

# News Release

November 14, 2013



## Zurich reports business operating profit of USD 3.6 billion for the first nine months of 2013

- **Q3 BOP of USD 1.3 billion, up 28% compared with prior year, and first nine months BOP of USD 3.6 billion, up 2% compared with prior year**
- **Q3 NIAS of USD 1.1 billion, up 64% compared with prior year, and first nine months NIAS of USD 3.0 billion, up 2% compared with prior year**
- **Combined ratio of 95.3% for the first nine months an improvement of 1 point compared with prior year**
- **BOPAT ROE 10.8% down from 11.0% at corresponding prior year period**
- **Solid operating profit in all core segments**
- **Growth in General Insurance and Global Life target markets**
- **Farmers Management Services revenues modestly lower but improved Farmers Re result**
- **Solvency levels further strengthened in first half 2013**

### Select financial highlights – first nine months (9M) and third quarter (Q3) of 2013 (For a more comprehensive set of financial highlights covering the nine months ended September 30, see page 8)

in USD millions, for the nine and three months ended September 30, unless otherwise stated	9M 2013	9M 2012 <sup>1</sup>	Change in USD	Q3 2013	Q3 2012 <sup>1</sup>	Change in USD
Business operating profit (BOP)	3,567	3,510	2%	1,279	998	28%
Net income after tax attributable to shareholders (NIAS)	2,954	2,898	2%	1,103	672	64%
Total Group business volumes <sup>2</sup>	52,966	53,965	(2%)	16,726	16,463	2%
Net investment return on Group investments (not annualized and calculated on average Group investments)	2.5%	3.0%	(0.5 pts)	0.9%	1.0%	(0.0 pts)
Total return on Group investments (not annualized and calculated on average Group investments)	0.5%	5.3%	(4.7 pts)	1.0%	2.2%	(1.2 pts)
Shareholders' equity <sup>3</sup>	32,062	34,505	(7%)	na	na	na
Diluted earnings per share (in CHF)	18.65	18.49	1%	6.93	4.38	58%
Book value per share <sup>4</sup> (in CHF)	196.49	214.86	(9%)	na	na	na
Return on common shareholders' equity (ROE) <sup>4</sup>	11.8%	11.8%	-	14.0%	8.1%	5.9 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	10.8%	11%	(0.2 pts)	11.7%	9.1%	2.7 pts

Zurich, November 14, 2013 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 3.6 billion and net income attributable to shareholders (NIAS) of USD 3.0 billion for the nine months ended September 30, 2013.

“We delivered a solid operating profit in all core segments for the first nine months of 2013,” said Chief Executive Officer Martin Senn. “Against the backdrop of a fragile global economic recovery and persisting low interest rates, we remained focused on our strategy, growing our business in emerging markets while delivering a resilient performance in mature markets.”

General Insurance business operating profit increased, as an improved underwriting result and expense management compensated for a continued reduction in investment income and losses from severe weather-related events and other large losses. The reported combined ratio improved by 1.0 percentage point to 95.3%.

Global Life profitability continued to improve, as a growing contribution from Zurich Santander offset a decrease in other regions while Europe was largely flat.

Farmers business operating profit increased, driven by an improved underwriting result at Farmers Re.

The Group preserved its strong capital position with shareholders’ equity at USD 32.1 billion and the solvency position, as measured under the Swiss Solvency Test, further strengthened in the first half of 2013.

As communicated during the half year results, the Group remains on track to achieve some of its three year targets set in 2010, such as those for Global Life and expense savings, while some in General Insurance and for Farmers remain challenging and, as of now, will not be achieved. An update on these targets and the new strategic goals will be provided at the Group’s Investor Day in December 2013.

**Segment performance**  
 (for the nine months ended September 30, 2013)

***General Insurance***

in USD millions, for the nine months ended September 30, unless otherwise stated	<b>2013</b>	<b>2012</b>	<b>Change in USD</b>	<b>Change in LC</b>
General Insurance gross written premiums and policy fees	28,182	27,309	3%	4%
General Insurance business operating profit	2,124	2,085	2%	2%
General Insurance combined ratio (in %)	95.3%	96.3%	1.0 pt	0.9 pts

General Insurance business operating profit increased by USD 39 million to USD 2.1 billion, reflecting an improved underwriting result including expense management. This was partly offset by the continued reduction in investment income and losses from severe weather-related events and other large losses. These included losses related to floods and hail in Europe, and tornadoes and floods in North America. The combined ratio improved by 1.0 percentage point to 95.3% compared to the prior-year period. The 2012 result was adversely affected by one-off charges taken in the German business in the third quarter.

General Insurance gross written premiums (GWP) and policy fees increased by USD 873 million to USD 28.2 billion, or by 3% in U.S. dollar terms and 4% on a local currency basis. Growth was achieved in all markets except Europe, where economic pressures in key markets and focused underwriting actions resulted in a decline in GWP. Global Corporate delivered strong premium growth in Europe and North America, where the improving market environment continued to support premium and rate increases. Premiums in International Markets increased as these businesses continued to execute growth strategies.

### ***Global Life***

in USD millions, for the nine months ended September 30, unless otherwise stated

	<b>2013</b>	<b>2012</b>	<b>Change in USD</b>	<b>Change in LC</b>
Global Life gross written premiums, policy fees and insurance deposits	19,578	21,140	(7%)	(7%)
Global Life business operating profit	978	966	1%	4%
Global Life new business annual premium equivalent (APE) <sup>5</sup>	3,230	2,973	9%	9%
Global Life new business margin, after tax (as % of APE) <sup>5</sup>	28.9%	21.4%	7.6 pts	7.7 pts
Global Life new business value, after tax <sup>5</sup>	935	635	47%	49%

Global Life business operating profit increased by USD 11 million to USD 978 million, or by 1% in U.S. dollar terms and 4% on a local currency basis with an increase in Zurich Santander offset by reductions within other regions.

Net expense and risk margins improved but the net investment margin fell significantly due to persistently low investment yields in all regions, especially in North America and the larger European operations of the UK, Germany and Switzerland.

Global Life gross written premiums, policy fees and insurance deposits decreased by USD 1.6 billion to USD 19.6 billion, or by 7% in U.S. dollar terms and on a local currency basis. Continued growth in gross written premiums in the higher margin protection business, particularly in Zurich Santander and the UK, was more than offset by an expected reduction in insurance deposits in the UK from single premium Private Banking Client Solutions products.

Overall new business value (NBV) of USD 935 million increased by 47% in U.S. dollar terms or 49% on a local currency basis, of which USD 207 million came from the first time inclusion of Zurich Santander. All regions performed strongly, led by growth in the protection business.

New business annual premium equivalent (APE) increased by USD 257 million to USD 3.2 billion or by 9% in U.S. dollar terms and on a local currency basis, of which USD 599 million came from the inclusion of Zurich Santander. This was partly offset by the expected decline in single premium products in Private Banking Clients Solutions in the UK and a reduction in APE in Chile, following the successful Social

Security bid in 2012. On a comparable basis, excluding these variables and the contributions from Zurich Santander, APE increased by 9% in U.S. dollar terms.

### *Farmers*

in USD millions, for the nine months ended September 30, unless otherwise stated	2013	2012	Change in USD	Change in LC
Farmers Management Services managed fees and other related revenues	2,113	2,134	(1%)	(1%)
Farmers Re gross written premiums and policy fees	3,094	3,382	(9%)	(9%)
Farmers business operating profit	1,108	991	12%	12%
Farmers Management Services gross management result	1,023	1,024	(0%)	(0%)
Farmers Management Services managed gross earned premium margin	7.3%	7.3%	-	-

Farmers business operating profit increased by USD 117 million to USD 1.1 billion, or by 12%, primarily due to an improved underwriting result at Farmers Re. Farmers Management Services business operating profit was essentially flat, decreasing by USD 9 million to USD 1.1 billion, mainly driven by lower investment income. Farmers Re business operating profit increased by USD 126 million to USD 58 million, mainly due to an improved underlying loss ratio, while weather-related losses remained significantly above historical levels.

Farmers Management Services' management fees and other related revenues decreased by USD 21 million, or 1%, to USD 2.1 billion. Management fees increased following 1% growth in gross earned premiums in the Farmers Exchanges, but this was more than offset by a decrease in other related revenues as a result of lower levels of new business policies. The Farmers Exchanges are owned by their policyholders and managed by Farmers Group, Inc., a wholly owned subsidiary of the Group. Gross written premiums and policy fees at Farmers Re decreased by 9% to USD 3.1 billion, mainly due to the reductions in the participation in the quota share reinsurance agreements with the Farmers Exchanges and the 1% decline in gross written premiums.

***Other Operating Businesses:*** Other Operating Businesses, predominantly consisting of the headquarters' expenses and external financing activities, reported a business

operating loss of USD 683 million, a deterioration of 5% compared with the same period of 2012, mainly driven by decreased investment income.

***Non-Core Businesses:*** Non-core businesses reported a business operating profit of USD 41 million compared with USD 118 million in the same period of 2012. The reduction resulted mainly from a 2012 one-off gain in Other run-off.

#### ***Group investments***

in USD millions, for the nine months ended September 30, unless otherwise stated

	2013	2012	Change in USD	Change in LC
Average Group investments	208,216	201,932	3%	3%
Net investment result on Group investments	5,264	6,141	(14%)	(15%)
Net investment return on Group investments (calculated on average Group investments)	2.5%	3.0%	(0.5 pts)	(0.5 pts)
Total return on Group investments (calculated on average Group investments)	0.5%	5.3%	(4.7 pts)	(4.8 pts)

The net investment result on Group investments, which includes net investment income, net capital gains and losses on investments and impairments, contributed USD 5.3 billion to the Group's total revenues for the nine months ended September 30, 2013, a net return of 2.5% (not annualized).

Net capital gains and impairments amounted to USD 605 million and included gains from the sale of debt and equity securities, to a significant extent allocated to policyholders. This was partially offset by derivative losses and the negative revaluation of debt securities booked at fair value through profit and loss.

Net unrealized gains on investments included in total equity decreased by USD 4.1 billion from December 31, 2012, mainly driven by rising yields on debt securities and widening credit spreads, largely in the U.S., during the second quarter of 2013. The total return on Group investments, which includes net investment income, net capital gains and losses on investments and impairments as well as changes in unrealized gains and losses included in total equity, was 0.5% (not annualized), compared with 5.3 % in the same period of 2012.

- <sup>1</sup> September 30, 2012 and December 31, 2012 have been restated as set out in note 1 of the unaudited Consolidated financial statements.
- <sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.
- <sup>3</sup> As of September 30, 2013 and December 31, 2012, respectively
- <sup>4</sup> Calculated based on the discrete quarter result and annualized. See the Financial Supplement and the Operating and Financial Review on the Investor Relations' page of our website [www.zurich.com](http://www.zurich.com).
- <sup>5</sup> New business amounts are calculated on embedded value principles before the effect of non-controlling interests. See unaudited New business overview for details of these principles. New business amounts for the first nine months of 2012 do not include Zurich Santander or new operations in Asia (including Zurich Insurance Malaysia Berhad – ZIMB).

## Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the nine months ended September 30, 2013 and 2012, and the financial position as of September 30, 2013 and December 31, 2012, respectively. Interim results are not necessarily indicative of full year results. 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 add to the rounded total in all cases. 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 Report 2012 for the Zurich Insurance Group and with its unaudited Consolidated financial statements to September 30, 2013.

Certain comparative figures have been restated as set out in note 1 of the unaudited Consolidated financial statements.  
In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published 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, see note 16 of the unaudited Consolidated financial statements.

in USD millions, for the nine months ended September 30, unless otherwise stated	<b>2013</b>	<b>2012<sup>1</sup></b>	<b>Change<sup>2</sup></b>
Business operating profit	<b>3,567</b>	3,510	2%
Net income attributable to shareholders	<b>2,954</b>	2,898	2%
General Insurance gross written premiums and policy fees	<b>28,182</b>	27,309	3%
Global Life gross written premiums, policy fees and insurance deposits	<b>19,578</b>	21,140	(7%)
Farmers Management Services management fees and other related revenues	<b>2,113</b>	2,134	(1%)
Farmers Re gross written premiums and policy fees	<b>3,094</b>	3,382	(9%)
General Insurance business operating profit	<b>2,124</b>	2,085	2%
General Insurance combined ratio	<b>95.3%</b>	96.3%	1.0 pt
Global Life business operating profit	<b>978</b>	966	1%
Global Life new business annual premium equivalent (APE) <sup>3</sup>	<b>3,230</b>	2,973	9%
Global Life new business margin, after tax (as % of APE) <sup>3</sup>	<b>28.9%</b>	21.4%	7.6 pts
Global Life new business value, after tax <sup>3</sup>	<b>935</b>	635	47%
Farmers business operating profit	<b>1,108</b>	991	12%
Farmers Management Services gross management result	<b>1,023</b>	1,024	-
Farmers Management Services managed gross earned premium margin	<b>7.3%</b>	7.3%	-
Average Group investments	<b>208,216</b>	201,932	3%
Net investment result on Group investments	<b>5,264</b>	6,141	(14%)
Net investment return on Group investments <sup>4</sup>	<b>2.5%</b>	3.0%	(0.5 pts)
Total return on Group investments <sup>4</sup>	<b>0.5%</b>	5.3%	(4.7 pts)
Shareholders' equity <sup>5</sup>	<b>32,062</b>	34,505	(7%)
Swiss Solvency Test capitalization ratio <sup>6</sup>	<b>206%</b>	185%	21 pts
Diluted earnings per share (in CHF)	<b>18.65</b>	18.49	1%
Book value per share (in CHF) <sup>5</sup>	<b>196.49</b>	214.86	(9%)
Return on common shareholders' equity (ROE)	<b>11.8%</b>	11.8%	-
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	<b>10.8%</b>	11.0%	(0.2 pts)

<sup>1</sup> September 30, 2012 and December 31, 2012 have been restated as set out in note 1 of the unaudited Consolidated financial statements.

<sup>2</sup> Parentheses around numbers represent an adverse variance.

<sup>3</sup> New business amounts are calculated on embedded value principles before the effect of non-controlling interests. See unaudited New business overview for details of these principles. New business amounts for the first nine months of 2012 do not include Zurich Santander or new operations in Asia (including Zurich Insurance Malaysia Berhad – ZIMB).

<sup>4</sup> Not annualized and calculated on average Group investments.

<sup>5</sup> As of September 30, 2013 and December 31, 2012, respectively.

<sup>6</sup> Ratios as of July 1, 2013 and January 1, 2013, respectively, are calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA).

## Further information

A pre-recorded video presentation to accompany the analyst and investor slide presentation will be available from 06.45 hrs CET on our website [www.zurich.com](http://www.zurich.com). The video can be accessed through the following link also on the iPhone and iPad: <http://www.media-server.com/m/p/y6wov9ff>

In addition, there will be a conference call Q&A session for analysts and investors with CEO Martin Senn and interim CFO Vibhu Sharma, starting at 13.00 hrs CET. Media may listen in. Please dial-in to register approximately 3 to 5 minutes prior to the start of the Q&A session. A podcast of the Q&A session will be available from 16.00 hrs CET.

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Supplemental financial information is available on our website [www.zurich.com](http://www.zurich.com). Please click on the [Results for the nine months to September 30, 2013](#) link on the bottom left corner of our homepage.

For broadcast-standard and streaming-quality video as well as high resolution pictures supporting this news release, please visit <http://zurich.synapticdigital.com/>

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**Zurich Insurance Group (Zurich)** is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets. It offers a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations. Zurich employs about 60,000 people serving customers in more than 170 countries. The Group, formerly known as Zurich Financial Services Group, is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depository Receipt program (ZURVY) which is traded over-the-counter on OTCQX. Further information about Zurich is available at [www.zurich.com](http://www.zurich.com).



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### Disclaimer & 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; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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

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

Persons requiring advice should consult an independent advisor.

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