

150
years



Half Year Report 2022

Report for the six months ended June 30, 2022

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Welcome

About us

Zurich Insurance Group (Zurich) is a leading multi-line insurer serving people and businesses in more than 210 countries and territories.

Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to ‘create a brighter future together’, Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 56,000 employees and is headquartered in Zurich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

Message from the Chairman and Group CEO

Dear Shareholder,

We're pleased to report our highest first-half business operating profit since 2008 and the second highest ever. This is an impressive achievement considering the unprecedented market conditions caused by the war in Europe, higher inflation, the burden of natural catastrophes and the lingering effects of the pandemic. Our work to focus on customer needs, simplify and innovate has transformed Zurich into a leaner and more agile insurer that's primed for the future. We're freeing up capital in the business with the agreed sale of life and pensions back books,¹ while also preserving value for shareholders through a planned share buyback of approximately CHF 1.8 billion.² Zurich's firing on all cylinders and on track to beat all its financial targets for the second successive strategic cycle.

Zurich Insurance Group (Zurich) first-half 2022 results show the solidity of the business and the value of our mid-term transformation. Group business operating profit (BOP) increased 25 percent to USD 3.4 billion in the first six months of the year from USD 2.7 billion in the prior-year period. All regions and business lines contributed to our successful results. The Property & Casualty (P&C) business reported today its best ever combined ratio, with continued robust top-line growth. Our Life business also continued to produce excellent results with one of the strongest ever performances for operating profit despite the adverse impact of capital markets and headwinds from currency movements.

The impact of COVID-19 on business operating profit continues to decline. COVID-19-related losses in the Life business fell to USD 26 million from USD 137 million, and at Farmers Life to USD 32 million – mostly in the first quarter – from USD 42 million. On the other hand, the benefits due to reduced claims frequency in the P&C business were immaterial compared with USD 109 million in the prior-year period.

Net income after tax attributable to shareholders was USD 2.2 billion, up 1 percent over the prior-year period. The improvement in BOP was largely offset by negative mark-to-market effects. The strength of the U.S. dollar versus other currencies was a headwind to both the reported BOP and net income. Zurich's capital position remains very strong with the Swiss Solvency Test (SST)³ ratio estimated at 262 percent, an increase of 51 percentage points over the first half and well above the Group's target for an SST ratio in excess of 160 percent.

Property & Casualty

P&C business operating profit rose 32 percent to USD 2.1 billion, driven by a record-low combined ratio of 91.9 percent and 8 percent top-line growth. The reduction in the combined ratio was mainly driven by an improvement in underwriting profitability with higher prices feeding into the results.

Natural catastrophe and weather claims, which were slightly above expectations, were significantly lower than in the prior year. These improvements were partially offset by the absence of the prior year's favorable net impact from COVID-19 and realized capital losses of USD 51 million, mainly driven by the Group's hedge fund portfolio due to adverse financial markets, compared with a gain of USD 62 million in the prior-year period.

Gross written premiums grew by 13 percent on a like-for-like⁴ basis in the first half of 2022, with strong growth achieved in both commercial insurance and the retail business. Growth continued to be supported by significant rate increases in the Group's commercial business across all regions, with these trends expected to continue into 2023.

Life

The Group's Life business delivered a strong performance during the first half of the year, with continued focus on the execution of its long-term strategy to grow protection and capital-light savings products.

First-half BOP of USD 903 million was up 13 percent compared with the prior-year period, despite unfavorable currency movements due to U.S. dollar appreciation against other major currencies. On a like-for-like⁴ basis, Life BOP rose by 25 percent. Lower COVID-19 claims and a stronger operating performance more than offset the adverse effects of financial markets.

Life new business annual premium equivalent (APE) increased 3 percent on a like-for-like⁴ basis in the first half. Growth was driven by higher sales in capital-efficient savings and protection products, which accounted for 95 percent of first-half APE. New business margin remained attractive at 26.5 percent, down from 30.5 percent in the previous year, due to adverse economic variances, modelling and assumption updates, and a less-favorable product mix within our preferred lines of business. These factors also resulted in new business value of USD 425 million, 10 percent below prior year on a like-for-like⁴ basis.



Michel M. Liès
Chairman of the Board
of Directors



Mario Greco
Group Chief Executive
Officer

Message from the Chairman and Group CEO (continued)

Farmers

Gross written premiums of the Farmers Exchanges⁵ increased 15 percent in the first half of the year, following the acquisition of the MetLife U.S. P&C business in April 2021 and organic growth in the Business Insurance, Farmers Specialty and Farmers Home businesses. The Farmers Exchanges⁵ combined ratio improved by 0.5 percentage points to 104.4 percent, mainly driven by a reduction in catastrophe losses and a lower expense ratio compared with the prior year. This was largely offset by an increase in the non-catastrophe loss ratio following inflationary pressures.

Farmers BOP of USD 893 million was up 15 percent compared with the prior-year period, mainly driven by a 14 percent increase in BOP at Farmers Management Services and a small gain at Farmers Re following an improved combined ratio. Farmers Life BOP of USD 60 million was in line with the first half of last year.

Special share buyback of CHF 1.8 billion²

The Group continues to focus on optimizing its capital allocation. In the first half, Zurich announced agreements to sell two legacy traditional life insurance back books in Italy and Germany to GamaLife and Viridium, respectively.¹ The Group plans a CHF 1.8 billion² share buyback to offset the expected earnings dilution from the agreed sale of the Germany life back book.¹ The buyback is expected to commence in the coming months, subject to market conditions and regulatory approvals. While the primary goal of the Germany life back book transaction is to reduce capital volatility, the portfolio is, and has been, a reliable contributor to earnings and it is not possible to immediately redeploy capital to offset this effect. The buyback is consistent with the Group's prior position to avoid or compensate actions that would otherwise have a dilutive effect on shareholders.

Humanitarian relief for Ukraine

Zurich and the Z Zurich Foundation⁶ (the Foundation) have set in place various initiatives to help the huge numbers of people impacted by the war, including fundraising, providing insurance coverage for customers hosting refugees and increasing volunteer days for employees. In June, Zurich delivered 207 tons of direct food aid to the war-torn city of Kharkiv via train, providing basic food for 5,000 people for one month.

In February, the Foundation raised CHF 2 million (including donation matching from the Foundation) to help the victims of the war. The amount raised from individual donations was the largest in the Foundation's 49-year history.

Zurich joined the Global Coalition for Youth Mental Well-being, an initiative to address the shortage of funding and action in support of young people's mental health, and donated CHF 1 million. The Coalition was launched in April by the Foundation, together with UNICEF. Its first campaign was to raise funds for programs to support the mental health and psychological well-being of young refugees who have fled the war in Ukraine. The Foundation separately pledged to match every donation made to the campaign up to a maximum of CHF 1 million.

Sale of the Russian business

We sold our business in Russia to 11 members of the local team. Under its new owners, the business will operate independently under a different brand, while Zurich will no longer conduct business operations in Russia. In 2021, Zurich Russia had gross written premiums of approximately USD 34 million, including USD 3 million from domestic customers.

Delivering on sustainability

The Group took further tangible steps toward its vision of being one of the most responsible and impactful businesses in the world. The outcome of our work on reducing the impact of our operational footprint is increasingly apparent with total emissions down 73 percent⁷ relative to the 2019 baseline. We are confident that we are on track to achieve durable reductions of 50 percent by 2025 and 70 percent by 2029.

We continued to support the restoration of part of the Atlantic Forest in Brazil to create a biodiverse and self-sustaining ecosystem on land formerly cleared for cattle farming, with 227,000 seedlings of native tree varieties planted since 2020.

And, in May, the Group's MSCI ESG rating was upgraded to the highest possible rating of AAA from a previous rating of AA.

Satisfied customers

Throughout the first half, the Group continued to advance its customer-focused strategy, which has again delivered higher customer satisfaction across the business. Net promoter scores have made further positive progress in the majority of retail markets as we deploy digital tools and enhanced insights to improve customer experience. Retail customer numbers continued to grow, helped by our continued strength in partnerships, with a net increase of more than 850,000.⁸

Senior appointment

In May, we welcomed Stephan van Vliet to Zurich as Group Chief Investment Officer and a member of the Executive Committee. Mr. van Vliet brings to the role his extensive international experience in asset management in the insurance sector, having spent his career in both Europe and Asia.

New strategic cycle

Since the 2016 announcement of our strategy to focus on customer needs and make Zurich simpler and more innovative, we have set about changing the structure of our organization. We have refocused our commercial business and strengthened technical expertise. We have changed the portfolios to reduce their volatility and we consolidated major market positions. We have raised customer and employee satisfaction, created a diverse and highly qualified leadership team and have become one of the most sustainable insurers.

As we prepare to present our plans for the next three years at our Investor Day in November, we are confident that we are well placed to further lead the transformation of the industry and continue to reward our shareholders well.

We thank you for your continued engagement and support.

Yours sincerely,

Michel M. Liès
Chairman of the Board of Directors

Mario Greco
Group Chief Executive Officer

¹ The announced sale of the Italian life and pensions back book to GamaLife, which is expected to be completed in the second half of 2022, and the announced sale of the German traditional life insurance back books to Viridium are both subject to regulatory approval.

² Subject to regulatory approvals; volume of buyback calculated as being sufficient to offset anticipated earnings dilution from Germany life back book sale.

³ Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.

⁴ In local currencies and adjusted for the announced sale of the Italian life and pensions back book to GamaLife expected to be completed in the second half of 2022 subject to regulatory approval.

⁵ 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 services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

⁶ The Z Zurich Foundation is a charitable foundation funded by various members of the Group. It is the main vehicle by which the Group delivers on its global community investment strategy.

⁷ Based on FY-21.

⁸ Excluding Farmers Exchanges. Based on Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland and UK.

Financial overview

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The information contained within the financial overview is unaudited and is based on the consolidated results of the Group for the six months ended June 30, 2022 and 2021. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2021 of the Group and in particular with its consolidated financial statements for the year ended December 31, 2021.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 14 (table 14.4) of the audited consolidated financial statements for the six months ended June 30, 2022.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2022	2021	Change ¹
Business operating profit	3,393	2,714	25%
Net income attributable to shareholders	2,204	2,193	1%
P&C business operating profit	2,055	1,559	32%
P&C gross written premiums and policy fees	23,797	22,034	8%
P&C combined ratio	91.9%	93.9%	2.0 pts
Life business operating profit	903	802	13%
Life gross written premiums, policy fees and insurance deposit	13,658	14,603	(6%)
Life new business annual premium equivalent (APE) ²	1,838	1,911	(4%)
Life new business margin, after tax (as % of APE) ²	26.5%	30.5%	(4.0 pts)
Life new business value, after tax ²	425	500	(15%)
Farmers business operating profit	893	778	15%
Farmers Management Services management fees and other related revenues	2,220	2,004	11%
Farmers Management Services managed gross earned premium margin	6.7%	6.8%	(0.1 pts)
Farmers Life new business annual premium equivalent (APE) ²	36	38	(6%)
Average Group investments ³	168,857	210,694	(20%)
Net investment result on Group investments ³	1,604	3,110	(48%)
Net investment return on Group investments ^{3,4}	0.9%	1.5%	(0.5 pts)
Total return on Group investments ^{3,4}	(9.9%)	(0.8%)	(9.1 pts)
Shareholders' equity ⁵	27,780	37,881	(27%)
Swiss Solvency Test ratio ^{5,6}	262%	212%	51 pts
Return on common shareholders' equity (ROE) ⁷	13.4%	14.0%	(0.6 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁷	15.7%	13.0%	2.7 pts

1 Parentheses around numbers represent an adverse variance.

2 New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

3 Including investment cash.

4 Calculated on average Group investments.

5 As of June 30, 2022 and as of December 31, 2021, respectively.

6 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.

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.

Overall Group business operating profit (BOP) increased strongly in the first half of the year 2022, up 25 percent compared with the prior-year period, registering improvement across almost all operating segments.

Net income attributable to shareholders (NIAS) increased by 1 percent in the first half of 2022, despite adverse mark-to-market effects.

Operating update

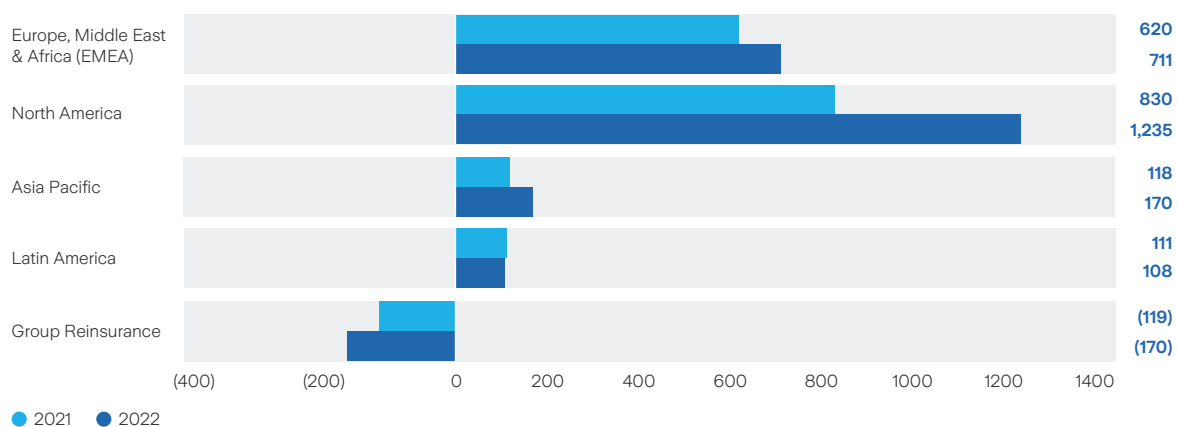
Property & Casualty (P&C)

in USD millions, for the six months ended June 30

	2022	2021	Total Change
Gross written premiums and policy fees	23,797	22,034	8%
Net earned premiums and policy fees	15,001	14,081	7%
Insurance benefits and losses, net of reinsurance	9,119	8,811	(3%)
Net underwriting result	1,219	865	41%
Net investment result	839	899	(7%)
Business operating profit	2,055	1,559	32%
Loss ratio	60.8%	62.6%	1.8 pts
Expense ratio	31.1%	31.3%	0.2 pts
Combined ratio	91.9%	93.9%	2.0 pts

P&C business operating profit (BOP)

in USD millions, for the six months ended June 30



Gross written premiums in Property & Casualty (P&C) for the six months of 2022 rose 13 percent on a like-for-like basis and 8 percent in U.S. dollar terms. All regions reported strong growth supported by higher premium rates of 6 percent.

First-half business operating profit rose 32 percent to USD 2.1 billion. The improvement was driven by higher prices feeding into the result.

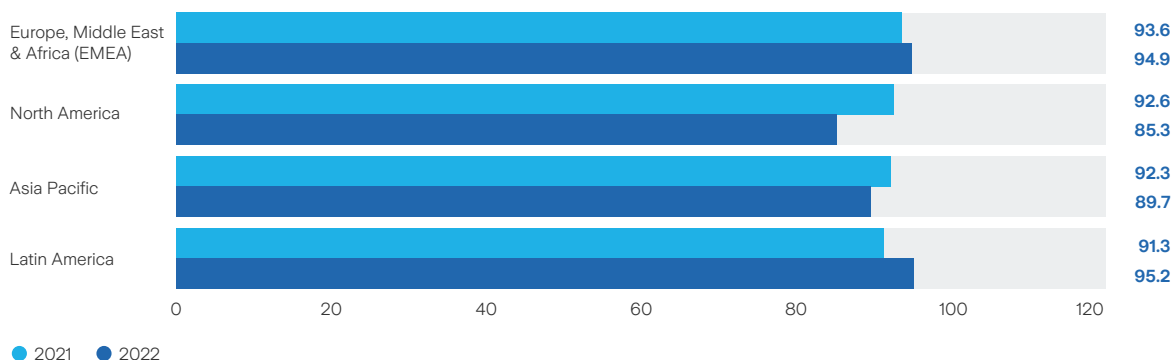
The net investment result was USD 60 million below the prior year, mainly due to realized capital losses of USD 51 million compared with gains of USD 62 million in the prior-year period, while underlying net investment income improved due to higher reinvestment yields.

The contribution of other items, which include the net non-technical result and non-controlling interests, improved by USD 202 million compared to the previous year, mainly reflecting a gain from a real estate transaction, positive impact due to improving interest rates as well as favorable currency movements.

Operating update (continued)

P&C combined ratio

%, for the six months ended June 30



The combined ratio of 91.9 percent in the first half of 2022 improved 2 percentage points compared with the prior-year period. Both the loss ratio and expense ratio contributed to the improvement as higher prices earned through the result. The loss ratio improved by 1.8 percentage points to 60.8 percent. The expense ratio of 31.1 percent in the first half of 2022 was 0.2 percentage points lower than in the previous year.

In EMEA, the combined ratio deteriorated by 1.2 percentage points, mainly due to a less favorable loss experience in the UK compared with the prior year.

In North America, the combined ratio improved by 7.3 percentage points, mainly driven by a lower loss ratio, which benefited from the earn through of rate increases and lower catastrophe losses.

The Asia Pacific combined ratio improved 2.6 percentage points, mainly driven by a reduction of the attritional loss ratio. An improvement in the expense ratio, driven by a reduction of other underwriting expenses was offset by an increase in commission expenses.

The Latin America combined ratio was 3.9 percentage points higher than in the previous year, which had benefited from fewer claims due to COVID-19 lockdowns.

Operating update (continued)

Life

in USD millions, for the six months ended June 30	2022	2021	Change
Insurance deposits	6,855	7,318	(6%)
Gross written premiums and policy fees	6,803	7,285	(7%)
Net investment income on Group investments	1,515	1,487	2%
Insurance benefits and losses, net of reinsurance	3,859	4,785	19%
Business operating profit	903	802	13%
Net policyholder flows ¹	3,109	2,111	47%
Assets under management ^{2,3}	227,953	295,007	(23%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves) ³	178,356	234,475	(24%)

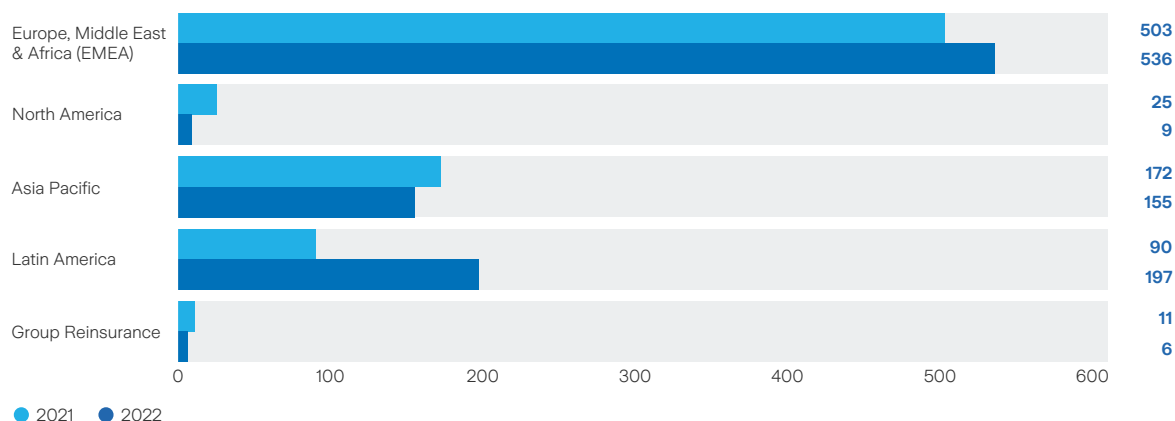
1 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

2 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

3 As of June 30, 2022 and as of December 31, 2021, respectively.

Life business operating profit (BOP)

in USD millions, for the six months ended June 30



The Group's Life business delivered a business operating profit of USD 903 million for the half year 2022, 13 percent higher than in the prior-year period, driven by underlying growth and improved COVID-19 claims experience.

In EMEA, business operating profit improved by 6 percent to USD 536 million on a reported basis. This was supported by the absence of COVID-19 claims, which amounted to USD 61 million in the same period in 2021. Adjusted for COVID-19 claims and the disposal of the Italian life back book, BOP was in line with the prior-year period, with underlying improvement offset by adverse currency movements. The disposal of the Italian life back book is expected to be completed in the second half of 2022, subject to regulatory approval. Under the terms of the transaction, movements in the portfolio value including earnings accrue to the acquirer from January 1, 2022. As a result, the book has been classified as held for sale with earnings excluded from BOP.

In Latin America, BOP rose 117 percent to USD 197 million on a reported basis. This was partially driven by a reduction of first-half COVID-19 claims to USD 7 million in 2022 from USD 76 million in the same period of 2021. Excluding COVID-19 claims, BOP increased by 22 percent to USD 204 million driven by profitable growth and favorable market movements.

In Asia Pacific, BOP decreased by 10 percent to USD 155 million on a reported basis. Adjusting for COVID-19 claims, BOP increased 2 percent, with underlying growth dampened by the U.S. dollar strengthening against other major currencies. In the first half of 2022, the business recorded USD 20 million of COVID-19 claims, mainly driven by hospitalization benefits in Japan, whereas no material COVID-19 impact was recorded in the first half of 2021.

In North America, which excludes Farmers Life, BOP declined by USD 16 million due to worse claims experience. COVID-19 claims did not have a material impact, in line with the prior year.

Operating update (continued)

Net inflows of USD 3.1 billion were 47 percent higher than in the prior year, on a reported basis. In EMEA, net inflows improved strongly in the first quarter, driven mainly by unit-linked business in Germany, Ireland and the UK, and third-party investments in Switzerland. Net inflows in the second quarter were below prior-year levels due to less favorable market conditions. In Latin America and North America, net inflows were above prior-year levels both in the first and second quarter. Asia Pacific net inflows were lower than in the prior-year period, driven by a decline in the second quarter.

Assets under management (AuM) decreased 23 percent in the first half of 2022 to USD 228 billion. Net inflows increased AuM by around 1 percent. The announced disposal of a German legacy life insurance back book led to the reclassification of USD 21 billion of AuM into assets held for sale. Unfavorable financial market movements and adverse currency movements further reduced AuM by USD 34 billion and USD 15 billion, respectively.

NBV, APE and NBM by Segment

in USD millions, for the six months ended June 30

	New business value, after tax (NBV) ¹		New business annual premium equivalent (APE) ²		New business margin, after tax (as % of APE) (NBM) ³	
	2022	2021	2022	2021	2022	2021
	Europe, Middle East & Africa (EMEA)	323	366	1,177	1,277	28.4%
North America	8	9	60	45	13.1%	20.9%
Asia Pacific	27	45	83	96	33.0%	47.3%
Latin America	67	80	517	492	20.4%	26.7%
Total	425	500	1,838	1,911	26.5%	30.5%

¹ New business value is calculated on embedded value principles net of non-controlling interests.

² APE is shown gross of non-controlling interests.

³ New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

During the first half of 2022, Life new business annual premium equivalent (APE) increased 3 percent on a like-for-like basis. Growth was driven by higher sales in capital efficient savings and protection products. On a reported basis, APE declined 4 percent, with local currency growth offset by U.S. dollar appreciation against other major currencies.

In EMEA, APE sales increased by 2 percent on a like-for-like basis, compared with the same period in 2021. This was primarily driven by growth in corporate savings in Switzerland and unit-linked business in Germany, which more than offset a reduction of low-margin individual savings in Spain.

APE sales in Latin America increased 4 percent on a like-for-like basis, driven by growth in protection, partially offset by a slowdown in unit-linked sales.

In North America, APE sales increased 33 percent on a like-for-like basis, driven by corporate protection products.

In Asia Pacific, APE sales were 8 percent below the previous year on a like-for-like basis, driven by lower sales in Japan due to competitive market conditions and product repricing.

The new business margin remained attractive at 26.5 percent, down from 30.5 percent in the previous year. The lower margin reflects adverse economic variances mainly related to higher discount rates in protection, a net unfavorable impact of modelling and assumption updates, and a less favorable product mix within Zurich's preferred lines of business. This resulted in new business value (NBV) of USD 425 million, 10 percent below prior-year period on a like-for-like basis.

Operating update (continued)

Farmers

in USD millions, for the six months ended June 30	2022	2021	Change
Farmers Management Services (FMS)	832	728	14%
Farmers Re	2	(10)	nm
Farmers Life	60	60	(1%)
Total business operating profit	893	778	15%

Farmers Management Services (FMS) business operating profit increased 14 percent compared to the prior year. This was mainly driven by growth in the premium base of the Farmers Exchanges, up 15 percent compared with half year 2021, boosted by the inclusion of the MetLife U.S. P&C business.

First-half Farmers Re business operating profit rose USD 12 million to USD 2 million, driven by a lower impact of catastrophe losses and favorable prior year reserve developments compared with half year 2021.

Farmers Life business operating profit of USD 60 million was in line with the prior year. Negative market-driven impacts in amortization of deferred acquisition costs were offset by improved mortality experience related to COVID-19 and favorable actuarial impacts.

Farmers Exchanges

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

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 Re.

in USD millions, for the six months ended June 30	2022	2021	Change
Gross written premiums	13,503	11,726	15%
Gross earned premiums	12,642	11,160	13%

Gross written premiums at the Farmers Exchanges increased by 15 percent in the first half of the year, following the acquisition of the MetLife U.S. P&C business in April 2021 and organic growth in the Business Insurance, Farmers Specialty and Farmers Home businesses.

Operating update (continued)

Group Functions and Operations

in USD millions, for the six months ended June 30	2022	2021	Change
Holding and Financing	(210)	(232)	9%
Headquarters	(142)	(192)	26%
Zurich Global Ventures ¹	(15)	(22)	33%
Total business operating profit	(366)	(446)	18%

¹ Includes Zurich Global Employee Benefit Solutions, new ventures and initiatives.

Group Functions and Operations reported net expenses of USD 366 million compared with USD 446 million in the prior-year period. This was mainly driven by a reduction in Headquarters expenses, favorable foreign currency impacts and lower external debt costs due to better refinancing conditions.

Non-Core Businesses

in USD millions, for the six months ended June 30	2022	2021	Change
Zurich Legacy Solutions	(72)	25	nm
Other run-off	(21)	(5)	nm
Total business operating profit	(92)	21	nm

The Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 92 million. The result was mainly driven by negative market impacts and assumption changes on both Life and Non-Life portfolios.

Consolidated financial statements

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Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the six months ended June 30	Notes	2022	2021
Revenues			
Gross written premiums		30,047	28,850
Policy fees		1,421	1,256
Gross written premiums and policy fees		31,468	30,106
Less premiums ceded to reinsurers		(6,098)	(5,692)
Net written premiums and policy fees		25,370	24,414
Net change in reserves for unearned premiums		(3,554)	(3,250)
Net earned premiums and policy fees		21,815	21,164
Farmers management fees and other related revenues		2,220	2,004
Net investment income on Group investments		2,558	2,523
Net capital gains/(losses) and impairments on Group investments		(954)	586
Net investment result on Group investments	4	1,604	3,110
Net investment result on unit-linked investments		(13,689)	8,098
Net gains/(losses) on divestment of businesses	3	(28)	(39)
Other income		693	570
Total revenues		12,615	34,905
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance		16,308	16,595
Less ceded insurance benefits and losses		(2,994)	(2,649)
Insurance benefits and losses, net of reinsurance		13,315	13,947
Policyholder dividends and participation in profits, net of reinsurance	6	(13,157)	8,372
Underwriting and policy acquisition costs, net of reinsurance		4,934	4,581
Administrative and other operating expense		4,253	4,217
Interest expense on debt		218	237
Interest credited to policyholders and other interest		197	303
Total benefits, losses and expenses		9,760	31,658
Net income before income taxes		2,855	3,248
of which: Attributable to non-controlling interests		228	168
Income tax (expense)/benefit	10	(497)	(940)
attributable to policyholders	10	244	(170)
attributable to shareholders	10	(741)	(769)
of which: Attributable to non-controlling interests		(74)	(53)
Net income after taxes		2,358	2,308
attributable to non-controlling interests		154	115
attributable to shareholders		2,204	2,193
in USD			
Basic earnings per share		14.84	14.74
Diluted earnings per share		14.74	14.63
in CHF			
Basic earnings per share		14.00	13.38
Diluted earnings per share		13.91	13.28



Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the six months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments	Cash flow hedges
2021			
Comprehensive income for the period	2,193	(764)	(105)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(267)	(88)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(673)	(14)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		250	19
Foreign currency translation effects		(74)	(21)
2022			
Comprehensive income for the period	2,204	(8,087)	(260)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(9,962)	(257)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		189	(42)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		1,690	56
Foreign currency translation effects		(4)	(16)



Consolidated financial statements (continued)

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(481)	(1,350)	(23)	531	508	(842)	1,351	54	1,405
(474)	(830)	-	470	470	(360)			
(7)	(694)	-	-	-	(694)			
-	-	(9)	-	(9)	(9)			
-	268	(14)	67	53	321			
	(95)	-	(6)	(6)	(101)			
(1,307)	(9,654)	10	758	768	(8,885)	(6,681)	42	(6,639)
(1,307)	(11,526)	14	843	857	(10,669)			
-	147	-	-	-	147			
-	-	-	-	-	-			
-	1,746	(3)	(193)	(196)	1,550			
	(20)	-	107	107	87			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets	in USD millions, as of	Notes	06/30/22	12/31/21
Assets:				
Cash and cash equivalents			6,510	8,698
Total Group investments		4	143,342	190,959
Equity securities			14,246	18,578
Debt securities			107,063	145,084
Investment property			13,590	14,070
Mortgage loans			5,076	6,106
Other loans			3,255	7,053
Investments in associates and joint ventures			112	68
Investments for unit-linked contracts			120,243	142,470
Total investments			263,586	333,429
Reinsurers' share of liabilities for insurance contracts		5	25,986	25,680
Deposits made under reinsurance contracts			419	444
Deferred policy acquisition costs		7	19,988	20,446
Deferred origination costs		7	412	441
Receivables and other assets			22,915	19,951
Deferred tax assets			1,788	1,198
Assets held for sale ¹		3	31,385	11,626
Property and equipment			2,240	2,436
Attorney-in-fact contracts		8	2,650	2,650
Goodwill		8	4,231	4,344
Other intangible assets		8	4,299	4,484
Total assets			386,409	435,826

¹ As of June 30, 2022, the Group had USD 31.4 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Joint Stock Company Insurance Company "Zurich" (Zurich Russia), Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain) (see note 3). In 2021, the Group had USD 11.6 billion of assets held for sale portfolios of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain) (see note 3).

Consolidated financial statements (continued)

Liabilities and equity	in USD millions, as of	Notes	06/30/22	12/31/21
Liabilities				
	Liabilities for investment contracts		56,510	68,855
	Deposits received under ceded reinsurance contracts		871	970
	Deferred front-end fees		4,579	5,124
	Liabilities for insurance contracts	5	229,545	272,707
	Obligations to repurchase securities		2,691	1,381
	Other liabilities ¹	9, 12	15,429	16,009
	Deferred tax liabilities		3,502	5,151
	Liabilities held for sale ²	3	30,312	11,351
	Senior debt	11	5,212	5,327
	Subordinated debt	11	8,717	9,782
	Total liabilities		357,368	396,656
Equity				
	Share capital		11	11
	Additional paid-in capital		1,099	1,449
	Net unrealized gains/(losses) on available-for-sale investments		(4,417)	3,670
	Cash flow hedges		152	411
	Cumulative foreign currency translation adjustment		(10,783)	(9,633)
	Revaluation reserve		275	265
	Retained earnings		41,444	41,707
	Shareholders' equity		27,780	37,881
	Non-controlling interests		1,261	1,289
	Total equity		29,041	39,170
	Total liabilities and equity		386,409	435,826

¹ Includes restructuring provisions (see note 9), litigation and regulatory provisions (see note 12) and other provisions.

² As of June 30, 2022, the Group had USD 30.3 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Joint Stock Company Insurance Company "Zurich" (Zurich Russia), Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A and Zurich Insurance plc (Spain) (see note 3). In 2021, the Group had USD 11.4 billion of liabilities held for sale portfolios of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A and Zurich Insurance plc (Spain) (see note 3).



Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the six months ended June 30	2022	2021
Cash flows from operating activities		
Net income attributable to shareholders	2,204	2,193
Adjustments for:		
Net (gains)/losses on divestment of businesses	28	39
(Income)/expense from equity method accounted investments	1	9
Depreciation, amortization and impairments of fixed and intangible assets	401	413
Other non-cash items	(97)	(244)
Underwriting activities:	(9,820)	10,988
Liabilities for insurance contracts, gross	(2,363)	7,647
Reinsurers' share of liabilities for insurance contracts	(654)	(355)
Liabilities for investment contracts	(6,287)	4,288
Deferred policy acquisition costs	(435)	(586)
Deferred origination costs	(9)	(17)
Deposits made under assumed reinsurance contracts	17	25
Deposits received under ceded reinsurance contracts	(90)	(13)
Investments:	12,960	(10,911)
Net capital (gains)/losses on total investments and impairments	15,291	(7,935)
Net change in derivatives	(407)	431
Net change in money market investments	377	(485)
Sales and maturities		
Debt securities	25,197	21,179
Equity securities	27,726	27,286
Other	3,728	4,678
Purchases		
Debt securities	(26,514)	(24,169)
Equity securities	(28,401)	(27,238)
Other	(4,038)	(4,659)
Net changes in sale and repurchase agreements	1,410	1,566
Movements in receivables and payables	(2,957)	(2,471)
Net changes in other operational assets and liabilities	(984)	(533)
Deferred income tax, net	(304)	195
Net cash provided by/(used in) operating activities	2,843	1,244



Consolidated financial statements (continued)

in USD millions, for the six months ended June 30	2022	2021
Cash flows from investing activities		
Additions to tangible and intangible assets	(274)	(276)
Disposals of tangible and intangible assets	8	12
(Acquisitions)/disposals of equity method accounted investments, net	–	(29)
Acquisitions of companies, net of cash acquired	–	(2,444)
Divestments of companies, net of cash divested	–	16
Dividends from equity method accounted investments	4	–
Net cash provided by/(used in) investing activities	(263)	(2,719)
Cash flows from financing activities		
Dividends paid	(3,596)	(3,270)
Net movement in treasury shares	(220)	(193)
Issuance of debt	1,038	1,743
Repayment of debt	(1,504)	(249)
Lease principal repayments	(107)	(116)
Net cash provided by/(used in) financing activities	(4,389)	(2,085)
Foreign currency translation effects on cash and cash equivalents	(442)	(261)
Change in cash and cash equivalents ¹	(2,251)	(3,821)
Cash and cash equivalents as of January 1	9,330	11,726
Total cash and cash equivalents as of June 30	7,079	7,905
of which: Cash and cash equivalents	6,510	7,418
of which: Unit-linked	569	488
Other supplementary cash flow disclosures²		
Other interest income received	2,691	2,427
Dividend income received	756	860
Other interest expense paid	(425)	(435)
Income taxes paid	(806)	(698)

- 1 The movement for the period ended June 30, 2022, includes USD 101 million of cash and cash equivalents reclassified to assets held for sale, which has been recognized in net changes in other operational assets and liabilities (see note 3).
2 These amounts are primarily included in the operating activities of the cash flow statement.

Cash and cash equivalents

in USD millions, as of June 30	2022	2021
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,432	7,451
Cash equivalents	647	454
Total	7,079	7,905

For the periods ended June 30, 2022 and 2021, cash and cash equivalents held to meet local regulatory requirements were USD 484 million and USD 400 million, respectively.



Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2020 as previously reported	11	1,438
Issuance of share capital	–	–
Dividends to shareholders	–	–
Share-based payment transactions	–	12
Treasury share transactions	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2021	11	1,449
Balance as of December 31, 2021 as previously reported	11	1,449
Issuance of share capital	–	–
Dividends to shareholders ¹	–	(233)
Share-based payment transactions	–	(117)
Treasury share transactions	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation ²	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments ³	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2022	11	1,099

¹ As approved by the Annual General Meeting on April 6, 2022, the dividend of CHF 22 per share was paid out of the capital contribution reserve and retained earnings on April 12, 2022.

² Current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

³ Net unrealised gains/(losses) on available-for-sale-investments have been impacted by recent adverse market events.



Consolidated financial statements (continued)

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
5,701	526	(8,698)	284	39,016	38,278	1,568	39,846
-	-	-	-	-	-	-	-
-	-	-	-	(3,199)	(3,199)	(335)	(3,534)
-	-	-	-	(54)	(42)	-	(42)
-	-	-	-	(146)	(146)	-	(146)
-	-	-	-	-	-	-	-
-	-	153	-	(10)	143	12	155
-	-	-	-	13	13	-	13
(2,031)	(114)	(1,088)	(19)	6,087	2,834	45	2,878
-	-	-	-	5,202	5,202	-	-
(2,031)	-	-	-	-	(2,031)	-	-
-	(114)	-	-	-	(114)	-	-
-	-	(1,088)	-	-	(1,088)	-	-
-	-	-	(19)	-	(19)	-	-
-	-	-	-	885	885	-	-
-	-	-	-	-	-	-	-
3,670	411	(9,633)	265	41,707	37,881	1,289	39,170
3,670	411	(9,633)	265	41,707	37,881	1,289	39,170
-	-	-	-	-	-	-	-
-	-	-	-	(3,287)	(3,521)	(75)	(3,596)
-	-	-	-	(42)	(158)	-	(158)
-	-	-	-	120	120	-	120
-	-	-	-	-	-	-	-
-	-	156	-	(17)	139	11	151
-	-	-	-	-	-	-	-
(8,087)	(260)	(1,307)	10	2,962	(6,681)	42	(6,639)
-	-	-	-	2,204	2,204	-	-
(8,087)	-	-	-	-	(8,087)	-	-
-	(260)	-	-	-	(260)	-	-
-	-	(1,307)	-	-	(1,307)	-	-
-	-	-	10	-	10	-	-
-	-	-	-	758	758	-	-
-	-	-	-	-	-	(6)	(6)
(4,417)	152	(10,783)	275	41,444	27,780	1,261	29,041



Consolidated financial statements (continued)

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

1. Basis of presentation

General information

The unaudited consolidated financial statements for the six months ended June 30, 2022, of the Group have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited consolidated financial statements comply with International Financial Reporting Standards (IFRS) and are consistent with those set out in the notes to the consolidated financial statements in the Annual Report 2021 of the Group, except for the adoption of new accounting standards and amendments as set out in note 2.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the unaudited consolidated financial statements, intersegment revenues and transfers are eliminated.

The unaudited consolidated financial statements for the six months ended June 30, 2022, should be read in conjunction with the Group's Annual Report 2021.

Certain amounts recorded in the unaudited consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors.

The Group continues to closely monitor and deal with the evolution of the COVID-19 pandemic, though most of the impacts on the Group's business are known and reflected in management's best estimates. However, uncertainties around outcomes of (i) claims litigation on policy coverage in certain jurisdictions and potential second-order impact on health, which could affect mortality and morbidity effects and (ii) any other extended macroeconomic impacts around the pandemic remain. While expected to be remote, any extreme outcomes on the foregoing could have an adverse impact on the Group's business, financial condition and results of operations or growth. For additional information on insurance liabilities, please see note 5.

During the first half of 2022, most economies saw a continued rise in inflation further intensified by the war in Ukraine. Central banks have responded by tightening of monetary policy, triggering a significant sell-off in equity and bond markets. Investment valuation and interest rates incorporate these market conditions as of June 30, 2022, and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing market conditions. For more information on investments and fair value, please see note 4 and 13, respectively. For more information on intangible assets, please see note 8. The Group's exposure to Russia and Ukraine through its P&C operations and its investments portfolio is immaterial.

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

In 2022, following the announcement of the sale of its legacy traditional life insurance back book in Germany, the Group reclassified the related assets and liabilities as held for sale. Under IFRS 5, insurance assets and liabilities are not required to be remeasured upon reclassification. Upon reclassification, the Group made consideration of the fact that the transaction is expected to close in 2023, after the Group will have adopted IFRS 17 retrospectively.

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary. Any material translation adjustments resulting from initial application of the hyperinflationary accounting is recognized directly in equity.



Consolidated financial statements (continued)

Table 1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (63) million and USD (74) million for the six months ended June 30, 2022 and 2021, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (262) million and USD (46) million for the six months ended June 30, 2022 and 2021, respectively.

Table 1

Principal exchange rates	USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
		06/30/22	12/31/21	06/30/22	06/30/21
	Euro	1.0462	1.1373	1.0939	1.2054
	Swiss franc	1.0473	1.0969	1.0600	1.1016
	British pound	1.2154	1.3539	1.2995	1.3886
	Brazilian real	0.1912	0.1793	0.1975	0.1860
	Australian dollar	0.6890	0.7272	0.7197	0.7715
	Japanese yen	0.0074	0.0087	0.0082	0.0093

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early-adopted as of January 1, 2022, and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group that have been implemented for the financial year beginning January 1, 2022, with no impact on the Group's financial position or performance. Amendments resulting from the annual improvements to IFRS Standards 2018–2020 have no impact on the Group's financial statements.

Table 2.1

Standard/ Interpretation		Effective date
	Amended standards	
IFRS 3	Reference to Conceptual Framework	January 1, 2022
IFRS 16	Property, Plant and Equipment: Proceeds before Intended	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.2 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group, which are not yet effective or adopted by the Group.

Table 2.2

Standard/ Interpretation		Effective date
	New standards/interpretations	
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
	Amended standards	
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023

IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'

IFRS 17 'Insurance contracts' provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features and is expected to have a significant impact on accounting for insurance contracts and presentation of the insurance revenue and insurance service result. For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling as granular cash flow projections and regular updates of all assumptions will be required resulting in either profit or loss volatility or affecting 'contractual service margin' (CSM), a separate component of the insurance liability representing unearned profits from in-force contracts. IFRS 17 further introduces a risk adjustment for non-financial risk, a separate component of the liability covering uncertainty in the amount and timing of future cash flows. Thus, the insurance liabilities will be composed of the current best estimate present value of future cash flows (PVFCF), risk adjustment and CSM.

Under IFRS 17, different measurement approaches for the insurance contract liabilities apply, reflecting a different extent of policyholder participation in investment or insurance entity performance: non-participating or indirect participating (general model) and direct participating (variable fee approach). For short-duration contracts, IFRS 17 foresees a simplified (premium allocation) approach, which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one obtained applying the general model.



Consolidated financial statements (continued)

IFRS 9 'Financial Instruments' introduces a classification and measurement concept for financial assets that is based on the contractual cash flow characteristics and the holding intent. Under IFRS 9, all equity securities and fund investments, and some debt instruments, will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. Further, under IFRS 9, expected credit loss will need to be recognized for all debt instruments not measured at fair value through profit or loss. The Group decided to defer the full implementation of IFRS 9 until IFRS 17 becomes effective to better align the measurement approaches for the financial assets held and the insurance liabilities where appropriate. The Group presents additional disclosures of indicative effects from adoption of IFRS 9 required by IFRS 4 'Applying IFRS 9 with IFRS 4' during the period of deferral (see note 24 of the Annual Report 2021). For details about the various measurement approaches under IFRS 17 and IFRS 9 as well as expected changes to the presentation of the consolidated financial statements, see note 2 of the Annual Report 2021.

The Group will adopt IFRS 17 retrospectively, and restate the comparative period of 2022, however, no restatement will be performed for the effects of the initial application of IFRS 9. The Group will apply the classification overlay for selected asset portfolios backing direct participating insurance contracts which are accounted for at amortized cost under the current accounting framework but are expected to be accounted for at fair value with changes in fair value recorded in other comprehensive income (OCI) under IFRS 9. Expected credit loss requirements will not be adopted as part of the overlay approach.

In order to adopt IFRS 17 and IFRS 9 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Program (Program) sponsored by the Group Chief Financial Officer has been operating since 2017. To be able to present the comparative period information according to IFRS 17, significant progress has been made in 2022 to ensure operational readiness for the opening balance sheet reporting as of the transition date of January 1, 2022. During the second quarter 2022, activities were underway to consolidate and analyze the financial information gathered by the Group and perform reviews and assessment of the impact of application of IFRS 17 based on the various transition approaches. The Group determined the transition approach is at a group of insurance contracts level, depending on availability of reasonable and supportable historic information. The selected transition approach affects the measurement of the CSM on initial adoption of IFRS 17:

- Fully retrospective approach – the CSM is based on initial assumptions when groups of contracts were inceptioned and rolled forward to the date of transition as if IFRS 17 had always been applied;
- Modified retrospective approach – the CSM is calculated using modifications allowed by IFRS 17 taking into account the actual pre-transition fulfilment cash flows; and
- Fair value approach – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of demand deposit floor requirement, and the respective fulfilment cash flows measured at the transition date.

The Group will apply a retrospective transition approach whenever practical and expects that most groups of insurance contracts will follow either full retrospective approach or modified retrospective approach.

The Group has assessed that the majority of its non-life (re-)insurance contracts issued, and reinsurance contracts held in force as of transition date, will be eligible for the application of the simplified approach and will apply the simplified approach for such contracts under IFRS 17. Due to their short-term nature such in-force contracts will typically use the fully retrospective transition approach. However, for contracts that have expired prior to the transition date, for which no eligibility assessment for the application of the simplified approach has been performed, the Group will apply building block approach with certain permissible transition modifications. The use of these modifications will result in the measurement of the liability for incurred claims under modified retrospective or fair value approach using discount rates as at transition date. As the Group already applies best-estimate reserving under its current accounting policies, the implementation of IFRS 17 is not expected to have a major impact on non-life nominal reserves. The impact on shareholders' equity at transition is expected to result from the offsetting effects from the application of discounting (positive effect) and risk adjustment for non-financial risk for the Group's loss reserves (negative effect). Overall, we expect a slight increase in shareholders' equity for non-life business with transition to IFRS 17. The effect of onerous groups of contracts is not expected to be material for the Group financial statements.



Consolidated financial statements (continued)

The Group further assessed that a significant portion of its life insurance liabilities (including unit-linked insurance liabilities and certain life insurance contracts involving policyholder participation in Switzerland, Germany, Italy and Austria) will qualify as direct participating contracts under IFRS 17 and will be eligible for the application of the variable fee approach. The optional exemption from the annual cohort requirement for such contracts is not applicable to the Group. For the direct participating contracts, excluding unit-linked insurance contracts, the Group will apply the modified retrospective approach. Under IFRS 17, the measurement of such contracts uses the fair value of the underlying items and fulfilment cash flows at transition date, adjusted for actual amounts charged and paid in the past, to derive the transition CSM balance. Another large proportion of the life insurance liabilities including term life, whole-of-life and universal life contracts will follow the general model or building block approach. The Group will apply the modified retrospective or the fair value approach to the extent it is impracticable to apply the fully retrospective approach using the modifications allowed under IFRS 17. The Group also issues short-term life insurance contracts that are eligible for the application of the simplified approach, for which fully retrospective approach will be applied. As a result of the application of IFRS 17, the Group expects an impact on shareholders' equity from the offsetting effects of applying best-estimate, rather than locked-in assumptions, with provisions for adverse deviation where applicable (positive effect) and the recognition of an explicit liability reflecting future profits (CSM) and a risk adjustment for non-financial risk (negative effect). The increase of life insurance liabilities is particularly pronounced for direct participating contracts due to the recognition of the shareholders' share of unrealized capital gains from underlying investments within liabilities. Therefore, overall, we expect lower shareholders' equity after transition to IFRS 17 for life business.

The Group continues the in-depth analysis of the implications of the implementation of IFRS 17 and IFRS 9 in Group financial statements. As of June 30, 2022, it was not practicable to reliably quantify the effects on the Group's financial position or performance once these standards are adopted.

Other standards, amendments and interpretations shown in table 2.2 are expected to have no, or an insignificant, impact on the Group's financial position or performance.

[Interest rate benchmark reform \(including Phase 2 amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16\)](#)

The ongoing market-wide reform targets replacement of some interbank offered rates (IBORs) with alternative reference rates (ARRs). To ensure an orderly transition to ARR, the Group launched a cross functional IBOR transition working group that has analyzed the exposure and defined mitigating actions, for example, by adhering to the ISDA fallback protocols for derivatives, amending terms and conditions of new debt issuances and entering into bilateral negotiations with counterparties.

During 2022, JPY, CHF, GBP LIBOR and EONIA settings were officially decommissioned with no major impact for the Group as most of the exposures indexed on those reference rates were already transitioned to new ARRs. While no transition for the Group EUR exposures is contemplated within the short term, the Group closely monitors market liquidity metrics and developments to anticipate a potential transition to €STR. The remaining Group exposures that are still subject to transition mainly consist of USD LIBOR-linked instruments (such as floating rate notes, sinking bonds, asset- and mortgage-backed securities). Given that the USD LIBOR is expected to be available until June 2023, and all USD legacy contracts with weak fallback contractual provisions are now covered by the Adjustable Interest Rate Act, the Group is not exposed to any immediate risk arising from the IBOR reform. Further, the Group performs regular assessments of the market readiness and liquidity to prepare for transition to SOFR. The reform has not resulted in changes to the Group risk management strategy.

The IASB addressed the financial reporting implications of the IBOR reform through IFRS amendments, which were fully adopted by the Group on January 1, 2020. Specifically, the phase 2 amendments introduce a practical expedient to account prospectively for a change in the basis for determining the contractual cash flows of a financial instrument attributable to the replacement of IBORs with ARR and relieve from specific hedge accounting requirements. Overall, the IBOR reform has no material effect on the Group's financial statements and the effectiveness of the Group's hedging relationships.

Consolidated financial statements (continued)

3. Acquisitions and divestments

Transactions in 2022

Acquisitions

Deutsche Bank Italian Financial Advisors network acquisition

On August 4, 2021, Zurich Italy reached an agreement to acquire the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit consisting of approximately 1,085 Financial Advisors, 97 employees and 16.5 billion euros of assets under management. The acquisition allows Zurich Italy to further develop its financial and insurance distribution network in the Italian market. The transaction is subject to regulatory approval and is expected to close in the second half of 2022.

Divestments

Held for sale

As of June 30, 2022, the total assets and liabilities reclassified to held for sale were USD 31.4 billion and USD 30.3 billion, respectively, as per transactions below.

Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft

On June 24, 2022, Zurich Insurance Group agreed to sell its legacy traditional life insurance back book in Germany to Viridium Holding AG (Viridium), a leading specialist in the management of life insurance portfolios in Germany. The transaction includes the transfer of USD 20 billion of net reserves, mainly related to annuity and endowment products underwritten more than five years ago. The sale is subject to regulatory approvals and will not change the contractual obligations to customers and distribution partners. As of June 30, 2022, assets and liabilities reclassified to held for sale were USD 22.1 billion and USD 21.2 billion, respectively.

Joint Stock Company Insurance Company "Zurich" (Zurich Russia)

On May 19, 2022, Zurich Insurance Group has agreed to sell its business in Russia to 11 members of the unit's team. Under its new owners, the business will operate independently under a different brand, while Zurich will no longer conduct business operations in Russia. The sale of Joint Stock Company Insurance Company "Zurich" (Zurich Russia) was completed on July 8, 2022. As of June 30, 2022, assets and liabilities reclassified to held for sale were USD 56 million and USD 42 million, respectively.

Zurich Investments Life S.p.A. portfolio

On January 2, 2022, Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, composed of both traditional and multi-class products, to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida, S.A. The transaction is subject to regulatory approval and is expected to be completed in 2022. As of June 30, 2022, assets and liabilities reclassified to held for sale were USD 7.3 billion and USD 7.1 billion, respectively.

Spain Medical Malpractice portfolio

On December 9, 2021, Zurich Insurance plc (Spain), entered into an agreement to sell its legacy medical malpractice portfolio. The transaction is subject to regulatory and court approvals and is expected to be completed in 2023. As of June 30, 2022, assets reclassified to held for sale were USD 105 million and liabilities reclassified to held for sale were USD 105 million.

Zurich International Life portfolio

On December 22, 2020, Zurich International Life Limited ("ZILL") entered into an agreement with Monument Re Limited to sell the closed book portfolio of ZILL's Singapore long-term life insurance business. The transaction is subject to regulatory and court approvals and is expected to be completed in the second half of 2022. As of June 30, 2022, assets reclassified to held for sale were USD 631 million and liabilities reclassified to held for sale were USD 593 million.

UK Employers' liability portfolio

On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina London Limited, subject to regulatory and court approvals. The transfer is expected to be completed in 2024. As of June 30, 2022, assets reclassified to held for sale were USD 1.2 billion and liabilities reclassified to held for sale were USD 1.2 billion.

Consolidated financial statements (continued)

Transactions in 2021

Acquisitions

My Policy Group

On May 18, 2021, the Group acquired a 19.99 percent share in Project Policy Bidco Limited, the owner of MyPolicy Limited, a UK usage-based insurance managing general agent, and Minerva. Science Limited. As part of the acquisition, Zurich contributed Bright Box Hong Kong Limited and its subsidiaries as well as USD 10 million in cash. The investment is valued at USD 28 million. As a result of the transaction, the Group recognized a USD 33 million loss on sale of Bright Box Hong Kong Limited.

MetLife Property and Casualty business

On December 11, 2020, Zurich Insurance Group (Zurich) subsidiary Farmers Group, Inc. (FGI) and Farmers Exchanges announced the acquisition of MetLife's property and casualty (P&C) business in the U.S. for a purchase price of USD 3.96 billion. The acquisition successfully closed on April 7, 2021, and the acquired P&C business has since been rebranded to Farmers Workplace Solutions (FWS). As part of the transaction in effect, FGI acquired MetLife P&C's management and administrative-related assets and liabilities to conduct its responsibilities as attorney-in-fact of the Farmers Exchanges and the Farmers Exchanges' underlying insurance business. Zurich contributed USD 2.44 billion through FGI and the Farmers Exchanges, USD 1.52 billion. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution-related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges.

The acquisition gives the Farmers Exchanges a truly nationwide presence and access to new distribution channels. This includes a 10-year exclusive distribution agreement through which the Farmers Exchanges are offering their personal lines products on MetLife's industry-leading U.S. Group Benefits platform, which today reaches 3,800 companies and 37 million employees.

Table 3.1 shows the updated opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets. Goodwill has increased by USD 133 million due to adjustments to the purchase price allocation, in the second half of 2021, based on the finalization of certain tax contingencies associated with the acquisition.

Table 3.1

MetLife P&C balance sheet as of the acquisition date

in USD millions, as of April 7, 2021	Total ¹
Receivables and other assets	8
Property and equipment	1
Goodwill ²	418
Attorney-in-fact contracts	1,625
Software	153
Other intangible assets	375
Assets acquired	2,580
Other liabilities	9
Deferred tax liabilities ²	126
Liabilities acquired	135
Net assets acquired	2,444
Cash consideration	2,444

¹ As of June 30, 2022, the assets and liabilities of MetLife P&C are recognized at acquisition date, April 7, 2021.

² Includes deferred tax adjustments of USD 133 million.

Management fees and other related revenues generated since the acquisition and net income after taxes for the period April 7, 2021, to December 31, 2021, were USD 473 million and USD 55 million, respectively. Calculating these items for the full year was deemed impractical. The Group incurred transaction-related costs of approximately USD 20 million, the majority of which were incurred in 2021.



Consolidated financial statements (continued)

4. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents on the consolidated balance sheets.

Table 4.1

Net investment result on Group investments	in USD millions, for the six months ended June 30		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	Net investment income							
	2022	2021	2022	2021	2022	2021	2022	2021
Investment cash	-	1	-	-	-	1	-	-
Equity securities	236	261	(248)	829	(12)	1,090	(113)	(11)
Debt securities	1,992	1,926	(1,044)	(45)	948	1,882	(23)	1
Investment property ¹	231	243	150	92	381	335	-	-
Mortgage loans	82	72	-	-	82	72	-	-
Other loans	164	167	23	-	187	167	20	1
Investments in associates and joint ventures	(1)	(9)	(3)	(1)	(4)	(9)	(3)	-
Derivative financial instruments	-	-	167	(289)	167	(289)	-	-
Investment result, gross, on Group investments	2,703	2,661	(954)	586	1,749	3,248	(118)	(9)
Investment expenses on Group investments	(145)	(138)	-	-	(145)	(138)	-	-
Investment result, net, on Group investments	2,558	2,523	(954)	586	1,604	3,110	(118)	(9)

¹ Rental operating expenses for investment property amounted to USD 65 million and USD 74 million for the six months ended June 30, 2022 and 2021, respectively.

Table 4.2

Details of Group investments by category	as of	06/30/22		12/31/21	
		USD millions	% of total	USD millions	% of total
Equity securities:					
Fair value through profit or loss		3,741	2.6	4,571	2.4
Available-for-sale		10,505	7.3	14,008	7.3
Total equity securities		14,246	9.9	18,578	9.7
Debt securities:					
Fair value through profit or loss		6,263	4.4	7,181	3.8
Available-for-sale		99,027	69.1	136,005	71.2
Held-to-maturity		1,773	1.2	1,897	1.0
Total debt securities		107,063	74.7	145,084	76.0
Investment property		13,590	9.5	14,070	7.4
Mortgage loans		5,076	3.5	6,106	3.2
Other loans		3,255	2.3	7,053	3.7
Investments in associates and joint ventures		112	0.1	68	0.0
Total Group investments		143,342	100.0	190,959	100.0

Investments with a carrying value of USD 5.6 billion and USD 6.3 billion are held to meet local regulatory requirements as of June 30, 2022 and December 31, 2021, respectively.

Consolidated financial statements (continued)

Table 4.3

Net unrealized gains/(losses) on Group investments included in equity	in USD millions, as of	Total	
		06/30/2022	12/31/2021
Equity securities: available-for-sale		548	2,329
Debt securities: available-for-sale		(6,608)	9,549
Other		134	498
Gross unrealized gains/(losses) on Group investments		(5,925)	12,376
Less amount of unrealized gains/(losses) on investments attributable to:			
Life policyholder dividends and other policyholder liabilities		684	(6,444)
Life deferred acquisition costs and present value of future profits		96	(887)
Deferred income taxes		830	(940)
Non-controlling interests		50	(23)
Total¹		(4,265)	4,081

¹ Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 152 million and USD 411 million as of June 30, 2022 and December 31, 2021, respectively.

Table 4.4

Securities lending, repurchase and reverse repurchase agreements	in USD millions, as of	06/30/22	12/31/21
Securities lending agreements			
Securities lent under securities lending agreements ¹		2	4
Collateral received for securities lending		3	5
of which: Cash collateral		–	–
of which: Non-cash collateral ²		3	5
Liabilities for cash collateral received for securities lending		–	–
Repurchase agreements			
Securities sold under repurchase agreements ³		2,703	1,390
Obligations to repurchase securities		2,691	1,381

¹ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 2 million and USD 4 million as of June 30, 2022 and December 31, 2021, respectively. The majority of these assets were debt securities.

² The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 3 million and USD 5 million as of June 30, 2022 and December 31, 2021, respectively.

³ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 290 million and USD 352 million as of June 30, 2022 and December 31, 2021, respectively. The majority of these assets were debt securities.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's consolidated balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the Group's consolidated balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

Consolidated financial statements (continued)

5. Liabilities for insurance contracts and reinsurers' share of liabilities for insurance contracts

Table 5.1

Liabilities for insurance contracts	in USD millions, as of					
	Gross		Ceded		Net	
	06/30/22	12/31/21	06/30/22	12/31/21	06/30/22	12/31/21
Reserves for losses and loss adjustment expenses	62,357	63,577	(14,562)	(14,578)	47,795	48,998
Reserves for unearned premiums	23,400	19,909	(4,519)	(3,887)	18,881	16,022
Future life policyholder benefits	49,739	73,977	(3,824)	(4,096)	45,915	69,881
Policyholder contract deposits and other funds	17,803	28,052	(3,124)	(3,159)	14,678	24,893
Reserves for unit-linked insurance contracts	71,549	82,524	–	–	71,549	82,524
Other insurance liabilities	4,696	4,668	(1)	(1)	4,695	4,667
Total liabilities for insurance contracts¹	229,545	272,707	(26,031)	(25,722)	203,514	246,985

¹ Total liabilities for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 45 million and USD 41 million as of June 30, 2022 and as of December 31, 2021, respectively.

Table 5.2

Development of reserves for losses and loss adjustment expenses	in USD millions					
	Gross		Ceded		Net	
	2022	2021	2022	2021	2022	2021
As of January 1	63,577	63,327	(14,578)	(14,375)	48,998	48,951
Losses and loss adjustment expenses incurred:						
Current year	12,051	11,563	(2,532)	(2,345)	9,519	9,218
Prior years	(255)	(611)	20	268	(235)	(343)
Total incurred	11,796	10,952	(2,512)	(2,076)	9,284	8,876
Losses and loss adjustment expenses paid:						
Current year	(2,661)	(2,461)	275	291	(2,385)	(2,170)
Prior years	(8,473)	(7,784)	2,089	1,955	(6,385)	(5,829)
Total paid	(11,134)	(10,245)	2,364	2,246	(8,770)	(8,000)
Interest effects of discounted reserves	42	84	(1)	(3)	41	81
Acquisitions/(divestments) and transfers ¹	42	123	(70)	(102)	(28)	20
Foreign currency translation effects	(1,966)	(646)	236	79	(1,730)	(567)
As of June 30	62,357	63,594	(14,562)	(14,232)	47,795	49,362

¹ In 2022, net reserves decreased by USD 28 million following the sale of Joint Stock Company Insurance Company "Zurich" (Zurich Russia) (see note 3)

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

The decrease of USD 1.2 billion in net reserves for losses and loss adjustment expenses during the first six months of 2022 is the result of a USD 1.7 billion reduction resulting from currency movements. This is partially offset by an underlying increase of USD 0.5 billion, which mainly relates to large and natural catastrophe losses in Europe, Middle East and Africa (EMEA) and Asia-Pacific. Net favorable reserves development from reserves established in prior years amounted to USD 235 million. The main reductions were in North America and EMEA.

The increase of USD 411 million in net reserves for losses and loss adjustment expenses during the first six months of 2021 mainly relates to seasonal Crop losses in North America and natural catastrophe losses in North America and Europe, Middle East and Africa (EMEA), partially offset by currency movements. Net favorable reserves development from reserves established in prior years amounted to USD 343 million. The main reductions were in North America and EMEA.

Consolidated financial statements (continued)

Table 5.3

Development of future life policyholder benefits	in USD millions						
	Gross			Ceded			Net
	2022	2021	2022	2021	2022	2021	
As of January 1	73,977	83,958	(4,096)	(4,256)	69,881	79,703	
Premiums	6,005	6,630	(743)	(773)	5,262	5,858	
Claims	(4,692)	(5,729)	573	673	(4,119)	(5,056)	
Fee income and other expenses	(2,467)	(2,002)	278	216	(2,189)	(1,786)	
Interest and bonuses credited to policyholders	515	811	(22)	(34)	493	777	
Changes in assumptions	(20)	4	–	–	(19)	4	
Acquisitions/(divestments) and transfers ¹	(17,950)	–	1	–	(17,949)	–	
Increase/(decrease) recorded in other comprehensive income	(1,177)	(920)	–	–	(1,177)	(920)	
Foreign currency translation effects	(4,451)	(2,158)	184	59	(4,267)	(2,099)	
As of June 30	49,739	80,594	(3,824)	(4,113)	45,915	76,481	

¹ The 2022 net movement is mainly related to an agreement entered into by Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 3) and an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 3).

Table 5.4

Policyholder contract deposits and other funds gross	in USD millions, as of	
	06/30/2022	12/31/2021
Universal life and other contracts	14,173	14,571
Policyholder dividends	3,630	13,482
Total	17,803	28,052

Table 5.5

Development of policyholder contract deposits and other funds	in USD millions						
	Gross			Ceded			Net
	2022	2021	2022	2021	2022	2021	
As of January 1	28,052	31,497	(3,159)	(3,236)	24,893	28,261	
Premiums	657	679	(31)	(40)	625	639	
Claims	(640)	(613)	123	130	(517)	(483)	
Fee income and other expenses	(211)	(240)	(2)	2	(213)	(238)	
Interest and bonuses credited to policyholders	376	507	(56)	(56)	320	451	
Acquisitions/(divestments) and transfers ¹	(2,565)	–	–	–	(2,565)	–	
Increase/(decrease) recorded in other comprehensive income	(6,567)	(2,020)	–	–	(6,567)	(2,020)	
Foreign currency translation effects	(1,299)	(743)	–	–	(1,299)	(743)	
As of June 30	17,803	29,068	(3,124)	(3,200)	14,678	25,868	

¹ The 2022 net movement is mainly related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 3).

Consolidated financial statements (continued)

6. Policyholder dividends and participation in profits

Table 6

Policyholder dividends and participation in profits	in USD millions, for the six months ended June 30	
	2022	2021
Change in policyholder contract deposits and other funds	249	324
Change in reserves for unit-linked insurance contracts	(7,537)	3,591
Change in liabilities for investment contracts – unit-linked	(6,121)	4,509
Change in liabilities for investment contracts – other	65	94
Change in unit-linked liabilities related to UK capital gains tax	188	(146)
Total policyholder dividends and participation in profits	(13,157)	8,372



Consolidated financial statements (continued)

7. Deferred policy acquisition costs and deferred origination costs

Table 7.1

Development of deferred policy acquisition costs	in USD millions							
	Property & Casualty		Life		Other businesses ¹		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
As of January 1	6,359	5,984	12,201	12,248	1,886	1,789	20,446	20,021
Acquisition costs deferred	3,060	2,734	829	809	108	96	3,997	3,640
Amortization	(2,586)	(2,305)	(870)	(695)	(107)	(48)	(3,563)	(3,048)
Impairments	–	–	–	(6)	–	–	–	(6)
Amortization (charged)/ credited to other comprehensive income	–	–	942	270	110	23	1,052	293
Acquisitions/(divestments) and transfers ²	–	–	(754)	9	–	–	(754)	9
Foreign currency translation effects	(203)	(77)	(986)	(153)	–	1	(1,190)	(229)
As of June 30	6,629	6,335	11,362	12,483	1,997	1,862	19,988	20,680

¹ Net of eliminations from inter-segment transactions.

² The 2022 Life movement is mainly related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 3). In 2021, Life movement of USD 9 million is mainly related to an agreement entered by Zurich International Life Limited to sell an insurance portfolio (see note 3).

Table 7.2

Development of deferred origination costs	in USD millions	
	2022	2021
As of January 1	441	426
Origination costs deferred	41	52
Amortization	(33)	(35)
Foreign currency translation effects	(37)	(9)
As of June 30	412	434

Consolidated financial statements (continued)

8. Attorney-in-fact contracts, goodwill and other intangible assets

Table 8.1

Intangible assets – current period	in USD millions						
	Attorney- in-fact contracts	Goodwill	PVFP	Distribution agreements	Software ²	Other	Total
Gross carrying value as of January 1, 2022	2,650	4,617	2,555	4,021	5,258	683	19,785
Less: accumulated amortization/impairments	–	(274)	(2,180)	(1,836)	(3,871)	(147)	(8,307)
Net carrying value as of January 1, 2022	2,650	4,344	375	2,185	1,387	537	11,478
Additions and acquisitions	–	–	–	47	160	9	216
Divestments and transfers ³	–	–	(58)	(1)	–	–	(59)
Amortization ¹	–	–	(15)	(46)	(156)	(24)	(242)
Amortization charged to other comprehensive income	–	–	65	–	–	–	65
Foreign currency translation effects	–	(113)	(25)	(88)	(48)	(4)	(279)
Net carrying value as of June 30, 2022	2,650	4,231	342	2,097	1,342	518	11,180
Plus: accumulated amortization/impairments	–	253	1,845	1,795	3,861	160	7,914
Gross carrying value as of June 30, 2022	2,650	4,483	2,187	3,892	5,204	678	19,094

1 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

2 For the six months ended June 30, 2022, Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.

3 PVFP divestment of USD 58 million is related to Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, which agreed to sell its legacy traditional life insurance back book.

As of June 30, 2022, intangible assets related to non-controlling interests were USD 35 million for present value of future profits (PVFP) of acquired insurance contracts, USD 835 million for distribution agreements, USD 8 million for software, USD 41 million for goodwill and USD 1 million for other intangible assets.

Table 8.2

Intangible assets by business – current period	in USD millions, as of June 30, 2022						
	Attorney- in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,778	–	721	771	169	3,439
Life	–	1,207	293	1,375	44	22	2,942
Farmers	2,650	1,237	49	–	495	328	4,759
Group Functions and Operations	–	8	–	–	32	–	40
Net carrying value	2,650	4,231	342	2,097	1,342	518	11,180

Consolidated financial statements (continued)

Table 8.3

Intangible assets – prior period	in USD millions						
	Attorney- in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2021	1,025	4,412	2,649	4,273	5,030	340	17,730
Less: accumulated amortization/impairments	–	(323)	(2,236)	(1,885)	(3,810)	(131)	(8,385)
Net carrying value as of January 1, 2021	1,025	4,089	413	2,388	1,221	209	9,345
Additions and acquisitions	1,625	285	–	71	322	375	2,679
Divestments and transfers	–	(19)	–	–	(18)	–	(37)
Amortization ¹	–	–	(21)	(58)	(140)	(15)	(233)
Amortization charged to other comprehensive income	–	–	19	–	–	–	19
Impairments	–	–	–	(1)	–	(3)	(4)
Foreign currency translation effects	–	(67)	(7)	(35)	(17)	(2)	(129)
Net carrying value as of June 30, 2021	2,650	4,288	404	2,365	1,368	564	11,639
Plus: accumulated amortization/impairments	–	284	2,227	1,910	3,811	126	8,359
Gross carrying value as of June 30, 2021	2,650	4,573	2,631	4,275	5,178	691	19,998

¹ Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of June 30, 2021, intangible assets related to non-controlling interests were USD 46 million for present value of future profits (PVFP) of acquired insurance contracts, USD 944 million for distribution agreements, USD 10 million for software, USD 42 million for goodwill and USD 2 million for other intangible assets.

As a result of the acquisition of MetLife's property and casualty (P&C) business in the U.S., intangible assets increased by USD 2.438 billion, of which USD 1.625 billion is Attorney-in-fact relationships, USD 285 million is goodwill, USD 153 million is software and USD 375 million is other intangible assets. As a result of the post-acquisition deferred tax adjustment, goodwill increased to USD 418 million (see note 3).

The Group performs quantitative tests of goodwill recoverability annually during the third quarter by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and attorney-in-fact (AIF) contracts. As of June 30, 2022, the Group's has not identified any triggers impacting the carrying value of the goodwill in these cash-generating units (CGUs).

Table 8.4

Intangible assets by business – prior period	in USD millions, as of December 31, 2021						
	Attorney- in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,820	–	714	798	167	3,499
Life	–	1,277	344	1,471	51	23	3,166
Farmers	2,650	1,237	32	–	500	347	4,766
Group Functions and Operations	–	9	–	–	37	–	47
Net carrying value	2,650	4,344	375	2,185	1,387	537	11,478



Consolidated financial statements (continued)

9. Provisions

Table 9

Provisions¹

in USD millions

	Restructuring provisions		Litigation and regulatory provisions ¹		Other provisions			Total
	2022	2021	2022	2021	2022	2021	2022	2021
As of January 1	93	167	150	142	504	584	748	893
Provisions made during the period	5	22	3	5	171	91	179	117
Increase of provisions set up in prior years	3	7	14	2	2	8	18	17
Provisions used during the period	(29)	(81)	(20)	(10)	(188)	(152)	(237)	(244)
Provisions reversed during the period	(3)	(6)	(3)	–	(20)	(17)	(25)	(23)
Foreign currency translation effects	(5)	(1)	(3)	1	(22)	(12)	(30)	(12)
Net changes due to acquisitions/divestments	–	–	(4)	–	(18)	(1)	(22)	(1)
Other changes	–	(1)	–	12	–	1	–	12
As of June 30	64	107	137	152	430	501	631	759

¹ See note 12 for further information on legal, compliance and regulatory developments.

Consolidated financial statements (continued)

10. Income taxes

Table 10.1

Income tax expense – current/deferred split	in USD millions, for the six months ended June 30		2022	2021
	Current		801	745
Deferred		(304)	195	
Total income tax expense/(benefit)		497	940	

Table 10.2

Expected and actual income tax expense	in USD millions, for the six months ended June 30		Rate	2022	Rate	2021
	Net income before income taxes				2,855	
less: income tax (expense)/benefit attributable to policyholders				244		(170)
Net income before income taxes attributable to shareholders				3,099		3,077
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate		20.0%		620	20.0%	615
Increase/(reduction) in taxes resulting from:						
Tax rate differential in foreign jurisdictions				(101)		(23)
Tax exempt and lower taxed income				(102)		(67)
Non-deductible expenses				71		68
Tax losses not recognized				29		12
Prior year adjustments and other				224		164
Actual income tax expense attributable to shareholders		23.9%		741	25.0%	769
plus: income tax expense/(benefit) attributable to policyholders				(244)		170
Actual income tax expense		17.4%		497	28.9%	940

Table 10.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 20.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The UK tax reform had an adverse impact on the Group's shareholder income tax position in 2021, which is included in the line "Prior year adjustments and other".

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result, and it is normal practice for certain of the Group's businesses to recover from policyholders the taxes attributable to their share of the investment result. While the relevant insurance businesses have the contractual right to charge policyholders for the taxes attributable to their share of the investment result, the obligation to pay the tax authority rests with the company and therefore the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense, therefore, includes an element attributable to policyholders.

Consolidated financial statements (continued)

11. Senior and subordinated debt

Table 11

in USD millions, as of		06/30/22	12/31/21
Senior and subordinated debt	Senior debt		
	Zurich Insurance Company Ltd		
	3.375% EUR 500 million notes, due June 2022 ^{1,3}	–	572
	1.875% CHF 100 million notes, due September 2023 ¹	108	114
	1.750% EUR 500 million notes, due September 2024 ^{1,3}	531	579
	0.500% CHF 350 million notes, due December 2024 ¹	367	384
	0.510% CHF 120 million loan, due December 2024	126	132
	1.500% CHF 150 million notes, due July 2026 ¹	169	179
	0.750% CHF 200 million notes, due October 2027 ¹	209	219
	1.000% CHF 200 million notes, due October 2028 ¹	210	220
	1.500% EUR 500 million notes, due December 2028 ^{1,3}	520	565
	1.125% CHF 400 million notes, due July 2029 ¹	420	
	0.000% CHF 200 million notes, due August 2031 ¹	209	219
	0.100% CHF 250 million notes, due August 2032 ¹	262	275
	Zurich Holding Comp. of America Inc		
	2.300% USD 400 million notes, due February 2030 ¹	400	400
	Zurich Finance (Australia) Limited		
	3.271% AUD 200 million loan, due May 2023	138	145
	3.477% AUD 350 million notes, due May 2023 ¹	241	254
	4.500% AUD 375 million notes, due July 2038 ¹	273	288
	Zurich Finance (Ireland) DAC		
	2.250% USD 200 million notes, due December 2031 ^{1,3}	200	200
	1.625% EUR 500 million notes, due June 2039 ^{1,3}	521	567
	Euro Commercial Paper Notes, due in less than 12 months	294	–
	Other		
	Various debt instruments	14	14
	Senior debt	5,212	5,327
	Subordinated debt		
	Zurich Insurance Company Ltd		
	4.750% USD 1 billion perpetual capital notes, first callable January 2022 ^{1,3}	–	1,000
	4.250% EUR 1 billion notes, due October 2043, first callable October 2023 ^{1,3}	1,044	1,135
	4.250% USD 300 million notes, due October 2045, first callable October 2025 ^{1,3}	299	299
	5.625% USD 1 billion notes, due June 2046, first callable June 2026 ^{1,3}	998	998
	3.500% EUR 750 million notes, due October 2046, first callable October 2026 ^{1,2,3}	765	861
	5.125% USD 500 million notes, due June 2048, first callable June 2028 ^{1,3}	499	499
	4.875% USD 500 million notes, due October 2048, first callable October 2028 ^{1,3}	499	498
	2.750% EUR 500 million notes, due February 2049, first callable February 2029 ^{1,3}	519	564
	1.500% CHF 300 million notes, due May 2052, first callable February 2032	313	–
	Zurich Finance (Ireland) DAC		
	1.875% EUR 750 million notes, due September 2050, first callable June 2030 ^{1,3}	780	848
	3.000% USD 1.75 billion notes, due April 2051, first callable January 2031 ^{1,3}	1,746	1,746
	3.500% USD 500 million notes, due May 2052, first callable February 2032 ^{1,3}	499	499
	1.600% EUR 200 million notes, due December 2052, first callable September 2032 ^{1,3}	209	227
	Zurich Finance (UK) plc		
	6.625% GBP 450 million perpetual notes, first callable October 2022 ¹	547	608
	Subordinated debt	8,717	9,782
	Total senior and subordinated debt	13,929	15,109

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

2 The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.

3 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

None of the debt instruments listed in table 11 were in default as of 30 June 2022 or 31 December 2021.

Consolidated financial statements (continued)

12. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Table 12

Quantifiable commitments and contingencies	in USD millions	06/30/2022	12/31/2021
Remaining commitments under investment agreements		2,085	2,297
Guarantees and letters of credit ¹		848	978
Undrawn loan commitments		1	1
Other commitments and contingent liabilities ^{2,3}		754	717

¹ Guarantee features embedded in life insurance products are not included.

² Includes USD 78 million future cash outflows, that the Group as lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.

³ Of which USD 42 million represents a lease agreement in the UK commencing at the earliest in September 2022 (sale and leaseback of a new building).

Legal, compliance and regulatory developments

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is also involved in legal and arbitration proceedings and regulatory investigations arising, for the most part, in the ordinary course of its business operations in various jurisdictions where it operates. In addition, the Group and/or its subsidiaries are involved in legal matters arising out of transactions involving the transfer of portfolios or businesses. These legal matters can include claims brought by purchasers or other parties asserting claims for damages on various theories, including failure to disclose material information, failure to perform contractual duties or otherwise seeking to impose liability on the Group and/or its subsidiaries. With respect to significant legal or regulatory matters, the Group considers the likelihood of a negative outcome and when the likelihood of a negative outcome is probable, and the amount of the loss can be reliably estimated, a reserve or provision is established to record the estimated loss for the expected outcome. While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Specifically, COVID-19-related coverage litigation: Several of the Group's subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. To date, most of the litigation has been filed in United States courts, which have predominantly found in favor of insurers. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the Group or its subsidiaries.

Compliance and regulatory matters

The Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities.

The Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group continues to cooperate with these authorities.

In April 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to comply with certain specified conditions during the four-year term of the NPA.

This resolution has not had, and will not have, an adverse effect on the Group's business or consolidated financial condition.

Consolidated financial statements (continued)

13. Fair value measurement

This note excludes financial assets and financial liabilities relating to unit-linked contracts. Table 13.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under ceded reinsurance contracts and other financial assets and liabilities.

For details on the fair value measurement framework and sensitivities of level 3 instruments, refer to note 23 of the consolidated financial statements 2021.

Table 13.1

Fair value and carrying value of financial assets and financial liabilities	in USD millions, as of	Total fair value		Total carrying value	
		2022	2021	2022	2021
Available-for-sale securities					
Equity securities		10,505	14,008	10,505	14,008
Debt securities		99,027	136,005	99,027	136,005
Total available-for-sale securities		109,532	150,013	109,532	150,013
Fair value through profit or loss securities					
Equity securities		3,741	4,571	3,741	4,571
Debt securities		6,263	7,181	6,263	7,181
Total fair value through profit or loss securities		10,004	11,752	10,004	11,752
Derivative assets		935	938	935	938
Held-to-maturity debt securities		1,957	2,358	1,773	1,897
Mortgage loans		4,897	6,371	5,076	6,106
Other loans		3,288	8,284	3,255	7,053
Total financial assets		130,613	179,716	130,575	177,758
Derivative liabilities		(1,275)	(532)	(1,275)	(532)
Financial liabilities held at amortized cost					
Liabilities related to investment contracts		(895)	(1,042)	(796)	(837)
Senior debt		(4,727)	(5,487)	(5,212)	(5,327)
Subordinated debt		(7,709)	(10,287)	(8,717)	(9,782)
Total financial liabilities held at amortized cost		(13,331)	(16,815)	(14,725)	(15,946)
Total financial liabilities		(14,606)	(17,347)	(16,000)	(16,478)

Recurring fair value measurements of assets and liabilities

Table 13.2a

Fair value hierarchy – non-unit-linked – current period	in USD millions, as of June 30, 2022	Level 1	Level 2	Level 3	Total
		Available-for-sale securities			
Equity securities		6,976	1,597	1,932	10,505
Debt securities		–	93,900	5,127	99,027
Total available-for-sale securities		6,976	95,498	7,058	109,532
Fair value through profit or loss securities					
Equity securities		1,075	499	2,167	3,741
Debt securities		–	6,234	29	6,263
Total fair value through profit or loss securities		1,075	6,733	2,196	10,004
Derivative assets		6	904	25	935
Total		8,057	103,135	9,279	120,471
Derivative liabilities		(2)	(651)	(622)	(1,275)
Total		(2)	(651)	(622)	(1,275)

For the six months ended June 30, 2022, no material transfers between level 1 and level 2 occurred.



Consolidated financial statements (continued)

Table 13.2b

Fair value hierarchy – non-unit-linked – prior period		in USD millions, as of December 31, 2021			
		Level 1	Level 2	Level 3	Total
Available-for-sale securities					
Equity securities		9,052	3,002	1,953	14,008
Debt securities		–	129,857	6,148	136,005
Total available-for-sale securities		9,052	132,859	8,101	150,013
Fair value through profit or loss securities					
Equity securities		1,804	617	2,150	4,571
Debt securities		–	7,141	40	7,181
Total fair value through profit or loss securities		1,804	7,758	2,190	11,752
Derivative assets		1	834	103	938
Total		10,857	141,451	10,395	162,702
Derivative liabilities		(3)	(375)	(154)	(532)
Total		(3)	(375)	(154)	(532)

Table 13.3a

Development of assets and liabilities classified within level 3 – non-unit-linked – current period	Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
	Equity securities	Debt securities	Equity securities	Debt securities		
	in USD millions					
As of January 1, 2022	1,953	6,148	2,150	40	103	(154)
Realized gains/(losses) recognized in income ¹	64	3	8	–	1	–
Unrealized gains/(losses) recognized in income ^{1,2}	(1)	(12)	(28)	(1)	4	48
Unrealized gains/(losses) recognized in other comprehensive income	17	(558)	–	–	(75)	(554)
Purchases	107	450	177	1	2	5
Settlements/sales/redemptions	(121)	(420)	(105)	(1)	(5)	–
Transfers into level 3	15	55	–	–	–	–
Transfers out of level 3	–	(124)	–	(8)	–	–
Acquisitions and divestments ³	–	(226)	–	–	(2)	–
Foreign currency translation effects	(102)	(190)	(35)	(3)	(4)	32
As of June 30, 2022	1,932	5,127	2,167	29	25	(622)

¹ Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 4).

² Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

³ The movements are related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance back book (see note 3).

For the six months ended June 30, 2022, the Group transferred USD 55 million of available-for-sale debt securities from level 2 to level 3. The transfers were mainly driven by a decrease in the degree of observability of inputs from private debt instruments as well as the downgrade of certain non-agency asset/mortgage-backed securities from a 'AAA' credit rating.

Outweighing this is the transfer of USD 124 million in securities out of level 3 into level 2 resulting from the reverse effect, that is, an increase in the degree of observability of inputs to the valuation of certain private debt instruments as well as the upgrade of credit ratings to 'AAA' for certain non-agency asset/mortgage-backed securities.



Consolidated financial statements (continued)

Table 13.3b

**Development of
assets and liabilities
classified within
level 3 –
non-unit-linked –
prior period**

in USD millions	Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
	Equity securities	Debt securities	Equity securities	Debt securities		
As of January 1, 2021	1,746	7,976	2,318	83	353	(52)
Realized gains/(losses) recognized in income ¹	237	7	19	–	2	5
Unrealized gains/(losses) recognized in income ^{1,2}	–	34	121	–	15	(58)
Unrealized gains/(losses) recognized in other comprehensive income	389	(117)	–	–	(225)	(96)
Purchases	135	1,089	223	44	2	(6)
Settlements/sales/redemptions	(347)	(739)	(344)	(45)	(11)	–
Transfers into level 3	14	183	14	–	–	(1)
Transfers out of level 3	–	(39)	–	–	–	–
Foreign currency translation effects	(28)	(84)	(29)	–	(6)	3
As of June 30, 2021	2,148	8,309	2,321	82	130	(205)

¹ Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 4).

² Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the six months ended June 30, 2021, the Group transferred USD 183 million of available-for-sale debt securities from level 2 to level 3. The transfers were mainly driven by a decrease in the degree of observability of inputs from private debt instruments following an enhanced price transparency assessment process. Partially offsetting this is the transfer of USD 39 million in securities out of level 3 into level 2 resulting from the upgrade of credit ratings to 'AAA' for certain non-agency asset/mortgage-backed securities.

The Group also transferred USD 28 million of available-for-sale and fair value through profit or loss equity securities from level 2 to level 3 as new information has become available that confirms their unlisted status.

Consolidated financial statements (continued)

14. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 'Operating Segments' and segment information is presented accordingly as follows:

- Property & Casualty regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

Property & Casualty and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

Property & Casualty regions provide a variety of motor, home and commercial products and services for individuals as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims services and ancillary services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group's Holding and Financing, Headquarters and the new digital ventures of Zurich Global Ventures. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda, and in Europe.



Consolidated financial statements (continued)

Aggregations and additional information

Regional Property & Casualty and Life results are further aggregated to show a total Property & Casualty and total Life business view.

- Property & Casualty – total
- Life – total

For additional informational purposes, the Group also discloses income statement information for

- Property & Casualty Commercial Insurance
- Property & Casualty Retail and SME

Business operating profit

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP.



Consolidated financial statements (continued)

Table 14.1

**Property & Casualty
– Overview by
segment**

in USD millions, for the six months ended June 30

	Europe, Middle East & Africa		North America	
	2022	2021	2022	2021
Revenues				
Direct written premiums	9,028	8,920	10,855	9,487
Assumed written premiums	1,321	1,318	491	474
Gross written premiums and policy fees	10,349	10,238	11,346	9,961
Less premiums ceded to reinsurers	(1,934)	(1,961)	(3,850)	(3,391)
Net written premiums and policy fees	8,415	8,277	7,496	6,570
Net change in reserves for unearned premiums	(1,598)	(1,539)	(1,659)	(1,445)
Net earned premiums and policy fees	6,817	6,739	5,837	5,125
Net investment income on Group investments	280	267	441	436
Net capital gains/(losses) and impairments on Group investments	(11)	13	(39)	49
Net investment result on Group investments	269	280	402	485
Other income	319	188	76	96
Total BOP revenues	7,405	7,206	6,315	5,706
Benefits, losses and expenses				
Insurance benefits and losses, net	4,485	4,331	3,318	3,241
Policyholder dividends and participation in profits, net	5	4	4	5
Underwriting and policy acquisition costs, net	1,380	1,378	1,450	1,324
Administrative and other operating expense (excl. depreciation/amortization)	676	702	230	231
Interest credited to policyholders and other interest	52	89	28	30
Restructuring costs and other items not included in BOP	(10)	(18)	(4)	(10)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	6,589	6,487	5,025	4,821
Business operating profit (before interest, depreciation and amortization)	816	719	1,290	885
Depreciation and impairments of property and equipment	53	54	28	31
Amortization and impairments of intangible assets	39	34	26	24
Interest expense on debt	3	2	1	–
Business operating profit before non-controlling interests	721	630	1,235	830
Non-controlling interests	9	10	–	–
Business operating profit	711	620	1,235	830



Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
1,563	1,459	1,347	1,138	-	-	-	-	22,794	21,004
124	103	33	28	454	406	(1,420)	(1,299)	1,003	1,030
1,687	1,562	1,380	1,166	454	406	(1,420)	(1,299)	23,797	22,034
(314)	(310)	(324)	(281)	(339)	(277)	1,420	1,299	(5,341)	(4,920)
1,374	1,252	1,056	885	116	129	-	-	18,456	17,114
(75)	-	(59)	28	(64)	(77)	-	-	(3,455)	(3,033)
1,299	1,252	997	913	51	52	-	-	15,001	14,081
47	42	113	85	9	7	-	-	890	837
(2)	-	-	-	-	-	-	-	(51)	62
45	42	113	85	9	7	-	-	839	899
54	43	26	18	2	17	-	-	477	361
1,398	1,336	1,136	1,017	63	76	-	-	16,317	15,341
687	694	433	359	197	187	-	-	9,119	8,811
1	1	1	1	-	-	-	-	12	10
289	285	361	349	(4)	(15)	-	-	3,477	3,322
218	204	210	140	41	19	-	-	1,374	1,296
1	2	17	18	2	3	-	-	99	142
(1)	(6)	(62)	(18)	(4)	-	-	-	(81)	(53)
1,196	1,179	959	849	232	194	-	-	14,001	13,529
203	157	177	168	(169)	(118)	-	-	2,316	1,812
19	25	7	8	-	1	-	-	107	119
11	12	9	6	-	-	-	-	85	76
-	-	-	-	1	-	-	-	5	2
173	120	160	154	(170)	(119)	-	-	2,119	1,615
3	2	52	43	-	-	-	-	64	55
170	118	108	111	(170)	(119)	-	-	2,055	1,559



Consolidated financial statements (continued)

Table 14.2

Life – Overview by segment	in USD millions, for the six months ended June 30	Europe, Middle East & Africa		North America	
		2022	2021	2022	2021
Revenues					
Life insurance deposits		4,474	5,217	370	407
Gross written premiums		3,176	3,886	94	72
Policy fees		928	764	192	184
Gross written premiums and policy fees		4,103	4,651	286	256
Net earned premiums and policy fees		3,780	4,229	199	194
Net investment income on Group investments		1,067	1,174	14	14
Net capital gains/(losses) and impairments on Group investments		(142)	265	(25)	9
Net investment result on Group investments		925	1,439	(11)	23
Net investment income on unit-linked investments		532	527	–	–
Net capital gains/(losses) and impairments on unit-linked investments		(12,950)	6,663	(929)	112
Net investment result on unit-linked investments		(12,418)	7,190	(929)	112
Other income		159	158	18	16
Total BOP revenues		(7,555)	13,017	(723)	345
Benefits, losses and expenses					
Insurance benefits and losses, net		2,740	3,641	171	143
Policyholder dividends and participation in profits, net		(11,935)	7,461	(929)	112
Income tax expense/(benefit) attributable to policyholders		(207)	152	–	–
Underwriting and policy acquisition costs, net		652	526	14	19
Administrative and other operating expense (excl. depreciation/amortization)		460	557	22	20
Interest credited to policyholders and other interest		101	116	(9)	27
Restructuring costs and other items not included in BOP		16	(31)	(2)	(1)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)		(8,174)	12,422	(732)	320
Business operating profit					
(before interest, depreciation and amortization)		619	595	9	25
Depreciation and impairments of property and equipment		10	12	–	–
Amortization and impairments of intangible assets		18	22	–	–
Interest expense on debt		–	–	–	–
Business operating profit before non-controlling interests		591	561	9	25
Non-controlling interests		55	57	–	–
Business operating profit		536	503	9	25

Life includes approximately USD 361 million and USD 709 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2022 and 2021, respectively.



Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
55	53	1,957	1,641	-	-	-	-	6,855	7,318
1,170	1,218	1,135	1,033	25	27	(24)	(26)	5,576	6,210
67	92	41	35	-	-	-	-	1,228	1,075
1,238	1,310	1,176	1,068	25	27	(24)	(26)	6,803	7,285
949	1,083	1,119	951	13	16	-	-	6,060	6,472
89	91	345	209	-	-	-	(1)	1,515	1,487
(133)	(29)	18	1	-	-	-	-	(283)	246
(44)	62	363	210	-	-	-	(1)	1,232	1,733
48	54	14	12	-	-	-	-	594	593
(239)	75	763	366	-	-	-	-	(13,354)	7,216
(191)	129	778	378	-	-	-	-	(12,760)	7,809
11	11	41	50	-	-	(1)	(1)	228	235
725	1,285	2,301	1,588	13	16	(1)	(1)	(5,240)	16,249
428	537	515	464	5	-	-	-	3,859	4,785
(165)	105	783	380	-	-	-	-	(12,247)	8,057
(37)	19	-	-	-	-	-	-	(244)	170
83	159	561	470	2	5	(1)	(1)	1,311	1,178
293	291	136	108	-	-	-	-	912	977
3	6	16	15	-	-	-	-	112	164
(47)	(18)	(30)	(8)	-	-	-	-	(62)	(58)
558	1,099	1,982	1,429	7	5	(1)	(1)	(6,360)	15,273
167	186	320	159	6	11	-	(1)	1,120	976
4	4	4	5	-	-	-	-	18	22
4	4	3	4	-	-	-	-	25	30
4	6	-	-	-	-	-	(1)	3	5
155	171	313	150	6	11	-	-	1,074	918
-	(1)	116	60	-	-	-	-	171	116
155	172	197	90	6	11	-	-	903	802



Consolidated financial statements (continued)

Table 14.3

in USD millions, for the six months ended June 30

Business operating profit by business

	Property & Casualty		Life	
	2022	2021	2022	2021
Revenues				
Direct written premiums	22,794	21,004	5,566	6,200
Assumed written premiums	1,003	1,030	9	10
Gross Written Premiums	23,797	22,034	5,576	6,210
Policy fees	–	–	1,228	1,075
Gross written premiums and policy fees	23,797	22,034	6,803	7,285
Less premiums ceded to reinsurers	(5,341)	(4,920)	(671)	(702)
Net written premiums and policy fees	18,456	17,114	6,132	6,584
Net change in reserves for unearned premiums	(3,455)	(3,033)	(72)	(111)
Net earned premiums and policy fees	15,001	14,081	6,060	6,472
Farmers management fees and other related revenues	–	–	–	–
Net investment income on Group investments	890	837	1,515	1,487
Net capital gains/(losses) and impairments on Group investments	(51)	62	(283)	246
Net investment result on Group investments	839	899	1,232	1,733
Net investment result on unit-linked investments	–	–	(12,760)	7,809
Other income	477	361	228	235
Total BOP revenues	16,317	15,341	(5,240)	16,249
of which: inter-business revenues	(14)	1	45	(3)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net	9,119	8,812	–	–
Life insurance death and other benefits, net	–	–	3,859	4,785
Insurance benefits and losses, net	9,119	8,811	3,859	4,785
Policyholder dividends and participation in profits, net	12	10	(12,247)	8,057
Income tax expense/(benefit) attributable to policyholders	–	–	(244)	170
Underwriting and policy acquisition costs, net	3,477	3,322	1,311	1,178
Administrative and other operating expense (excl. depreciation/amortization)	1,374	1,296	912	977
Interest credited to policyholders and other interest	99	142	112	164
Restructuring costs and other items not included in BOP	(81)	(53)	(62)	(58)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	14,001	13,529	(6,360)	15,273
Business operating profit (before interest, depreciation and amortization)	2,316	1,812	1,120	976
Depreciation and impairments of property and equipment	107	119	18	22
Amortization and impairments of intangible assets	85	76	25	30
Interest expense on debt	5	2	3	5
Business operating profit before non-controlling interests	2,119	1,615	1,074	918
Non-controlling interests	64	55	171	116
Business operating profit	2,055	1,559	903	802

Life includes approximately USD 361 million and USD 709 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2022 and 2021, respectively.



Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	329	316	-	1	16	15	-	-	28,704	27,536
	213	152	197	196	25	27	(105)	(101)	1,343	1,314
	542	468	197	197	41	41	(105)	(101)	30,047	28,850
	179	166	-	-	14	15	-	-	1,421	1,256
	721	634	197	197	55	56	(105)	(101)	31,468	30,106
	(90)	(86)	(96)	(79)	(5)	(6)	105	101	(6,098)	(5,692)
	631	548	101	118	50	50	-	-	25,370	24,414
	(4)	(81)	(21)	(31)	(3)	6	-	-	(3,554)	(3,250)
	627	467	80	88	47	56	-	-	21,815	21,164
	2,220	2,004	-	-	-	-	-	-	2,220	2,004
	86	88	39	83	47	73	(19)	(44)	2,558	2,523
	(7)	2	-	-	(345)	(132)	-	-	(686)	178
	78	90	39	83	(298)	(60)	(19)	(44)	1,872	2,701
	(273)	132	-	-	(656)	157	-	-	(13,689)	8,098
	8	29	60	59	56	18	(138)	(134)	693	570
	2,660	2,723	180	230	(850)	172	(157)	(178)	12,911	34,536
	(2)	(3)	(183)	(169)	(3)	(3)	157	178	-	-
	147	66	-	1	17	(2)	-	-	9,284	8,876
	270	280	63	63	(162)	(56)	-	-	4,031	5,071
	418	346	63	63	(145)	(58)	-	-	13,315	13,947
	(268)	137	(2)	4	(653)	163	-	-	(13,157)	8,372
	-	-	-	-	-	-	-	-	(244)	170
	133	65	15	17	2	3	(4)	(4)	4,934	4,581
	1,372	1,254	212	303	27	30	-	2	3,896	3,860
	45	55	61	62	9	12	(128)	(131)	197	303
	(26)	(9)	(64)	(58)	-	-	-	-	(233)	(178)
	1,674	1,848	284	390	(760)	149	(132)	(133)	8,708	31,057
	986	874	(104)	(160)	(91)	22	(24)	(45)	4,203	3,480
	27	29	9	6	-	-	-	-	160	177
	78	63	9	11	-	-	-	-	197	180
	(13)	4	245	269	2	1	(24)	(45)	218	237
	893	778	(366)	(446)	(92)	21	-	-	3,628	2,886
	-	-	-	-	-	-	-	-	235	172
	893	778	(366)	(446)	(92)	21	-	-	3,393	2,714



Consolidated financial statements (continued)

Table 14.4

in USD millions, for the six months ended June 30

Reconciliation of BOP to net income after income taxes

	Property & Casualty		Life	
	2022	2021	2022	2021
Business operating profit	2,055	1,559	903	802
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	(166)	555	(96)	73
Net gains/(losses) on divestment of businesses ¹	–	–	(29)	(6)
Restructuring costs	(15)	(21)	(9)	(16)
Other adjustments ²	(66)	(31)	(54)	(42)
Add back:				
Business operating profit attributable to non-controlling interests	64	55	171	116
Net income before shareholders' taxes	1,872	2,117	887	927
Income tax expense/(benefit) attributable to policyholders	–	–	(244)	170
Net income before income taxes	1,872	2,117	643	1,098
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

¹ In 2022, Life included losses of USD 20 million as Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book and transaction costs of USD 9 million as Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book (see note 3). In 2021, Life included losses of USD 6 million as Zurich International Life Limited entered into an agreement to sell an insurance portfolio and Group Functions and Operations included losses of USD 33 million related of the sale of Bright Box.

² Other adjustments in 2022 and 2021 include charges related to the implementation of IFRS 17 and business combination integration costs.



Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	893	778	(366)	(446)	(92)	21	3,393	2,714
	(4)	2	6	(228)	(8)	7	(268)	408
	-	-	1	(34)	-	-	(28)	(39)
	-	(2)	(4)	(1)	-	-	(27)	(41)
	(26)	(6)	(60)	(57)	-	-	(206)	(137)
	-	-	-	-	-	-	235	172
	864	772	(424)	(766)	(100)	27	3,099	3,077
	-	-	-	-	-	-	(244)	170
	864	772	(424)	(766)	(100)	27	2,855	3,248
							(497)	(940)
							244	(170)
							(741)	(769)
							2,358	2,308
							154	115
							2,204	2,193



Consolidated financial statements (continued)

Table 14.5

**Property & Casualty
– Commercial and
Retail Insurance
overview¹**

in USD millions, for the six months ended June 30

	Commercial Insurance		Retail and SME	
	2022	2021	2022	2021
Gross written premiums and policy fees	17,077	15,520	7,696	7,416
Net earned premiums and policy fees	8,681	7,821	6,269	6,208
Insurance benefits and losses, net	5,262	4,952	3,661	3,673
Policyholder dividends and participation in profits, net	6	6	6	5
Total net technical expenses	2,421	2,257	2,240	2,160
Net underwriting result	992	606	362	371
Net investment income	607	587	274	244
Net capital gains/(losses) and impairments on investments	(42)	55	(9)	6
Net non-technical result (excl. items not included in BOP) ²	99	(58)	6	(77)
Business operating profit before non-controlling interests	1,656	1,190	633	544
Non-controlling interest	–	–	64	55
Business operating profit	1,656	1,190	569	489

¹ Commercial and Retail Insurance overview exclude Group Reinsurance.

² Net non-technical result in 2022 includes a one-off gain from the disposal of a real estate asset previously held for own use.



Consolidated financial statements (continued)

15. Events after the balance sheet date

On August 11, 2022, Zurich Insurance Group Ltd announced a special share buyback program of approximately CHF 1.8 billion.

Review report of the auditors



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To the Board of Directors of
Zurich Insurance Group Ltd, Zurich

Zurich, August 10, 2022

Report on the review of interim condensed consolidated financial statements

Introduction

We have reviewed the interim condensed consolidated financial statements (income statement, statement of comprehensive income, balance sheet, statement of cash flows, statements of changes in equity and notes), pages 13 to 55, of Zurich Insurance Group Ltd for the period from January 1, 2022 to June 30, 2022. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke
Certified Public Accountant (U.S.)



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Additional information

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Additional information (continued)

Zurich Insurance Group Ltd registered share data

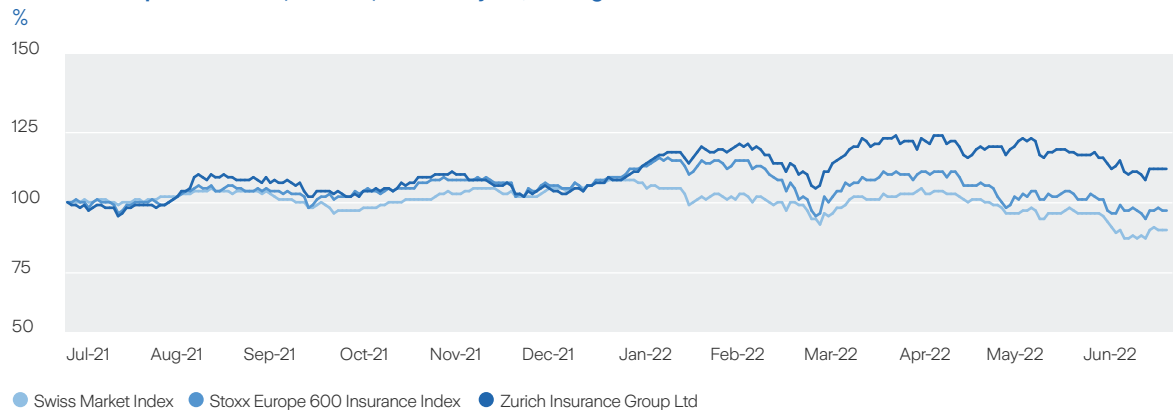
Zurich shares

Zurich had a market capitalization of CHF 63 billion on June 30, 2022. 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.

Share price performance

The share price at the end of June 2022 was CHF 415.20. The lowest price during the first half year in 2022 was CHF 389.70 on March 7, while the highest price was CHF 461.00 on April 1.

Zurich share performance (indexed) over one year, ending June 2022



Source: Refinitiv Datastream

Dividend

Financial Year	Payment date as from	Total dividend	Paid from available	Paid from capital
		per registered share in CHF	earnings ¹ in CHF	contribution reserve in CHF
2021	April 12, 2022	22.00	20.35	1.65
2020	April 13, 2021	20.00	20.00	--
2019	April 7, 2020	20.00	20.00	--
2018	April 9, 2019	19.00	19.00	--
2017	April 10, 2018	18.00	16.60	1.40
2016	April 4, 2017	17.00	11.30	5.70
2015	April 5, 2016	17.00	--	17.00
2014	April 9, 2015	17.00	--	17.00
2013	April 9, 2014	17.00	--	17.00
2012	April 11, 2013	17.00	--	17.00

¹ Gross dividend, subject to 35% Swiss withholding tax

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** excludes interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets. BOPBIDA includes amortization of deferred policy acquisition costs, deferred origination costs and distribution agreements. Please refer to the 'consolidated financial statements, Note 14. Segment information, Table 14.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances

is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments

Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets include investment cash, but exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Like-for-like

is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Zurich Economic Capital Model (Z-ECM)

is an internal economic capital model which defines the Z-ECM capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. The Z-ECM ratio is defined as the ratio of the Group's available financial resources defined under the Z-ECM to the required capital under the Z-ECM model. Please refer to the 'Annual Report/risk review' for further information.

Glossary (continued)

Property & Casualty

The following Property & Casualty (P&C) measures are net of reinsurance.

Net underwriting result

is calculated as the difference between net earned premiums and policy fees and the sum of net insurance benefits and losses and net technical expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Total net technical expenses

includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Combined ratio

is a measure that indicates the level of claims and net technical expenses during the period, relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Loss ratio

is a measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include incurred claims, both paid and reserved, and claims handling costs, divided by net earned premiums and policy fees. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Expense ratio

is a measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees. Please refer to the 'Supplementary information (unaudited)/P&C by segment & customer units' for further information.

Net non-technical result

includes expenses or income not directly linked to insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Life

Embedded value (EV) principles

is a methodology using a 'bottom-up' market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits

are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)

is a sales index that reflects the volume of life new business sales during the period. APE is calculated as the value of new annual premiums plus 10 percent of new single premiums sold in the period and is stated before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the present value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business margin (NBM)

is a measure that reflects the profitability of new business and is calculated as the new business value divided by APE after the effect of non-controlling interests.

New business value (NBV), after tax

is a measure that reflects the value added by new business written during the period, including allowances for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.



Glossary (continued)

Farmers

Gross management result

is a measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/Farmers' for further information.

Managed gross earned premium margin

is a measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges.

Financial calendar

Update for the nine months ended September 30, 2022

November 10, 2022

Investor Day 2022

November 16, 2022

Annual results 2022

February 9, 2023

Annual General Meeting 2023

April 6, 2023

Update for the three months ended March 31, 2023

May 17, 2023

Half year results 2023

August 10, 2023

Note: all dates are subject to change.

For more information please visit our website: www.zurich.com/en/investor-relations/calendar

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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, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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

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

Persons requiring advice should consult an independent adviser.

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

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