

Corporate responsibility highlights 2015



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Corporate responsibility (CR) is integrated into Zurich's strategy. We aim to create sustainable value for all our stakeholders, in line with our values as set out in Zurich Basics, our code of conduct, and the Zurich Commitment, our statement of purpose.

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About Zurich

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, we provide a wide range of general insurance and life insurance products and services. We serve individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries.

To read about how CR fits into our Group Strategy, please refer to our 2015 Annual Report.

 [2015 Annual Report](#)

Our cover

At Zurich, corporate responsibility includes finding ways to minimize the environmental impact of our real estate investments.

Further information

Please visit www.zurich.com

Corporate responsibility highlights 2015 *continued*

We would like to provide insights about some of the key areas where Zurich made progress in corporate responsibility in 2015. To read more about our approach to corporate responsibility and related activities, please refer to our CR pages on www.zurich.com

CR management framework

To ensure that we achieve our corporate responsibility objectives, our Group Executive Committee (GEC) formed a CR Working Group to advise it on the approach to take, as well as our priorities and objectives, and how best to achieve our goals. The Working Group comprises senior representatives from across the business and is chaired by a member of the Group Executive Committee. Agenda items for the CR Working Group in 2015 included a review of progress relative to our goals, what CR means to our customers, Zurich's flood resilience program, environmental, social and governance (ESG) integration in investment management, income protection insurance and defining the next stage of CR at Zurich.

A key aim is to embed corporate responsibility in the business. To ensure accountability, each of our corporate responsibility focus areas is assigned to a GEC member. Responsibility for these focus areas lies with the relevant business segments and Group functions. The business segments and functions determine the approach and method for delivering the agreed-upon objectives. Corporate responsibility is included in the personal objectives of every member of the GEC and the CR Working Group, and in the objectives of those responsible for delivering each focus area.

External commitments and indices

Zurich became a signatory of the United Nations Global Compact in July 2011 and a signatory of the Principles for Responsible Investment (PRI) in July 2012 and we report annually on progress made. In the 2015 Dow Jones Sustainability Indices (DJSI) Review, Zurich achieved its highest score of 83, outperformed 99 percent of other companies in the insurance industry group and received the 'silver class' distinction. Zurich is a member of the DJSI World and DJSI Europe Indices.

Zurich has submitted a CDP response annually since 2004. CDP is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. In 2015, Zurich achieved a score of 100B and again achieved a place in the Climate Disclosure Leadership Index (CDLI) 2015 for the DACH region (Germany, Austria and Switzerland).

Zurich has been a constituent of the FTSE4Good Index Series since its inception. Zurich is also a constituent of the MSCI Global Sustainability Index Series.

CR Working Group attendance

Participant	Meetings attended in 2015 (4)
Chair (member of the GEC)	4/4
Group Head of HR/delegate	3/4
General Insurance	3/4
Global Life	3/4
Group Operations	4/4
Investment Management	4/4
Group Finance	3/4
Group Compliance (joined Q4)	1/1
Group CR	4/4

Corporate responsibility highlights 2015 *continued*

Enhancing community flood resilience

Flood resilience is a complicated issue and tackling it demands a multi-stakeholder approach. Zurich's flood resilience program has brought together an alliance of community, academic and private sector members. In recognition of our collaboration model between humanitarian, academic and private sectors, and for our approach to flood resilience, in 2015, the Zurich flood resilience program received the Special Climate Prize at the Convergences World Forum. The Prize was created in 2015 to recognize a project taking an innovative and relevant approach to address climate change.

Zurich invests in the Water Window

Zurich and the Global Resilience Partnership are launching a Global Resilience Challenge called the Water Window. It will be a grant-based competition focused on identifying and developing locally-driven innovations and high-impact solutions to improve water resilience. Zurich will be the Global Resilience Partnership's first private sector member, and will provide an investment of USD 10 million from the Z Zurich Foundation.

Members of our flood resilience alliance

Community members:

- The International Federation of Red Cross and Red Crescent Societies (IFRC)
- Practical Action, UK

Academic members:

- The Wharton School, University of Pennsylvania
- The International Institute of Applied Systems Analysis (IIASA), Vienna

Zurich works within this alliance to ensure that the knowledge and ideas it generates fit the needs of local communities, and that the ideas can be put into practice.

Action at a community level

Our five-year alliance with the IFRC began its work in 2013 and continued its efforts in 2015 in communities in both Mexico and Indonesia. In Mexico, the focus is on flood-vulnerable

clusters of communities in Tabasco, where standing flood waters affect areas for months at a time. Throughout 2015 we worked with 21 communities to increase their risk awareness and support their selection of interventions to reduce exposure to floods; such efforts include ways to enhance the livelihoods of people living in the communities, helping them secure revenue during floods, building community centers that can also serve as emergency shelters, and improving the safety of water supplies and sanitation systems. In 21 communities in West and Central Java, Indonesia, where flood risk is more pressing due to the prevalence of flash floods and poor river basin management, we are focusing on developing innovative waste management and reforestation projects, and working to demonstrate how certain methods and practices upstream can influence flooding in downstream communities.

Work in Nepal and Peru is being carried out through our five-year alliance with Practical Action. In Nepal, we work in 74 communities in the Karnali river basin to strengthen early warning systems and improve livelihoods to make communities better able to withstand the threats posed by floods. This includes training farmers in alternative farming practices, and setting up local knowledge centers to increase flood awareness. In Piura and the Rimac river basin in Peru we are working with 15 communities to improve evacuation routes and emergency plans for use during floods. We help the communities as well to develop support teams to prepare for El Niño, and support them in their interactions with local governments to facilitate planning ways to reduce disaster risk.

Generating knowledge to build scale

In 2015, our research alliance with Wharton and IIASA delivered key insights about the 'behavioral' aspects of flood risk management, and practical applications for theoretical 'tools' to assess and improve flood resilience. Wharton found through a survey that 80 percent of residents in the areas of New York affected by Superstorm Sandy had no flood insurance and 90 percent of small businesses had no such protection, even though the government provides subsidies for such

insurance. Wharton also noted that people can be encouraged to protect against floods if they understand the high costs and risks posed by lack of insurance, and failure to take steps to protect their property. Another study by IIASA highlighted the importance of using resources already available within individual communities to increase resilience, and presented processes that make it easier to analyze, assess and increase resilience using these community resources.

In 2015, Zurich continued to develop its post-event review capability (PERC) in collaboration with the Institute for Social and Environmental Transition (ISET). The collaboration led to a post event review of deadly floods in Nepal in August 2014 and a PERC 'methodology' paper available on Zurich's and ISET's websites. The document can serve as an off-the-shelf tool to review major flood events with the goal of building resilience.

We also collaborated with the non-governmental organization Targa-AIDE in Morocco to analyze devastating floods that struck the country's Guelmim and Sidi Ifni regions in November 2014.

Apart from these initiatives, we have made significant progress in developing our own flood resilience measurement tool based on contributions from all the flood resilience alliance members. The tool has been reviewed by a number of external resilience experts and has been introduced to four additional community practitioners; the Academy of Sciences in the U.S., Concern Worldwide, Plan International and MercyCorps, which will test the tool in their flood-related community programs in 2016.

Corporate responsibility highlights 2015 *continued*

Engaging Zurich's people

Zurich's approach to building our flood resilience alliance goes beyond providing financial contributions. We also aim to make best use of the skills of Zurich's employees. In 2015, seven Zurich employees worked on projects with some communities we support to mitigate flood risk. Beyond direct involvement in communities, contributions included providing project management support to put the flood resilience measurement tool to use, helping communities to develop communication skills in a month-long project with Practical Action in Nepal, and supporting a digital media strategy over two months for Practical Action in Peru. Zurich volunteers in Mexico and Indonesia added more than 700 additional days of support to projects in these countries.

Investing our Group assets responsibly

Responsible investment can mean different things to different people. Zurich has chosen to pursue it primarily in three ways:

- ESG integration – in addition to examining financial performance, when analyzing individual investments and investment managers, we also assess their environmental, social and governance (ESG) 'performance.' These assessments are included in our decisions to buy or sell assets.
- Impact investing – we fund institutions or projects that, besides generating a safe, adequate return, have a targeted and measurable positive impact on the environment or society.

- Advancing together – responsible investing is a story that is still being written. We are helping to write it, together with a broad group of stakeholders.

Over the course of 2015 we made further progress in applying our approach.

Responsible investment KPIs

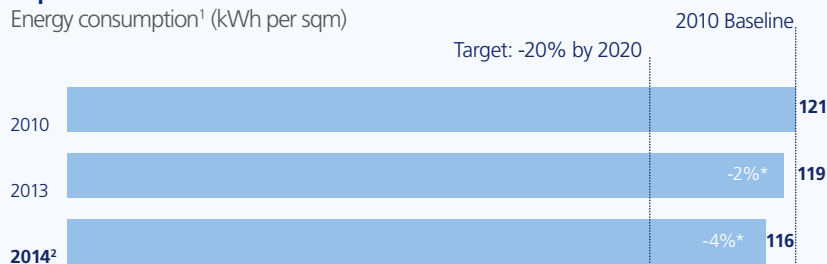
	2015	2014	Change
External asset managers who are signatories to PRI (%)	70.4%	67.9%	2.5 pts
Group assets managed by PRI signatories (%) ¹	98.1%	98.8%	(0.7 pts)
Total amount of impact investments (USD millions) ²	1,031	667	54%
Total Group investments (USD millions)	191,238	204,860	(7%)

¹ Including assets managed by Zurich.

² 2015 impact investments consisted of: green bonds (USD 870 million); investments committed to private equity funds (USD 105 million, thereof 17 percent drawn down); and other investments (USD 55 million).

Impact of real estate investment

Energy consumption¹ (kWh per sqm)



*Total change vs baseline

¹ Scope includes real estate investments in Switzerland (57% of global direct real estate investment value). Buildings in the real estate investment portfolio are largely not used by Zurich. The environmental footprint of Zurich's own-use real estate is reported in Zurich's environmental section. The data are based on meter readings and energy supplier information and are heating degree adjusted. The baseline and the 2013 data differ from data reported in previous years, in which data was solely extrapolated from energy bills and was not heating degree adjusted.

² Impact of real estate investment data 2015 will be available in Q1 2017.

Corporate responsibility highlights 2015 *continued*

Highlights in 2015

- Our impact investing portfolio topped USD 1 billion for the first time in 2015, an increase of 54 percent from 2014. This included USD 870 million invested in 'green' bonds that finance renewable energy or similar projects; we have committed to invest, in total, up to USD 2 billion in these instruments. We also have committed USD 105 million to impact private equity funds, as part of our plan to allocate up to 10 percent of our private equity investments to such funds. In addition, we have increased our investment in 'sustainability' bonds to USD 55 million. These bonds provide funding for projects that benefit social welfare.
- Zurich was named Sustainable Investor of the Year 2015 in Italy for its market-leading approach to responsible investment. The award was made by Forum per la Finanza Sostenibile (Italian Forum for Sustainable Finance). Launched in 2012, the award recognizes institutional investors for effective or innovative investment strategies and achievements related to the integration of ESG criteria in the investment process and/or active shareholding.
- We trained over 200 people in our team worldwide, as well as external asset managers, in Zurich's approach to ESG in investment decisions.

- We have systematically included a discussion of issues related to ESG factors in our review process of internal and external asset managers.
- We believe there is a clear business case for including ESG factors in our real estate investment decisions. Real estate consumes a significant amount of energy and resources, and is a major source of carbon emissions. In 2015, we extended our ESG integration approach to real estate assets, which represent over 6 percent of our investment portfolio. We will begin to implement this global program in 2016.
- We are also updating our proxy voting strategy to take a more active role as a shareholder in companies in which we invest.
- In collaboration with PSI, a large global health organization, we developed a unique framework to facilitate use of investor capital as a source of flexible and scalable funding for non-governmental organizations (NGOs). We are now working with PSI and an interested donor organization on a framework to allow a development bond instrument to be tested.

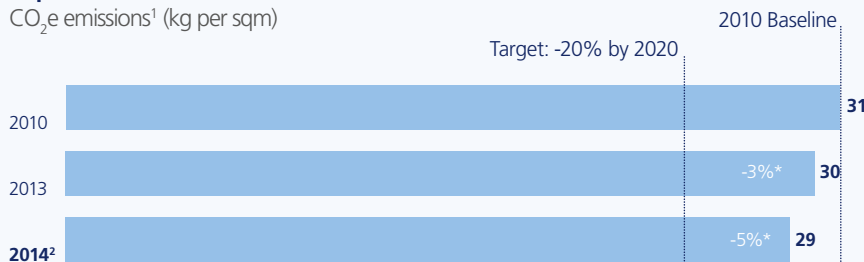
CR in business transactions

Highlights in 2015

- Zurich uses a three-step approach that systematically detects, assesses, and mitigates major environmental, social and ethical risks inherent in specific business transactions. We have now implemented a system to track CR-related issues in business transactions.
- We introduced an overarching human rights position in our approach to managing CR risks in business transactions.
- We developed a refresher program consisting of a new e-learning package and a series of new supporting documents and videos for all employees.

Impact of real estate investment

CO₂e emissions¹ (kg per sqm)



*Total change vs baseline

¹ Scope includes real estate investments in Switzerland (57% of global direct real estate investment value). Buildings in the real estate investment portfolio are largely not used by Zurich. The environmental footprint of Zurich's own-use real estate is reported in Zurich's environmental section. The data are based on meter readings and energy supplier information and are heating degree adjusted. The baseline and the 2013 data differ from data reported in previous years, in which data was solely extrapolated from energy bills and was not heating degree adjusted.

² Impact of real estate investment data 2015 will be available in Q1 2017.

Corporate responsibility highlights 2015 *continued*

Investing in our local communities

Highlights in 2015

- The Z Zurich Foundation continues to support Zurich's flood resilience program. Launched in 2013, this global program takes an innovative approach that combines academic insights, humanitarian sector capabilities and our own skills and knowledge to enhance community resilience to flooding.
- The Z Zurich Foundation seeks to support people and communities in building a better, more resilient future. Our Local Grants Program gives Zurich offices an opportunity to apply for funding to support local long-term community investment initiatives addressing some of society's biggest challenges. In 2015, the Foundation supported youth empowerment programs in Spain, Morocco, Sweden and Germany, mental health initiatives in Bermuda and Ireland, a disaster resilience and recovery project in North America and a health and nutrition program for children in Malaysia.
- Zurich's fourth annual Global Community Week took place in June 2015, providing a platform for employees to celebrate and build on their ongoing support for their local communities. During this week, employees volunteered over 31,000 business hours, more than 3,100 of which were skills based. Our experience indicates that a large majority of non-profit organizations struggle to access the operational capacity-building services they need. Thus, skills-based volunteering has become an area of major focus for Zurich employees seeking to make

contributions of time and knowledge. For example, in Malaysia, Zurich employees provided social media master classes for the charitable projects and organizations they support. Actuaries in our Slovakian office helped local orphanages improve the efficiency of their database systems, and ran Excel workshops for mothers seeking to return to work after maternity leave. In Venezuela, employees created a risk manual for their partner charity, the National Youth Orchestra, helping it to identify ways to make its premises safer, more secure, and risk resilient. More than 31 percent of Zurich's global workforce engaged in some form of community work during Global Community Week and more than USD 1.4 million was donated to good causes across the world.

Zurich made total cash contributions of USD 22.6 million in 2015 to enhance the lives and livelihoods of thousands of people across the world and support them in becoming more resilient to the risks they face.

Global Community Week KPIs¹

	2015	2014	Change
Contributions (cash in USD millions)	1.5	0.8	76%
of which contribution from employees (USD millions)	0.6	0.3	119%
of which contribution from Zurich and Z Zurich Foundation matching (USD millions)	0.9	0.6	55%
Total time volunteered from workforce (business hours)	31,040	33,210	(7%)
Workforce actively volunteering (% of total headcount)	31.1%	27.0%	4.1 pts
Countries involved	45	43	5%

¹ All amounts are rounded to the nearest USD 100,000 with the consequence that the rounded amounts may not add up to the rounded totals in all cases.

Total community investment¹

(full year cash contributions in USD millions)



¹ Charitable contributions include corporate cash donations only. Contributions cover 100% of our Group's business units and the Z Zurich Foundation. Contributions of the Z Zurich Foundation are valued on a cash-out basis. Excluded are the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group Inc a wholly owned subsidiary of Zurich Insurance Group Ltd, and contributions made by Zurich employees.

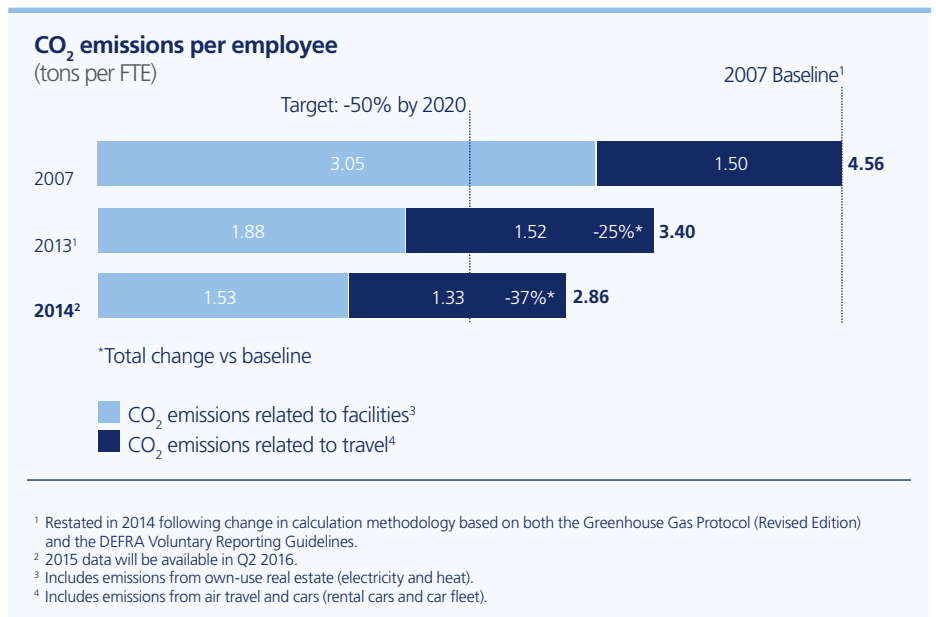
Corporate responsibility highlights 2015 *continued*

Environmental performance, health and safety in our office buildings

Highlights in 2015

- Our Group-wide environmental management system is ISO 14001-certified and allows us to accurately measure and improve our environmental footprint across all countries in which we operate. This system helps us to reduce our global carbon footprint and address other types of environmental impact from our offices, such as paper use, waste generation and water consumption. A global network of environmental managers oversees initiatives across the world to actively reduce Zurich's environmental footprint and aid progress in achieving our environmental targets.
- We are developing highly energy-efficient office buildings and installing technology to produce energy for our company's own use. SkyKey in Zurich, our new headquarters for the Swiss market, was completed in 2014 and provides sustainable workplaces for around 2,500 employees and external staff. It has received the highest 'platinum' ranking under the Leadership in Energy & Environmental Design (LEED) certification system. The building was constructed using up to 75-percent recycled materials and only Forest Stewardship Council-approved wood. This modern and attractive workplace includes a pool of electric cars for employee use. All of Zurich's new buildings aim to receive the highest sustainability rankings in their respective regions.

- We have set Group-wide targets that include decreasing carbon emissions from our office buildings and business travel. As part of our efforts, we aim to reduce emissions per employee by 50 percent by 2020 compared with a 2007 baseline.
- Zurich has recently joined the RE100 (Renewable Energy 100) initiative and is committed to using 100-percent renewable power in all of its office buildings and data centers worldwide by 2020. Currently, more than 40 percent of Zurich's power already comes from renewable sources.
- Our global health and safety program has identified 10 key workstreams to deliver consistent performance standards throughout the world, wherever Zurich operates. During 2015, an effective implementation of the program has been included in the Operational Risk and Control Framework. This will provide assurance to Zurich and relevant stakeholders that these risks are properly managed and controlled. We continued a phased roll-out of a global health and safety incident management system, an employee workstation assessment tool and our global health and safety induction training module, and we maintained a program of workplace inspections and local governance committees. Health and safety aspects of workplace projects were further integrated into the project delivery process.



Corporate responsibility highlights 2015 *continued*

Responsible sourcing and procurement

In 2015, Zurich initiated an external evaluation of the supply chain risks related to 130 of our largest suppliers. The assessment of environmental, social and governance factors confirmed that overall, these key suppliers represent low corporate responsibility risks.

Our work with social enterprises is one example of how Zurich is embedding corporate responsibility in its supply chain. Zurich in the UK has signed up to Social Enterprise UK's 'Buy Social' Corporate Challenge, which commits 10 large UK companies from diverse industries to spend GBP 100 million by 2020 on social enterprise companies.

We continue to ensure that corporate responsibility clauses reflecting the criteria described in the UN Global Compact are included in major contracts. These obligations are regularly assessed as part of the supplier-relationship management process.



Links to relevant information on our website



CR management framework



External commitments and indices



Enhancing community flood resilience



Investing in our Group assets responsibly



Working with customers



Investing in our local communities



Environmental performance



Health and safety in our office buildings



Responsible sourcing and procurement



Our people

Independent assurance report

To the Executive Committee of Zurich Insurance Group AG, Zurich ('ZIG').

We have been engaged to perform assurance procedures to provide limited assurance on selected consolidated 2015 Corporate Responsibility (CR) data of ZIG and its consolidated subsidiaries.

Scope and Subject matter

Our limited assurance engagement focused on selected CR data as disclosed in the CR Highlights report of ZIG for the financial year ended December 31, 2015:

- a) The 2015 CR key performance indicators ("Responsible investment KPI" on page 4, "Impact of real estate investment on energy consumption" on page 4, "Impact of real estate investment on CO2 emissions" on page 5, "Global community week KPIs" on page 6 and "Total community investment" on page 6); and
- b) The management and reporting processes to collect and aggregate the selected CR data as well as the control environment in relation to the data aggregation.

Criteria

The reporting criteria used by ZIG are described in ZIG's internal CR reporting guidelines and define those procedures, by which the CR data are internally gathered, collated and aggregated.

The accuracy and completeness of the CR data are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with ZIG's guidelines, definitions and procedures on the reporting of its CR data.

Responsibility and Methodology

The ZIG Executive Committee is responsible for both the preparation and the presentation of the selected subject matter in accordance with the reporting criteria. Our responsibility is to form an independent opinion, based on our limited assurance procedures, on whether anything has come to our attention to indicate

that the subject matter is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (revised) 'Assurance engagements other than audits or reviews of historical financial information'. This standard requires that we comply with ethical requirements, plan and perform the assurance engagement to obtain limited assurance on the selected CR data.

A limited assurance engagement under ISAE 3000 (revised) is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the work performed

Our limited assurance procedures included, among others, the following work:

- **Evaluation of the CR reporting**
Reviewing the application of the ZIG internal CR reporting guidelines.

- **Interviews and management inquiry**
Interviewing key contacts responsible for internal CR reporting and data collection at ZIG Group level to determine the understanding and application of ZIG internal CR reporting guidelines.
- **Assessment of the key figures**
Performing tests on a sample basis of evidence supporting the 2015 CR key performance indicators concerning completeness, accuracy, adequacy and consistency.
- **Review of the documentation**
Reviewing the relevant documentation on a sample basis, including ZIG CR reporting policies, management of reporting structures and documentation.
- **Assessment of the processes and data consolidation**
Reviewing the appropriateness of the management and reporting processes for CR data; and assessing the consolidation process of the CR data at ZIG group level.

We have not carried out any work in respect of projections and targets nor such outside of the agreed scope and therefore restrict our conclusion to the 2015 CR reporting of ZIG as defined in the scope and subject matter section. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Limited Assurance Conclusion

Based on the procedures we performed, nothing has come to our attention that causes us to believe that

- a) The 2015 CR key performance indicators as described in the scope and subject matter section are not prepared and disclosed in all material respects in accordance with ZIG's internal CR reporting guidelines; and
- b) The management and reporting processes to collect and aggregate the selected CR data as well as the control environment in relation to the data aggregation are not functioning as designed.

Zürich, March 2, 2016

PricewaterhouseCoopers AG

Peter Eberli

Raphael Rutishauser

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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

It should be noted that past performance is not a guide to future performance.

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