications.
- We launched a global program open to all employees, ‘Make the Difference,’ to simplify and improve how we work, receiving over 400 suggestions in the first year.
- We introduced our first Group-wide internal social media platform which gives employees across our businesses an easy way to share ideas and collaborate.

Innovate
- We set up a separate company, Zurich Insurance Mobile Solutions, to quickly develop and deploy digital platforms on a commercial scale.
- We established a new unit, Zurich Customer Active Management, to generate insights from the data we gather to allow us to better provide solutions to customers.
- We entered agreements with established and startup technology companies to develop new customer solutions.
Creating value for our customers

Our business is undergoing a revolution. Customers’ expectations are changing. Their opinions matter more than ever. They expect more from us, too. We are keen to ensure we meet the demands of all our customers. This is our most urgent priority.

➤ We are listening to customers through our NPS program and acting on their suggestions.
➤ We are developing innovative risk solutions for retail and commercial customers.
➤ We are expanding in promising markets through targeted acquisitions.

We serve individuals, small and medium-sized enterprises, large companies and multinational corporations across our four regions – Europe, Middle East & Africa, North America, Latin America and Asia Pacific.

Listening to our customers
To best serve all our customers we need to get better at listening to them. To do this we are using the net promoter score (NPS) and have introduced many improvements based on feedback we received through NPS. In 2018 we expanded this program to over 20 countries comprising 90 percent of our business. To underscore the importance of customer satisfaction, in 2018 we also included NPS in performance incentives of senior leaders. We’ve already addressed pain points based on such customer feedback: in Spain we improved our roadside service for motorists, for example, and in Hong Kong, we introduced a new way to streamline home insurance claims. While this approach is used mainly for retail customers, we also are starting to develop it for commercial customers.

Helping to protect businesses
We insure businesses across a variety of industries, supported by about 1,350 risk engineers who offer their expertise to help better understand risks, and over 9,600 claims professionals. We are constantly developing new ways to better serve business customers. For example, in 2018, we began a pilot to test application programming interface (API) technology that will allow multinationals to access their data in our systems in real time.

In 2018 we also introduced a Zurich International Programs proposition specifically for medium-sized companies in the UK. Zurich International Programs is a tailored, full-service offering that allows multinational companies to manage property and casualty risks, making it easier to enter and thrive in new markets around the world.

Improving our service for retail customers
We serve individuals and small businesses on a local basis, developing solutions around customers’ needs. For example, in Italy, we are developing ‘smart home’ solutions to allow people to monitor their homes via mobile devices, adding convenience and aiming to make homes safer. In Latin America, where we have an agreement with Via Varejo, the country’s largest retailer, we are offering new products and extended warranties. We have introduced an insurance ‘on demand’ product targeting younger customers in Spain, and in Indonesia, a travel insurance offering embedded with flight ticket booking with that country’s largest e-retailer.

Acquisitions to strengthen our customer proposition
Supporting our strategy, we continued to grow our business in promising markets. In Latin America we completed the acquisition of QBE’s businesses, making us the fourth-largest insurer in that region and largest insurer in Argentina, as well as increasing our scale in Brazil, Colombia, Mexico and Ecuador. We also acquired the individual, group life, and long-term savings operations of EuroAmerica in Chile. In Australia, we acquired ANZ’s life and consumer credit business, OnePath Life, making us Australia’s largest retail life insurer. In Indonesia we acquired 80 percent of Adira Insurance to become the largest foreign property and casualty insurer in that market.

The transactions in Latin America, Australia and Indonesia also augment the over 70 agreements we already have in place around the world that allow us to distribute our products through banks and other distribution channels. The largest such agreements are separate joint ventures with Banco Santander S.A. in Latin America and with Banco Sabadell S.A. in Spain.
A long-term approach
For over 30 years, Felix Pfister has been a Zurich customer. He owns a gardening business, where he takes special pride in being close to his customers. Relationships need to grow. At Zurich, we are helping businesses large and small to protect against risk. So businesses can best serve their customers today and in the future.

“The most important thing you can do is listen to your customers.”
Felix Pfister
Owner of a gardening business in Zurich

Our customers
In 2018, our Property & Casualty and Life businesses handled 6.6 million claims on behalf of our customers and paid out more than USD 22 billion to our customers or on their behalf. Each claim represents an opportunity to interact with customers and learn from them, as just one among many touchpoints where we can collect valuable feedback. We are using the net promoter score (NPS) to systematically understand where we can improve across the customer journey.

Net promoter score
( comments generated)

<table>
<thead>
<tr>
<th>Year</th>
<th>NPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>&gt;760,000</td>
</tr>
<tr>
<td>2017</td>
<td>570,000</td>
</tr>
</tbody>
</table>

For more stakeholder metrics see pages 23–24.

Farmers Insurance launches millennial-centric brand for renters
In 2018, Farmers launched Toggle, an innovative brand aimed at digitally-active consumers in Illinois and Wisconsin, which includes elements of game design to deliver customizable coverages and offerings. Through the new renters insurance offering, subscribers can choose options that cover damage to their residence caused by their pet, or covers the things members use to make extra money on the side, like the camera for a food blogger, or the laptop and sound equipment for a DJ.

A global leader in travel
We want to be there for customers wherever they journey. In 2018 we successfully expanded the Cover-More business to become the second largest travel assistance provider in the world. Through targeted acquisitions in Latin America, the UK and Ireland, as well as a five-year exclusive distribution agreement with Commonwealth Bank in Australia, we significantly increased the potential customer base for Cover-More’s innovative offerings, and have begun to create scale and efficiencies across this global platform.
This is an exciting time for Zurich. We are transforming our culture, guided by our purpose and values, with a focus on being a truly customer-led organization. Recognized as a leading global employer, we can attract, keep and motivate talent, helping us to remain successful even in a time of radical change in our industry.

Creating value for our employees

Our industry is in the midst of a revolution. Advances in digital technology are changing what our customers need and expect from us. Customers’ expectations of what insurers should provide, how they provide it and even what an insurer is, are changing as well. In this challenging environment, each and every one of our people must understand our deeper purpose and their importance in helping us to address our customers’ evolving needs.

To achieve this, we are implementing a simplified, more customer-focused organization and operating model empowering our regional and local businesses. We are introducing more talent management discipline, and an integrated performance and development-cycle approach. That includes equipping new employees to more quickly make an impact, while allowing managers to spend more time on coaching and less time on administrative tasks.

Strengthening customer focus, listening to our people

We understand that we need to keep our customers in the center of all we do, 24/7. To achieve this, we are putting greater focus on how we interact with customers, including by increasing our emphasis on using the ‘net promoter score’ (NPS) to measure customer satisfaction, gain customer feedback and ‘close-the-loop’ through follow-up conversations with customers. In 2018, we collected over 760,000 such responses from customers, including through many calls to customers by senior management. And, we now include NPS metrics as part of the performance incentives for our senior leaders.

One way we can attract and keep the best talent is by listening to our people. We measure employee satisfaction through the ‘employee net promoter score’ (ENPS). Similar to how we listen to our customers with NPS, ENPS helps us build happier, more capable teams, which are equipped to enhance our customers’ experience. We are listening and acting on what we learn from ENPS feedback. And while the quest for full employee engagement is never complete, our ENPS results in 2018 reassure us that we are on the right track.

The advantages of diversity

Our geographic footprint creates four major bases – in North America, Europe, the Middle East and Africa (EMEA), Latin America and Asia Pacific. With a great many different nationalities represented in our workforce, we reflect the diversity of our customers, benefit from local expertise, cultural awareness and different perspectives. As a further element of diversity, an increasing number of our employees are ‘millennials’ in their 20s to mid-30s. Our efforts to allow everyone in our workforce to work to his or her full capability is reflected in our certification by EDGE, the leading global assessment methodology and business certification standard for gender equality.

Our efforts to promote workplace diversity were also recognized by Stonewall, Europe’s largest lesbian, gay, bi and trans (LGBT) charity, which included us as the first insurer in its Top Global Employers list in 2018.

Finding the right skills

As we move into the digital era, we must develop our workforce to succeed in a world demanding more from an insurer, whether that means ‘reskilling’ existing talent or targeting new skills, so that they are empowered rather than estranged by technology.
We also enrich our own knowledge and capabilities through acquisitions, including the innovative travel assistance provider, Cover-More, from which we are learning new ways to develop customer-focused services that we can apply to a range of customer needs in future.

**Supporting knowledge gaps in our industry**

We believe we have a responsibility to educate tomorrow’s insurers. This will bring fresh thinking and new ideas to our workforce. Our Swiss-style apprenticeship program, offered through William Rainey Harper College in Illinois, is the first such apprenticeship program for insurance professionals in the U.S. In 2018, the program added cyber security to its offerings. We also actively support ‘hackathons’ where the world’s best young programmers meet to compete in delivering solutions to specific problems. And we work to educate industry professionals. These efforts were recognized in 2018, when our Zurich Broker Academy won top prize for innovation at the European Risk Management Awards 2018, underscoring Zurich’s outstanding work in educating brokers about international programs.

Our industry is at a key inflection point. Our employees are one of our greatest strengths. They are driving a transformation aimed at making us a truly customer-led insurer. We want to make sure we have the right people in place to meet the challenges of the future.

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**Our people**

Our industry is at an inflection point. Our employees are one of our greatest strengths. They are driving a transformation aimed at making us a truly customer-led insurer. We want to make sure we have the right people in place to meet the challenges of the future.

<table>
<thead>
<tr>
<th>Total number of employees</th>
<th>Total number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td>Full-time equivalents (FTE)</td>
</tr>
<tr>
<td>2018</td>
<td>53,535</td>
</tr>
<tr>
<td>2017</td>
<td>53,146</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent retention</th>
<th>Talent retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee turnover rate¹</td>
<td>Technical functions voluntary turnover¹,²</td>
</tr>
<tr>
<td>2018</td>
<td>14%</td>
</tr>
<tr>
<td>2017</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational health and diversity</th>
<th>Organizational health and diversity³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females in Leadership Team</td>
<td>Employee participation in Group-wide feedback channels</td>
</tr>
<tr>
<td>2018</td>
<td>22%</td>
</tr>
<tr>
<td>2017</td>
<td>21%</td>
</tr>
</tbody>
</table>

¹ Turnover figures only consider regular and inpatriate employees.
² Technical functions include claims, underwriting and risk engineering.
³ New KPI in 2018. Group-wide feedback channels include organizational health surveys, employee net promoter scores and any other group-wide feedback channels. Specifically in 2018 this KPI refers to the average participation rate in two employee net promoter score surveys.

For more stakeholder metrics see pages 23–24.

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**Hiring talent for today and tomorrow**

We aim to recruit talent and raise awareness of opportunities in insurance. That includes meeting prospective employees at events like ‘hackathons’. We recognize that skills and talent including in new areas of expertise will shape our business not only today, but also tomorrow.

Read more in the Annual Review
https://annualreports.zurich.com/en/

Find out more about careers
https://careers.zurich.com

“Our future employees might be at these events.”

Mélina Carnal
Zurich recruiting consultant who attends ‘hackathons’ as one way to meet prospective new employees
Creating value for communities and society

Our work over many years to benefit our customers, communities and society has generated positive results. With our expertise, capabilities and passion we can contribute even more.

- We work globally including through our award-winning multi-organizational flood resilience alliance. In 2018 we extended the program for another five years.
- Our many local community programs include those to promote mental well-being in Ireland and Australia, improve children’s nutrition and fight childhood obesity in Malaysia, and work to empower young people, especially in places with high youth unemployment.
- We continued to make progress on our goals to reduce CO2 emissions, further build our impact investment portfolio, and benefit 5 million people annually.

Given the complexity and scale of challenges facing our world, simply being a ‘responsible’ company is no longer enough. Toward that end, working together with the Z Zurich Foundation, funded by Zurich, we have announced our ambition to become one of the most sustainable businesses in the world.

A global flood alliance

We are already making a significant impact by helping customers and communities reduce the devastating impacts of floods. Through our risk expertise as a global insurer, we can make a positive difference even before a flood occurs— we call this flood resilience. An ability to adapt and address risks prior to an event can make a big difference, especially when it comes to addressing the impacts of flooding.

Over 225,000 people have already directly benefited from the work done by the Flood Resilience Alliance, which has established 13 programs in nine countries since it started in 2013. In the second five-year phase of the program, launched in July 2018, we will work with the Alliance members to raise USD 1 billion for investing into building resilience to floods globally—and saving lives.

Prevention is by far more cost-effective than clean-up post-event.

We already know that every USD 1 invested in prevention saves on average USD 5 in future losses. We want to provide further proof that our approach aimed at resilience works. By documenting the success we achieve, we will support our case for investing in resilience, encouraging investment from public authorities, and public and private donors.

"With our flood resilience work, we are helping to prevent disasters, and protect and keep communities together.”

Gary Shaughnessy
Chair of the Board of Trustees,
Z Zurich Foundation

“Helping communities survive and thrive despite repeated floods”

Floods affect more people globally than any other type of natural hazard and cause some of the largest economic, social and humanitarian losses. To help communities cope with repeated flooding, we created the Zurich Flood Resilience Alliance. This award-winning multi-organizational alliance brings together research organizations, humanitarian sector organizations. Zurich, as the founder of the alliance, provides expertise, funding and serves to coordinate our approach.

Read more in the Annual Review

Find out more about flood resilience
Focusing on mental health in communities

Depression is the leading cause of ill health and disability worldwide, according to the World Health Organisation. That is why we focus on physical and mental health and support many local programs around the world, including in Ireland and Australia, where we have worked on programs to promote mental health. Another project we support is an initiative we launched with One Goal/World Vision Malaysia to fight child obesity and malnutrition, while raising awareness among children and parents on the importance of a healthy diet. In addition to offering football demonstrations and providing free healthy drinks and nutritional information, Zurich Malaysia has recruited 67 new community coaches for the program and 312 support volunteers.

Investing responsibly

We continued to progress on our impact investment goals: to build a portfolio of impact investments of up to USD 5 billion, while avoiding 5 million tons of CO2 equivalent emissions, aiming to benefit 5 million people annually. By investing in additional green, social and sustainability bonds and committing to two additional impact private equity funds, our impact investment portfolio grew from USD 2.8 billion in 2017 to USD 3.8 billion in 2018. To broaden the scope of our impact investment portfolio, in 2018 for the first time we included investments in private debt to fund impact infrastructure projects, such as hospitals, schools or wind/solar energy farms in the portfolio. In 2018 we also developed a way to systematically aggregate and report the CO2 emissions we avoided and the number of people who benefited.

Enriching lives and breaking taboos

In Ireland, Zurich works closely with Rugby Players Ireland, the professional sports organization, to support Tackle Your Feelings. The campaign promotes open discussion about mental health. With almost one-third of professional rugby players in Ireland supporting it, the campaign can help others to understand and deal with what is often a taboo subject.

In Australia, Zurich is working with indigenous Australian artists through the Beyond Empathy organization. Through different art forms, Beyond Empathy aims to enrich the lives of disadvantaged individuals and their communities.

Our communities and society

We want to be a leader in sustainability. We subscribe to that through our targeted impact investments, which include green, social and sustainability bonds, commitments to private equity funds, and impact infrastructure private debt.

**Total impact investments** *(USD billions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.8bn</td>
</tr>
<tr>
<td>2017</td>
<td>2.8bn</td>
</tr>
</tbody>
</table>

For all our sustainability metrics please turn to pages 23–24.

1 Impact investments in 2018 consisted of: green bonds (USD 2.68 billion), social and sustainability bonds (USD 425 million), and investments committed to private equity funds (USD 145 million, thereof 45 percent drawn down) and impact infrastructure private debt (USD 540 million).
Creating sustainable value for shareholders

Zurich has a highly cash-generative business model and is focused on paying an attractive and growing dividend, while managing the group balance sheet in a consistent and conservative manner.

Our proposition to investors

- A balanced and diverse global business
- Industry-leading capital levels
- Consistent and conservatively managed balance sheet
- Consistent growth with scope to enhance returns through capital re-deployment

Zurich is a leading global insurer, serving individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. Zurich has significant market share in North America and Europe, a leading position in Latin America and a growing presence in Asia Pacific. With about 54,000 employees, Zurich provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. It also provides administration, management, and ancillary services to the Farmers Exchanges, a leading personal lines insurer in the U.S.

Zurich is rated in the ‘AA’ range by three internationally recognized rating agencies. The estimated Zurich Economic Capital Model (Z-ECM) ratio stands at a very strong 125 percent (calibrated to AA). Zurich’s financial flexibility is strong, with a conservative ‘Aa’-level leverage as defined by Moody’s.

The Group’s consistent and conservatively managed balance sheet is based on disciplined risk management and producing stable cash flows. A key element of the capital management strategy is to maximize capital fungibility by pooling risk, capital and liquidity centrally as much as possible. Zurich’s investment portfolio is generally conservative with an asset allocation comprising mainly publicly traded fixed income securities, with moderate investments in other asset classes.

The Group is committed to a dividend payout of around 75 percent of net earnings, subject to a floor of the prior year dividend level, with dividend increases subject to sustainable earnings growth.

On track to achieve financial targets

During the Investor Day in November 2018 the Group provided a number of examples of how the Group is delivering against the Group’s stated financial targets.

For details, please refer to the financial review section of the Annual Report, and the Investor Day 2018 presentation.

Corporate governance and sustainability

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

Zurich pro-actively addresses environmental, social and governance (ESG) factors as part of day-to-day business activity. This includes responsible investment, corporate responsibility in business transactions, minimizing its carbon footprint and helping the communities in which it operates. Zurich’s strong ESG track record is illustrated by a ‘AA’ rating from MSCI and our Bronze Class distinction in the Dow Jones Sustainability Indices (DJSI).

Provision of financial information

Zurich’s annual financial results are published in printed and electronic form. Detailed information for the Group and the key segments is published for the half and full year. For first and third quarters, the Group provides highlights for the quarter and qualitative comments on trading and market trends. Zurich’s management hosts an investors’ and analysts’ call each quarter.

Dialogue with investors

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

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

2 Reflects midpoint estimates as of December 31, 2018 with an error margin of +/- 5 pts.
Zurich’s shares

The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorennummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the blue chip segment is conducted in Swiss francs.

Zurich has a level 1 American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. For further information on shareholders or capital structure, see the corporate governance report.

Further details are available online www.zurich.com/en/investor-relations/our-shares/registered-share-data

Financial calendar

Annual General Meeting 2019
April 3, 2019

Ex-dividend date
April 5, 2019

Dividend payable from
April 9, 2019

Update for the three months ended March 31, 2019
May 9, 2019

Half year results 2019
August 8, 2019

Update for the nine months ended September 30, 2019
November 7, 2019

Investor Day
November 14, 2019

Note: all dates subject to change

Further details are available online www.zurich.com/en/investor-relations/calendar

Proposed total dividend per share for 2018

CHF 19.00¹
(CHF 18.00 for 2017)

Find out more about dividends

Dividend a key part of total shareholder return (TSR)

Total shareholder return in U.S. dollars

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<td>0</td>
<td>100</td>
<td>150</td>
<td>200</td>
<td>250</td>
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<td>400</td>
<td>450</td>
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Source: Thomson Reuters Datastream

Zurich share performance (indexed) over the last 10 years

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<td>450</td>
<td>500</td>
<td>550</td>
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</tbody>
</table>

Source: Thomson Reuters Datastream

Share data (CHF)

As of December 31

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per share</td>
<td>19.00¹</td>
<td>18.00</td>
</tr>
<tr>
<td>Share price at end of period</td>
<td>293.10</td>
<td>296.60</td>
</tr>
<tr>
<td>Price period high</td>
<td>320.00</td>
<td>306.00</td>
</tr>
<tr>
<td>Price period low</td>
<td>284.10</td>
<td>262.20</td>
</tr>
<tr>
<td>Market capitalization (CHF millions)</td>
<td>44,360</td>
<td>44,670</td>
</tr>
</tbody>
</table>

¹ Proposed total dividend, subject to approval by shareholders at the Annual General Meeting, expected payment date as from April 9, 2019.

Gross dividend, subject to 35 percent Swiss withholding tax.