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 sales 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 augments 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.

“We believe that fire safety, and preserving the integrity of historical buildings, can go hand-in-hand if done in a sensitive and smart way.”
Gary Howe
Zurich risk engineer

Making history
We are fortunate to have been helping customers adapt to, and thrive in a changing environment for nearly 150 years. In 2018 we were proud to have installed the first modern fire safety sprinklers at a National Trust site. Our goal is to help every customer protect against risk. We share solutions, too, to help customers reduce risk, including through hazard analysis workshops and on-site training and make it possible for customers to do own risk assessments via the Zurich Risk Advisor app.

Read more in the Annual Review
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.

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.

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

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

For more stakeholder metrics see pages 23–24.
Creating value for our employees

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.

To ensure a customer focus, we have incorporated customer satisfaction measures into our senior leaders’ incentives.

We are using employee NPS, or ENPS, to systematically measure employee satisfaction, gather feedback and take action.

We are recognized by independent organizations as a leading place to work and as a leader in promoting diversity and inclusion.

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.

**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.

**Total number of employees**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Headcount</td>
<td>53,535</td>
<td>53,146</td>
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**Talent retention**

Employee turnover rate

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<tr>
<th></th>
<th>2018</th>
<th>2017</th>
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<tr>
<td></td>
<td>14%</td>
<td>15%</td>
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</tbody>
</table>

**Organizational health and diversity**

Females in Leadership Team

<table>
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<tr>
<th></th>
<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td></td>
<td>22%</td>
<td>21%</td>
</tr>
</tbody>
</table>

For more stakeholder metrics see pages 23–24.

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.

**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.


Find out more about flood resilience www.zurich.com/en/sustainability/flood-resilience

Learn more about Zurich’s sustainability initiatives in the Sustainability Highlights 2018 www.zurich.com/en/sustainability
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 investments1
(USD billions)

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

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 are 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.

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

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

Quarterly updates and current publication dates can be found online www.zurich.com/en/investor-relations/results-and-reports

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.


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**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](http://www.zurich.com/en/investor-relations/calendar)

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**Proposed total dividend per share for 2018**

**CHF 19.00**

(CHF 18.00 for 2017)


**Dividend a key part of total shareholder return (TSR)**

**Total shareholder return in U.S. dollars**

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<td>150</td>
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Source: Thomson Reuters Datastream

**Total shareholder return in U.S. dollars**

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Source: Thomson Reuters Datastream

**Zurich share performance (indexed) over the last 10 years**

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<td>Swiss Market Index</td>
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<tr>
<td>Stoxx Europe 600 Insurance Index</td>
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<tr>
<td>Zurich Insurance Group Ltd</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>19.00</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>

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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.