

# Results for the nine months to September 30, 2014

Analysts and Media Presentation  
November 6, 2014

Zurich Insurance Group



# Key messages



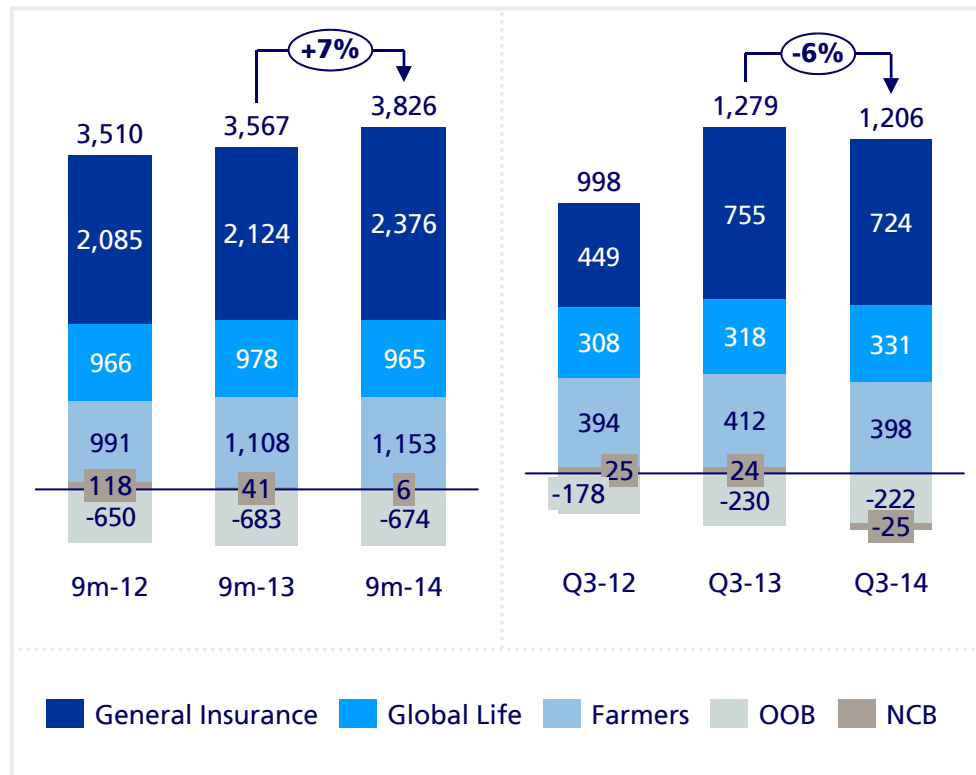
<b>General Insurance</b>	Continued improvement in accident year profitability
<b>Global Life</b>	Strong progress in bank distribution
<b>Farmers</b>	Farmers Exchanges back to growth
<b>Capital</b>	Very strong solvency capital on all key metrics
<b>Overall</b>	Solid results – capacity to cope with challenging environment

# Group – Business operating profit

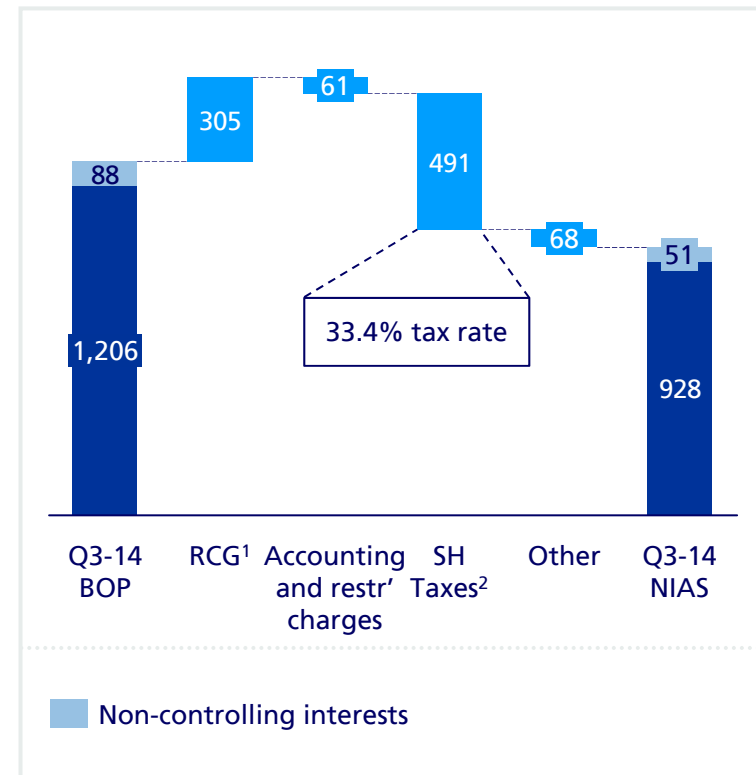
Continued solid performance



## BOP BY SEGMENT (USDm)



## RECONCILIATION (USDm)



<sup>1</sup> Net realized capital gains/losses.

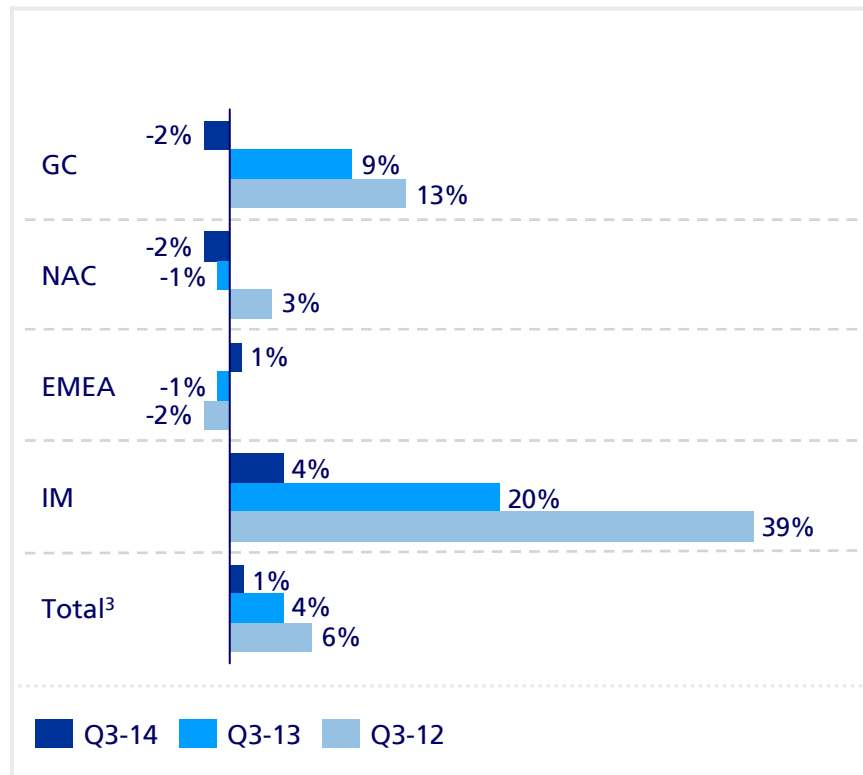
<sup>2</sup> Shareholder taxes (income tax expense attributable to shareholders).

# General Insurance – Topline

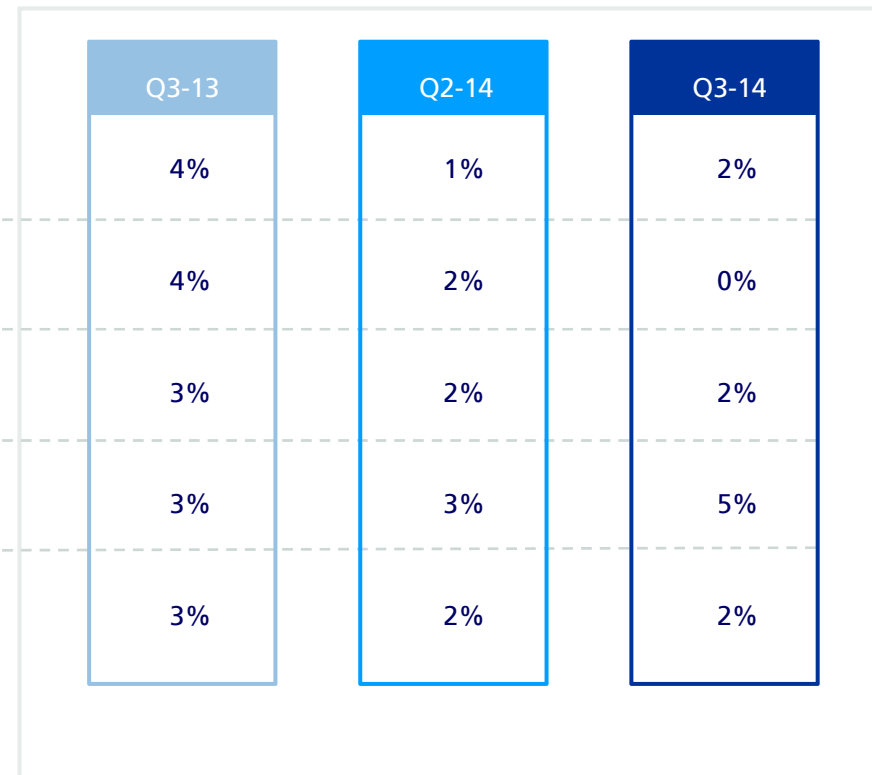


Broadly stable, but with some competitive pressures

## GWP GROWTH IN LC<sup>1</sup> (%)



## RATE CHANGE<sup>2</sup> (%)



<sup>1</sup> In local currency.

<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

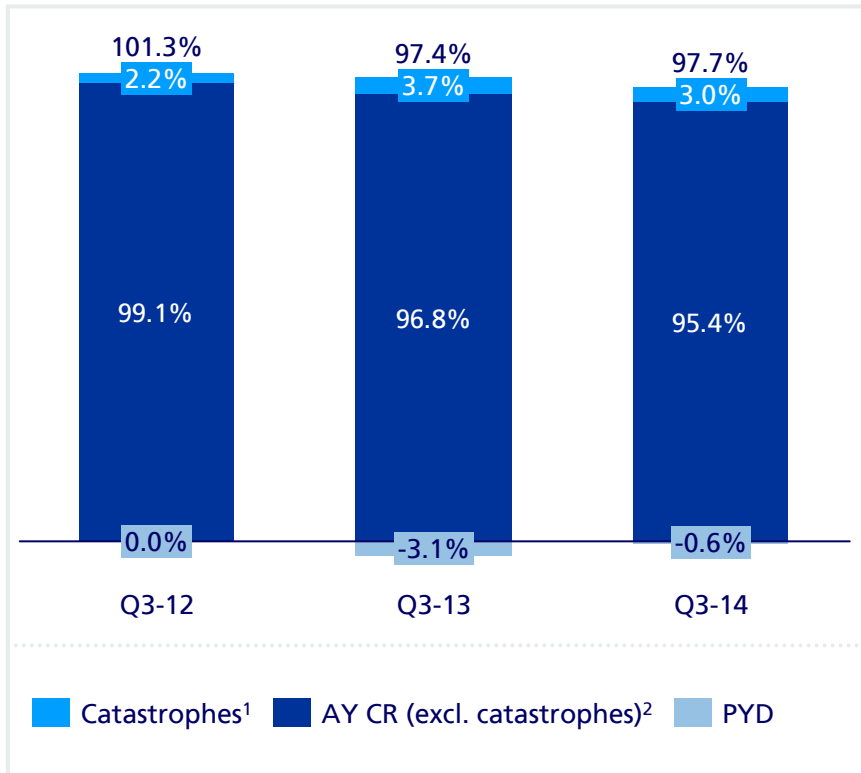
<sup>3</sup> Total incl. GI Global Functions, Group Reinsurance and Eliminations.

# General Insurance – Combined ratio

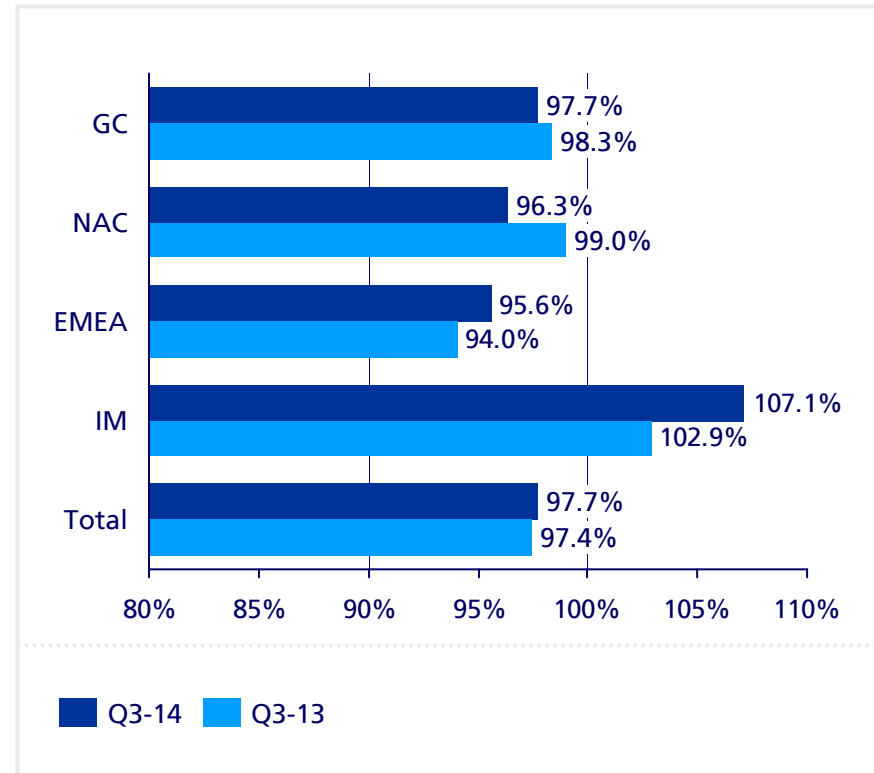
Improved accident year profitability, lower PYD



## COMBINED RATIO SPLIT (%)



## COMBINED RATIO BY REGION (%)



<sup>1</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

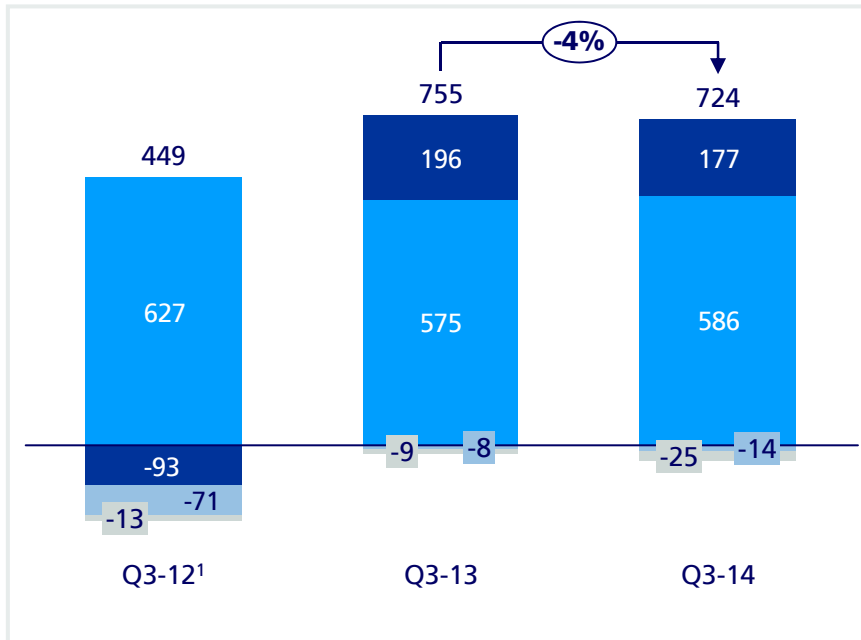
<sup>2</sup> Accident year combined ratio (AY CR) excludes prior year reserve development.

# General Insurance – BOP components

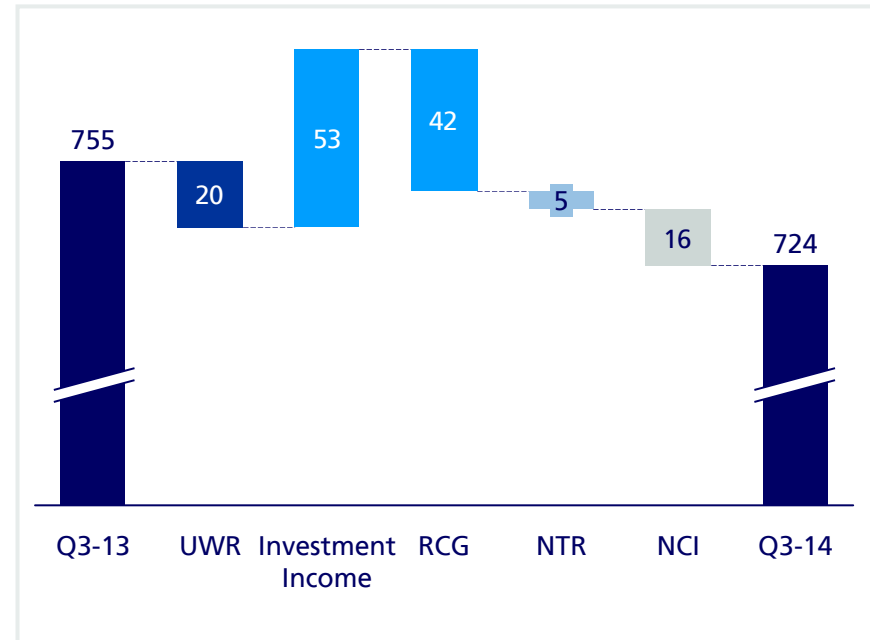


Investment income up on the prior year

## BOP BREAK DOWN (USDm)



## KEY DRIVERS (USDm)



■ Underwriting result 
 ■ Investment inc. / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

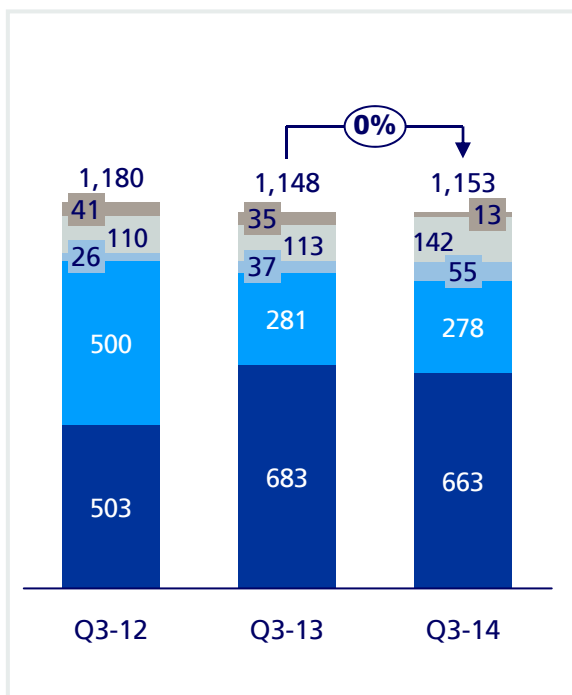
<sup>1</sup> Impact for the shift of parts of the non-technical result is an estimation.

# Global Life – New business

Good progress in the US, Santander and Spain

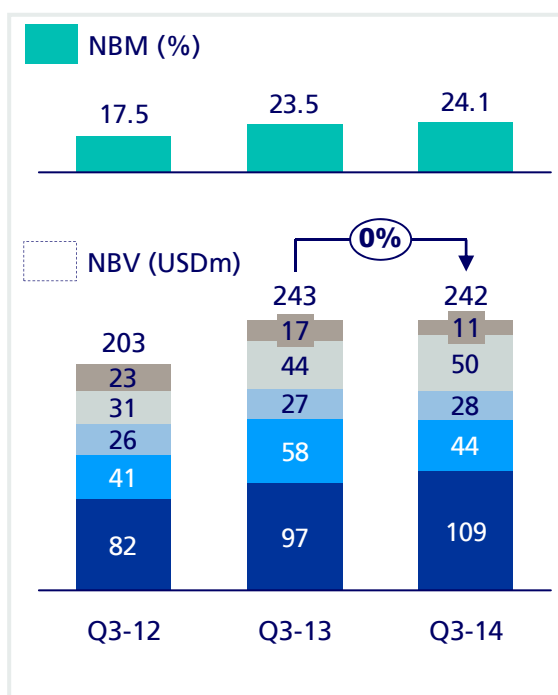


## APE (USDm)<sup>1</sup>

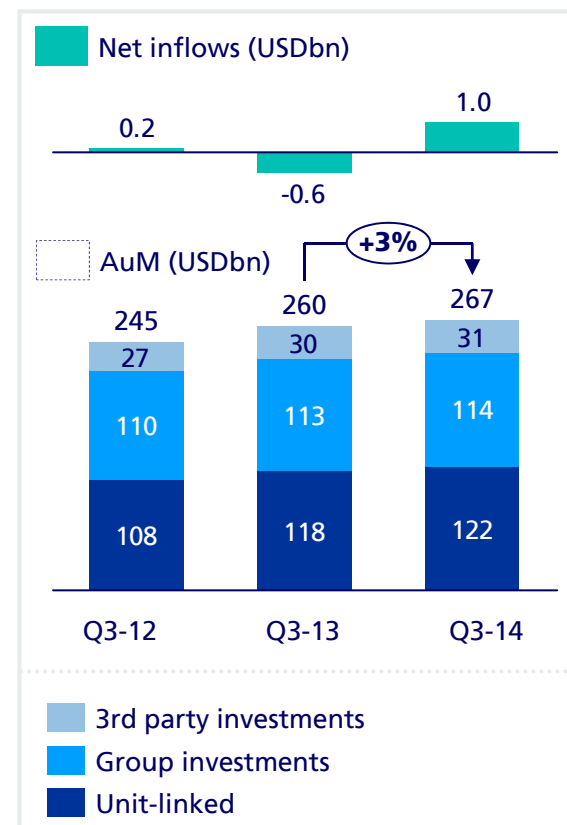


Other APME North America Latin America Europe

## NBM & NBV<sup>1</sup>



## NET INFLOWS & AUM<sup>2</sup>



3rd party investments  
Group investments  
Unit-linked

Note: 2012 figures do not include Zurich Santander.

<sup>1</sup> APE is reported before minority interests. NBM and NBV are reported net of minority interests, with prior year figures restated accordingly.

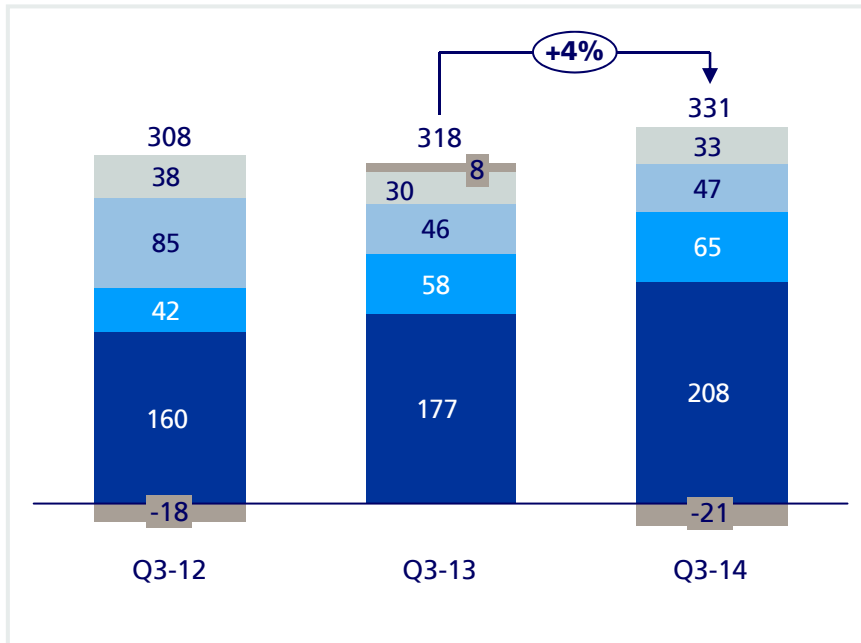
<sup>2</sup> Net Inflows are reported as discrete quarter values, while Assets Under Management are year to date.

# Global Life – BOP by region

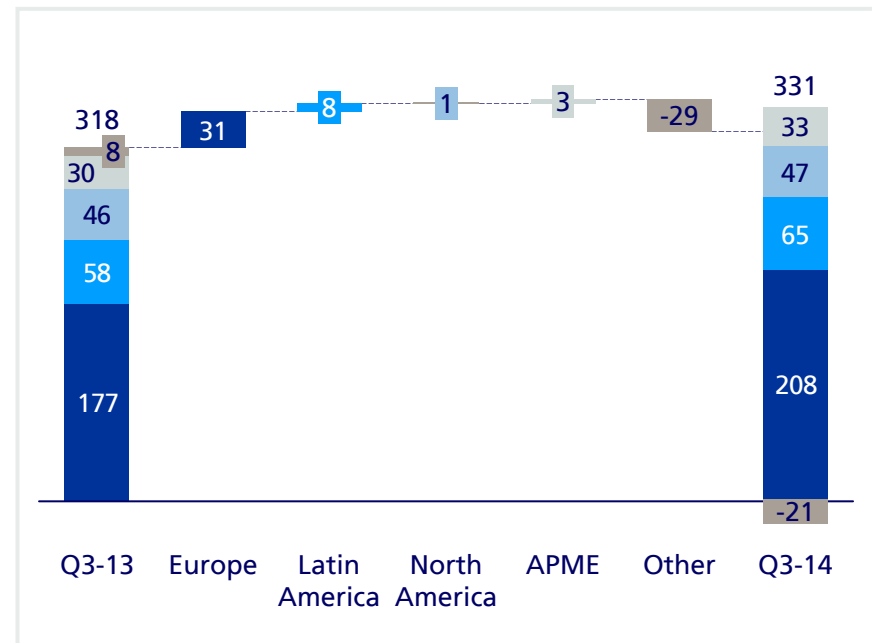
Stable life result, 'other' costs reflect management initiatives



## BOP BY REGION (USDm)



## KEY DRIVERS (USDm)



Other APME North America Latin America Europe

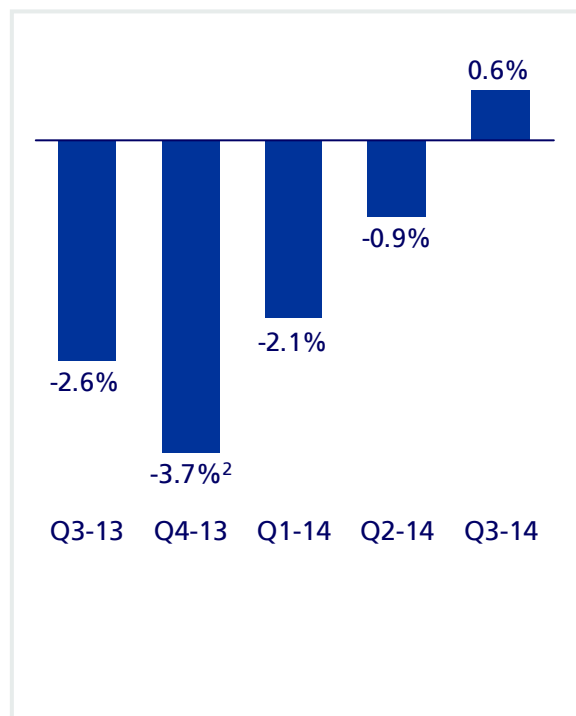


# Farmers Exchanges<sup>1</sup> – KPIs

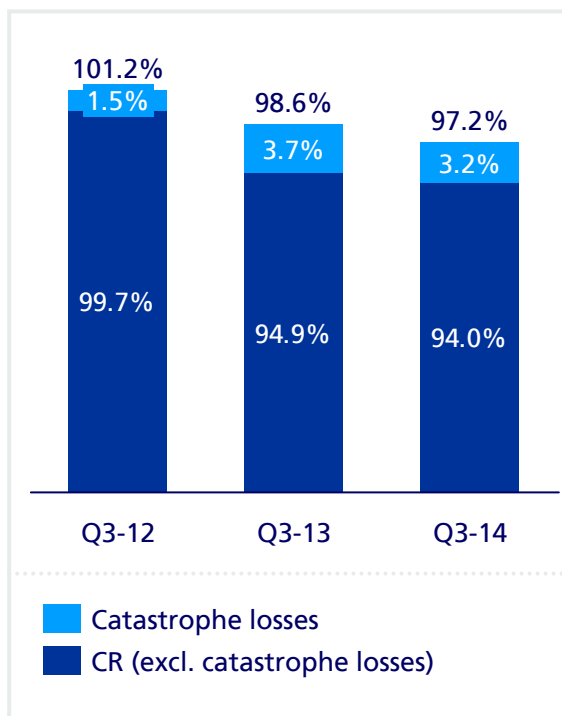
Return to top-line growth



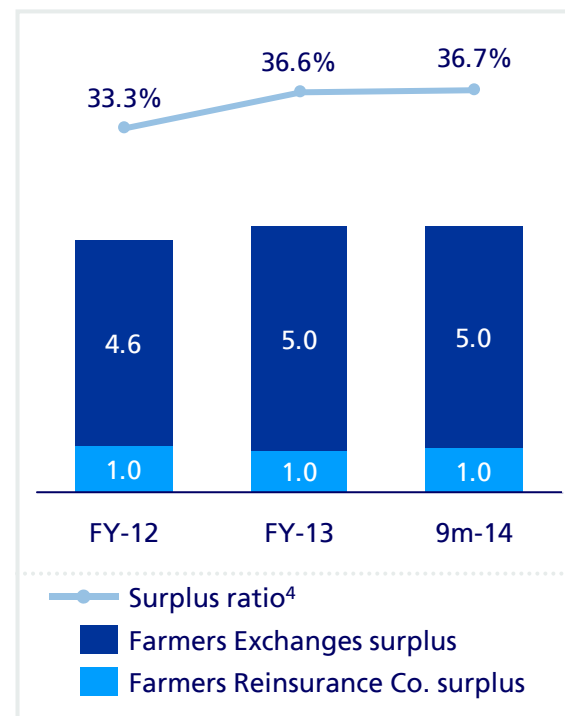
## GWP GROWTH (%)



## COMBINED RATIO (%)<sup>3</sup>



## SURPLUS (USDbn)<sup>4</sup>



<sup>1</sup> Provided for informational purposes only. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Adjusted for the impact of the Texas Department of Insurance litigation.

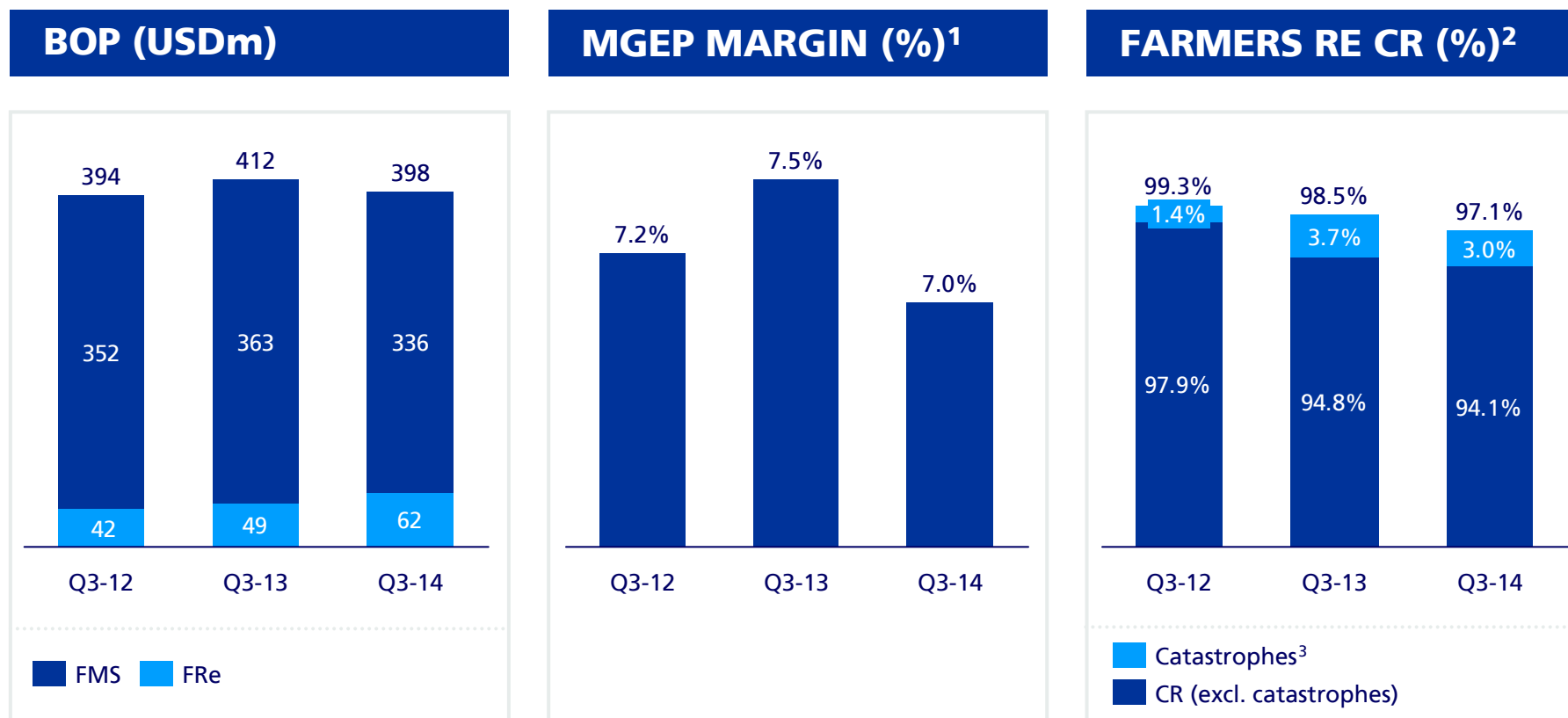
<sup>3</sup> Before quota share treaties with Farmers Reinsurance Company, Zurich Insurance Company Ltd and a third party reinsurer.

<sup>4</sup> Surplus ratio excludes surplus of Farmers Reinsurance Company.

# Farmers – KPIs



Slightly lower FMS margin, good Farmers Re result



<sup>1</sup> Margin on gross earned premiums of the Farmers Exchanges. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc. (or Farmers Management Services (FMS)), a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Farmers Re (FRe) business includes all reinsurance assumed from the Farmers Exchanges by the Group (i.e. Farmers Reinsurance Company and Zurich Insurance Company Ltd).

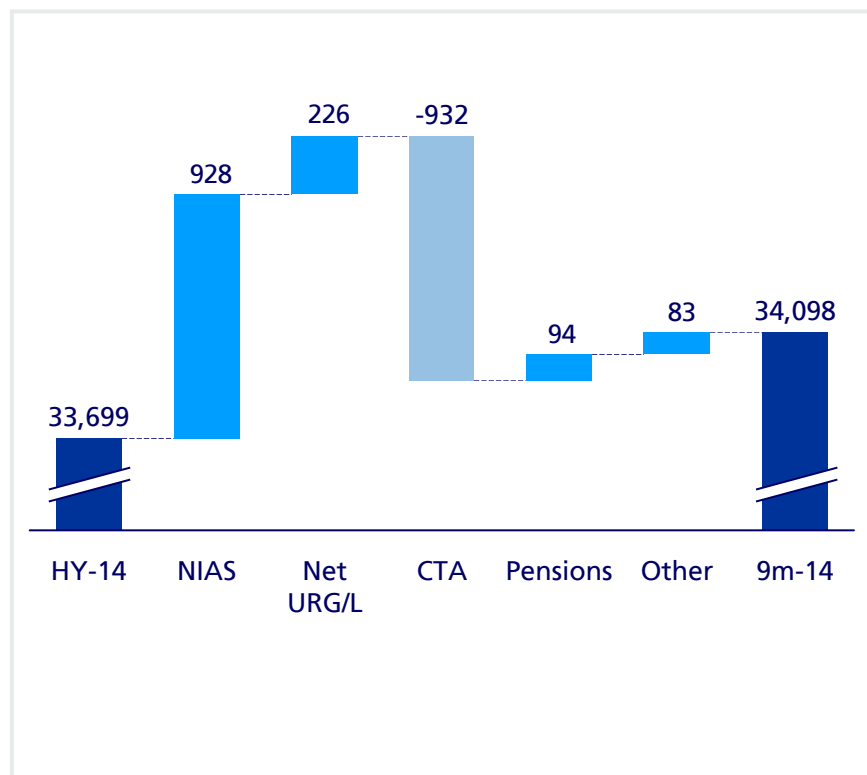
<sup>3</sup> As defined by the All Lines quota share reinsurance treaty.

# Group – Balance sheet and capital

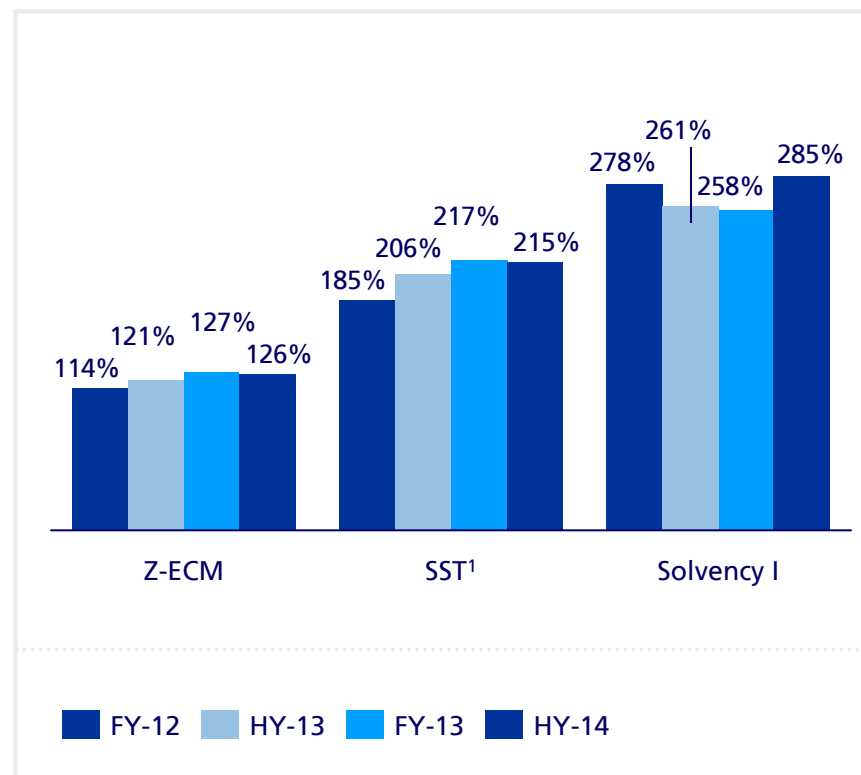
Strong solvency capital on all key metrics



## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

# Key messages



<b>General Insurance</b>	Continued improvement in accident year profitability
<b>Global Life</b>	Strong progress in bank distribution
<b>Farmers</b>	Farmers Exchanges back to growth
<b>Capital</b>	Very strong solvency capital on all key metrics
<b>Overall</b>	Solid results – capacity to cope with challenging environment

# Disclaimer and cautionary statement



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

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# Appendix

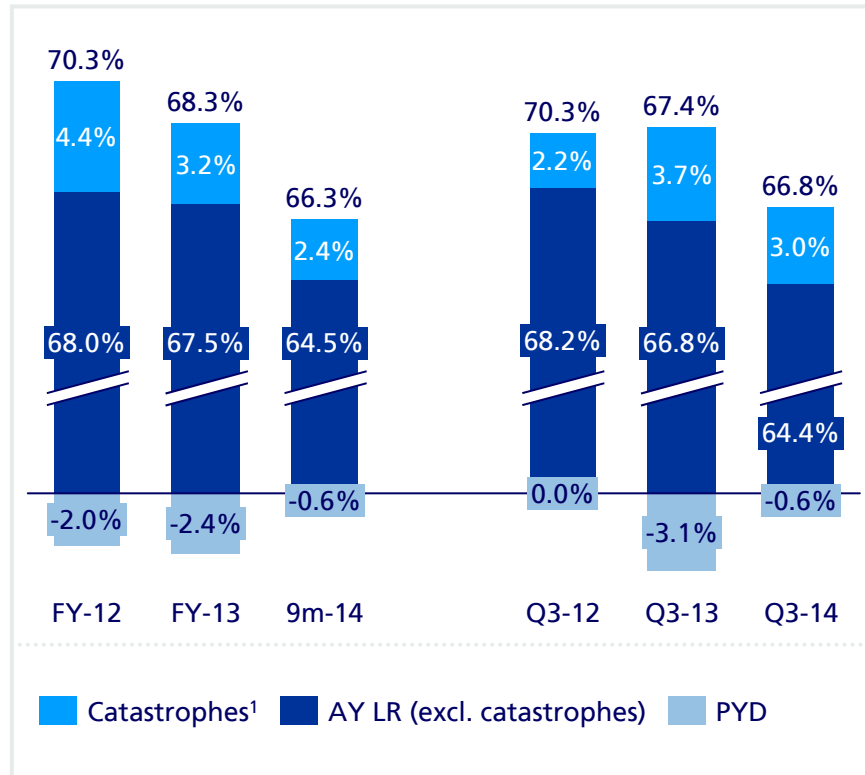


# GI – Combined ratio details

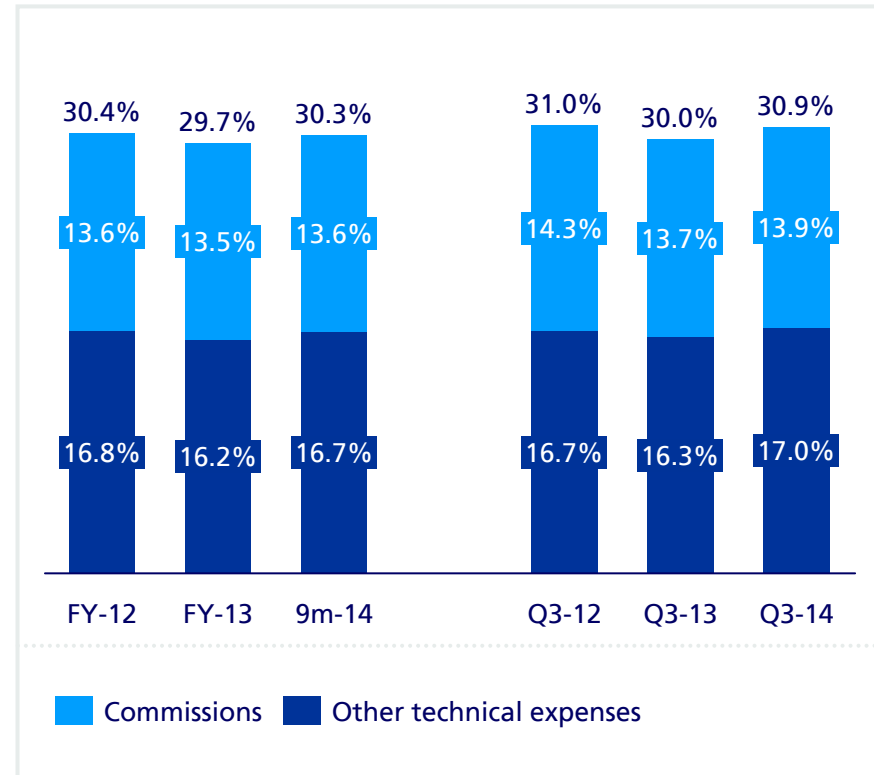


AY loss ratio further improved, ~1% increase in the ER

## LOSS RATIO (%)



## EXPENSE RATIO (%)



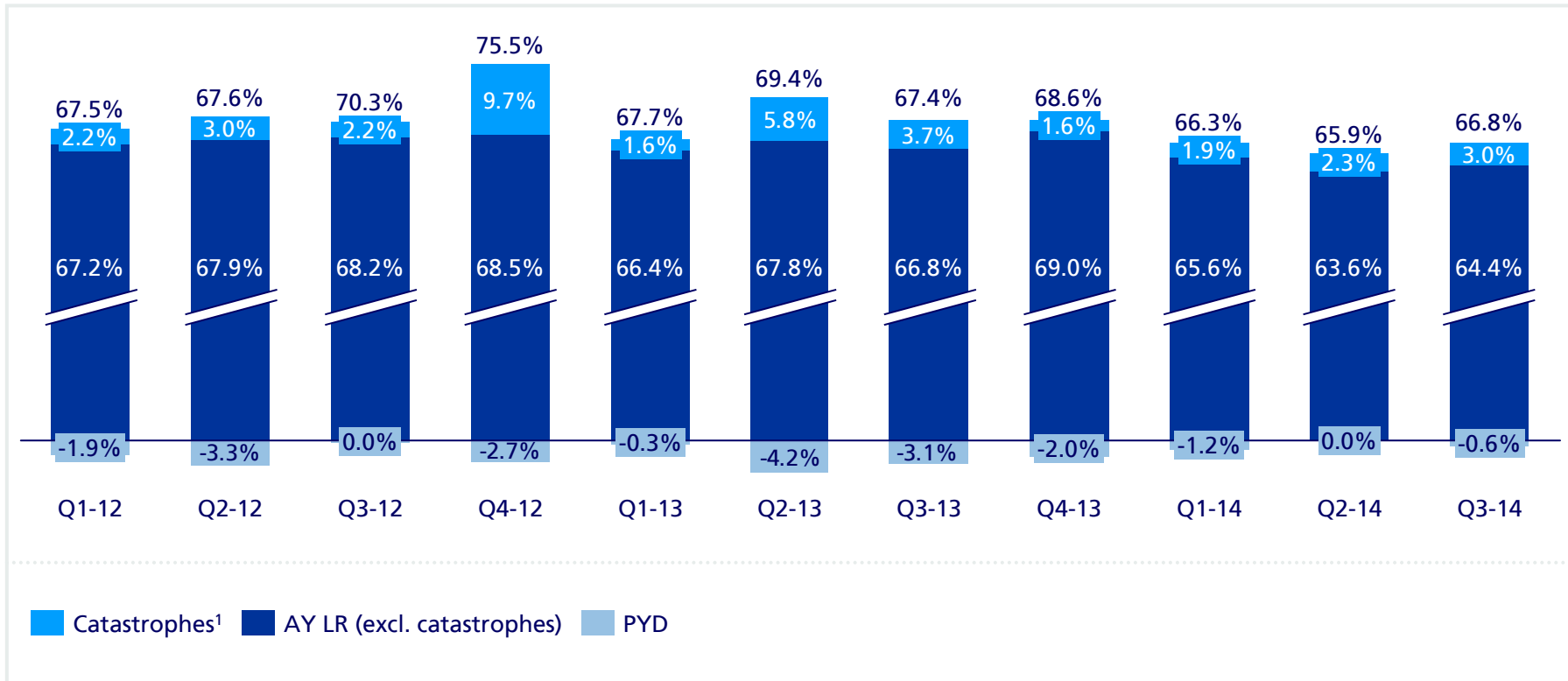
<sup>1</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

# GI – Loss ratio details



Continued improvement in accident year profitability

## LOSS RATIO (%)



<sup>1</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

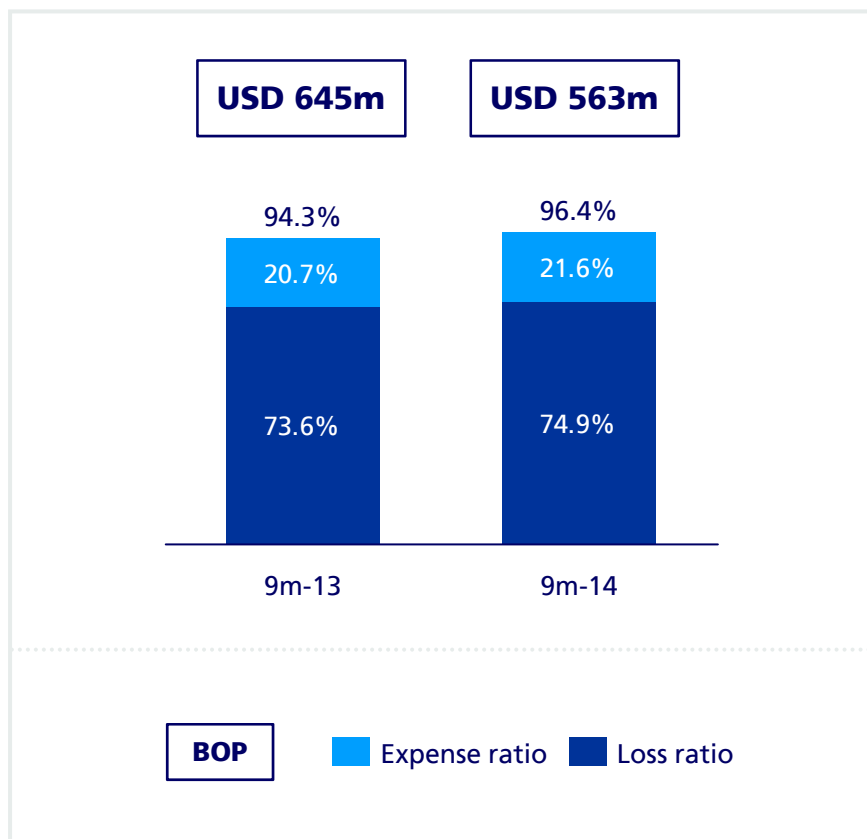


# GI Global Corporate – KPIs



Results modestly impacted by adverse PYD

## 9m-14 KEY FINANCIALS



GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined Ratio
2%	2%	96%

## KEY DRIVERS

- Growth driven by strong new business, partly off-set by impact of selected re-underwriting actions in EMEA and APAC
- Rates positive following effect from rate tiering strategies, with market pressure in APAC and in property lines in NA
- Strong accident year combined ratio, with deterioration of calendar year result due to adverse PYD on some specific portfolios

<sup>1</sup> In local currency.

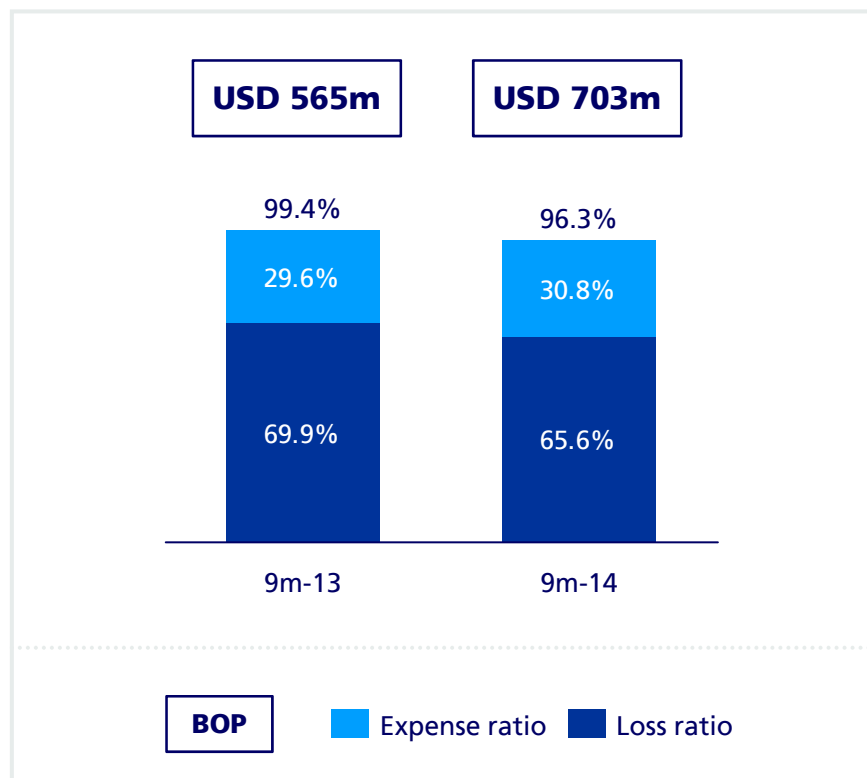
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI North America Commercial – KPIs



Growth in selected pockets, with improved combined ratio

## 9m-14 KEY FINANCIALS



GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined Ratio
2%	2%	96%

## KEY DRIVERS

- Modest growth from rate tiering strategies and execution on strategic growth initiatives
- Market pressure on rates especially in property lines
- Combined ratio benefitted from benign weather but also from good underlying improvement in the AY loss ratio

<sup>1</sup> In local currency, and excluding a large discontinued fronting contract.

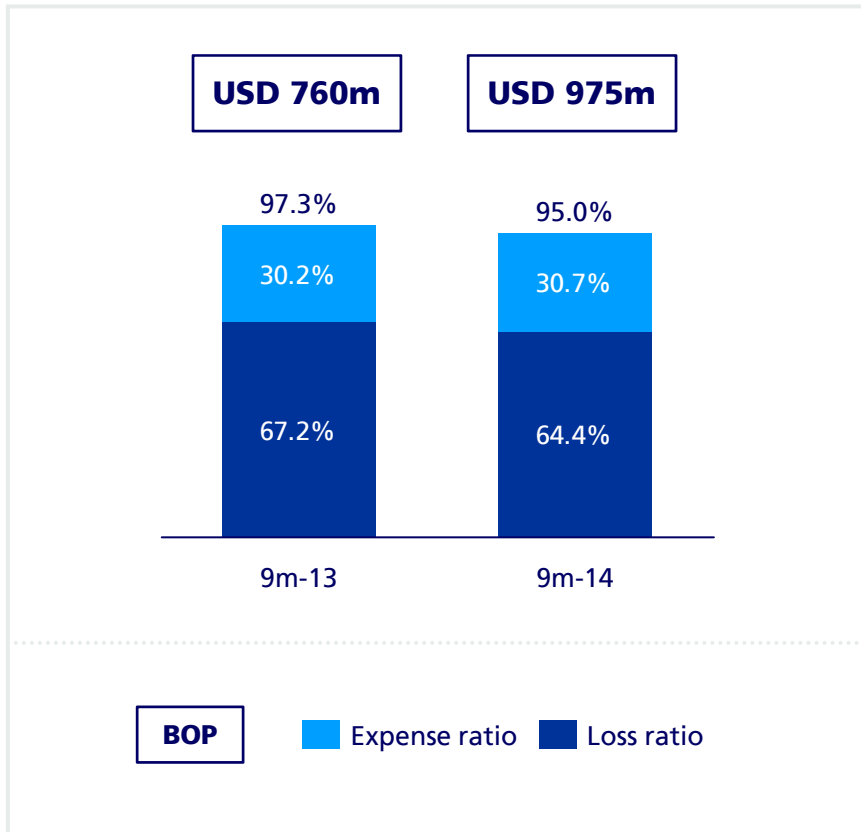
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI EMEA – KPIs



Brighter top-line outlook, good overall profitability

## 9m-14 KEY FINANCIALS



GWP Growth <sup>1</sup>
0%

Zurich rate change <sup>2</sup>
2%

Combined Ratio
95%

## KEY DRIVERS

- Growth in the UK and Germany, in Switzerland personal lines and Spain commercial lines, off-set by market revenue challenges in Italy and lower volumes in South Africa
- Continued low single digit rate increases in most of our markets
- Solid combined ratio benefitting from underlying improvement and benign weather

<sup>1</sup> In local currency.

<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI International Markets – KPIs



Reduced growth partly driven by focus on profitability

## 9m-14 KEY FINANCIALS



GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined Ratio
9%	5%	102%

## KEY DRIVERS

- Higher rate increases due to actions to improve profitability in LatAm, partly off-set by commercial rates softening in Australia
- Good profitability in APAC, if slightly below very high levels of 2013
- Slightly better performance in LatAm compared to prior year but further improvement still required

<sup>1</sup> In local currency, and adjusting for the carve out of certain Global Corporate business.

<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI – Rate change monitor

Overall fairly stable, but with some pockets of pricing pressure



## ZURICH RATE CHANGE ASSESSMENT

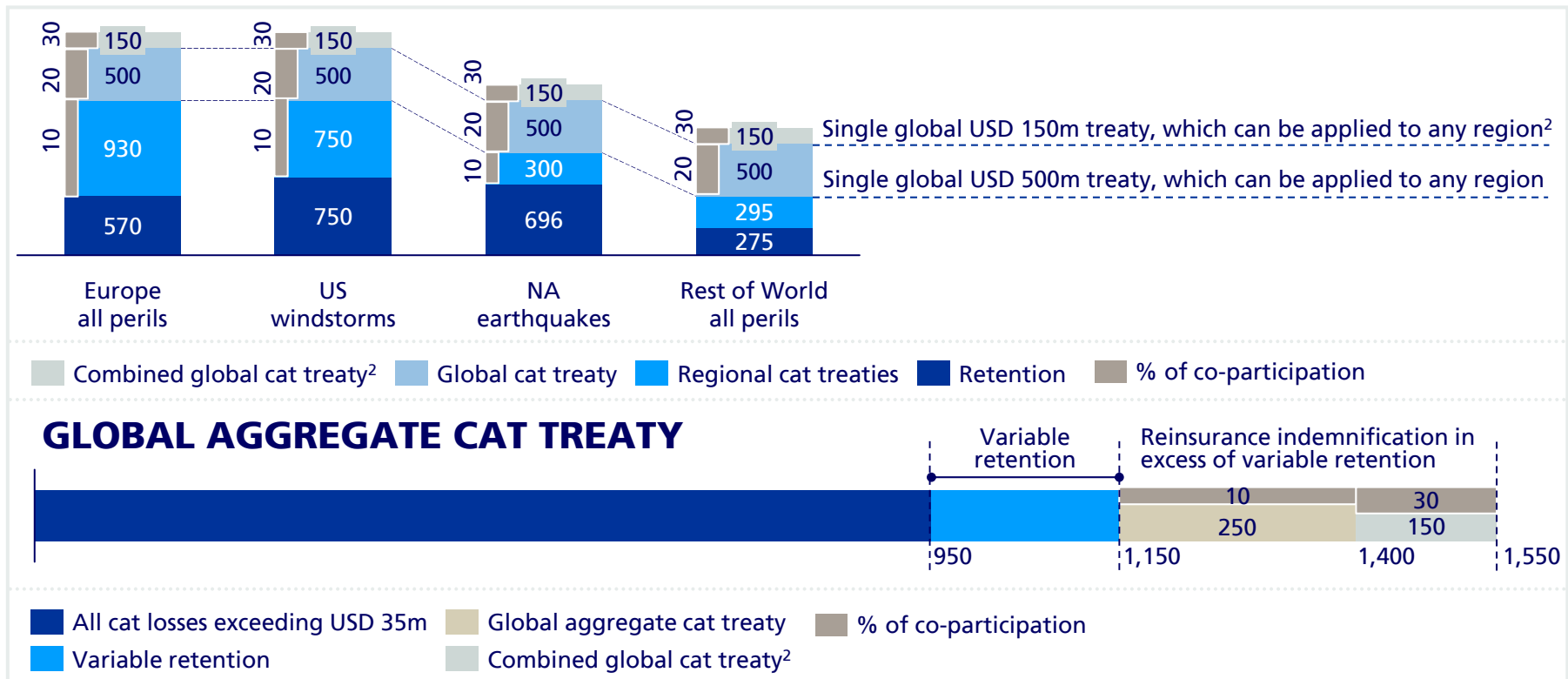
Business	Assessment
<b>Group</b>	Rate increases are generally at adequate levels but we see some market pressure, mainly in US property lines.
<b>Global Corporate</b>	Modest rate increases in all regions apart from Asia Pacific; casualty lines positive, flat overall renewal pricing on property lines due to market pressure in the US.
<b>North America Commercial</b>	Continued rate increases across all lines of business apart from property, which is flat, and workers compensation, which is down for the quarter. Property reflects market conditions, workers comp is due to one-off factors; positive rate increases in special lines and motor.
<b>EMEA</b>	Fairly stable rate increases, inline with our expectations, but with different local market dynamics.
UK	Rate increases in our main lines of business but lower than prior year due to tactical actions taken to retain profitable business.
Germany	Rate increases in all lines and overall broadly in line with expectations.
Switzerland	Renewal rates broadly flat, consistent with prior quarters.
Italy	Overall reductions, with pressure on motor rates due to high market profitability.
Spain	Increased rate increases, mainly in motor.
<b>International Markets</b>	Increases in APAC, overall ahead of prior year and in line with our expectations. Mid single digit increases in Latin America are consistent with prior quarter.

# GI – Natural catastrophe reinsurance



Program further benefitted from lower reinsurance prices

## NATURAL CATASTROPHE REINSURANCE TREATIES<sup>1</sup> (USDm)



<sup>1</sup> US Cat Treaty and Global Aggregate Cat Treaty renewed on January 1, 2014; Europe Cat Treaty and Global Cat Treaty renewed on April 1, 2014; and International Cat Treaty renewed on July 1, 2014.

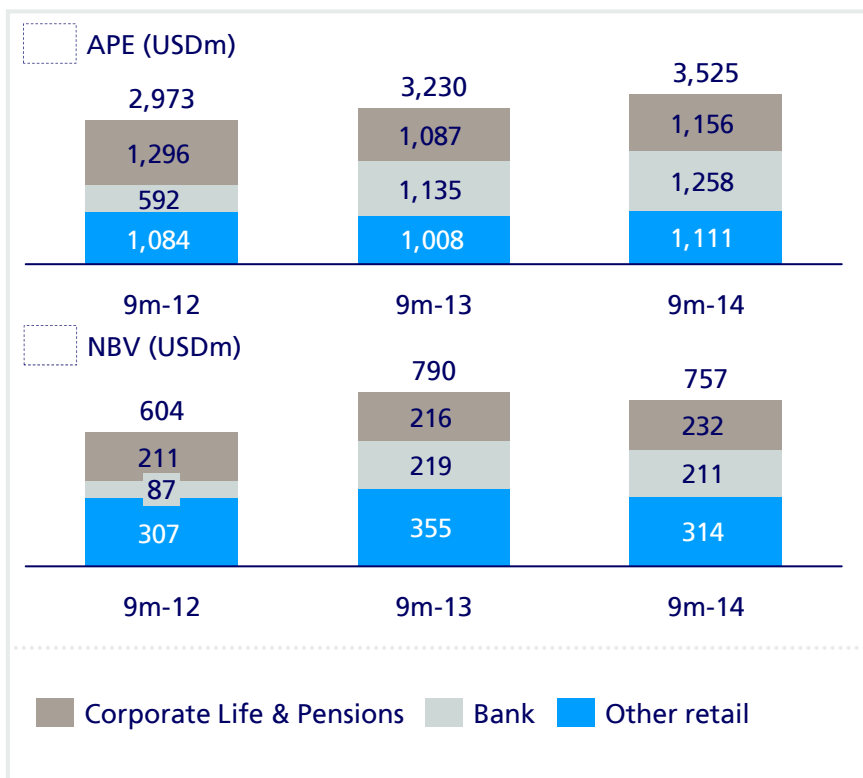
<sup>2</sup> This USD 150 million cover is the same combined global occurrence / aggregate treaty presiding over the global catastrophe treaty. This cover can be used only once, either for aggregated losses or for an individual event.

# GL – New business by pillar

Strong growth in all pillars, led by bank & retail



## 9m-14 KEY FINANCIALS



NBM	PVNB	CLP single premium
24.4%	USD 33.8bn	USD 3.5bn

## KEY DRIVERS

- Volatility in CLP APE driven by timing of large low margin Corporate Pension contracts
- Continued strong growth in Bank APE in Latin America and Spain
- NBV up ~5% on comparable basis with prior year

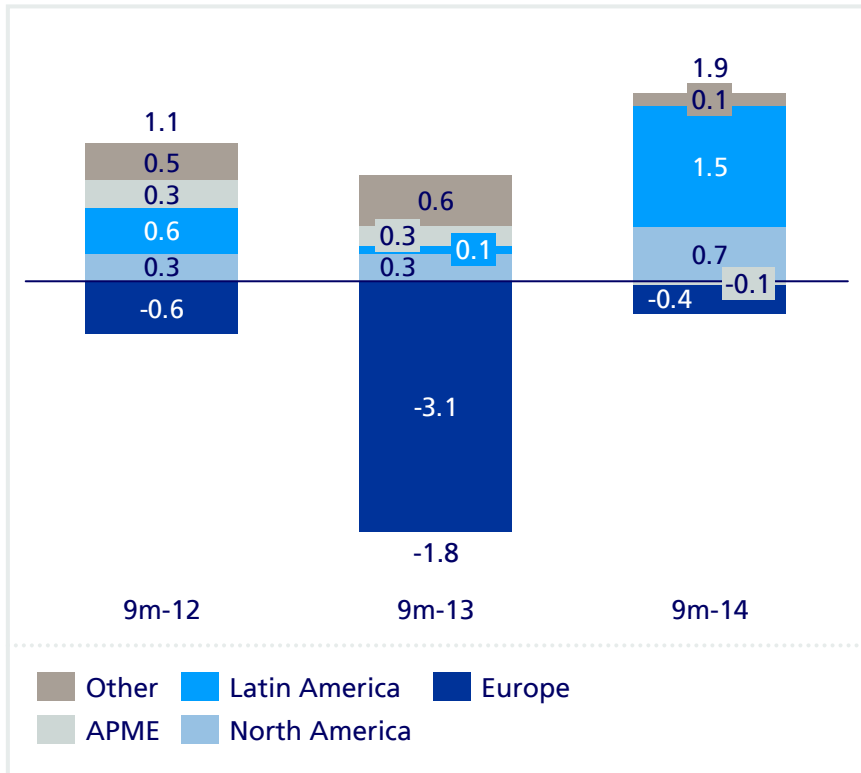
Note: 2012 figures do not include Zurich Santander. APE, PVNB and CLP SP are reported before minority interests. NBM and NBV are reported net of minority interests, with prior year figures restated accordingly.

# GL – Net inflows & Assets under management

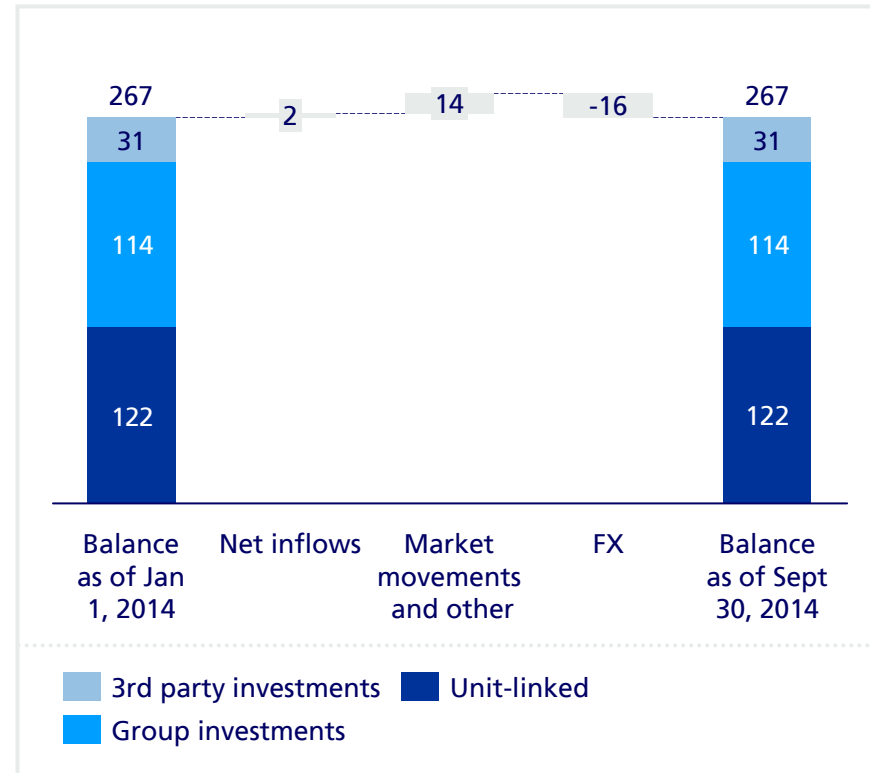


Overall positive net inflows

## NET INFLOWS BY REGION (USDbn)



## AUM DEVELOPMENT (USDbn)



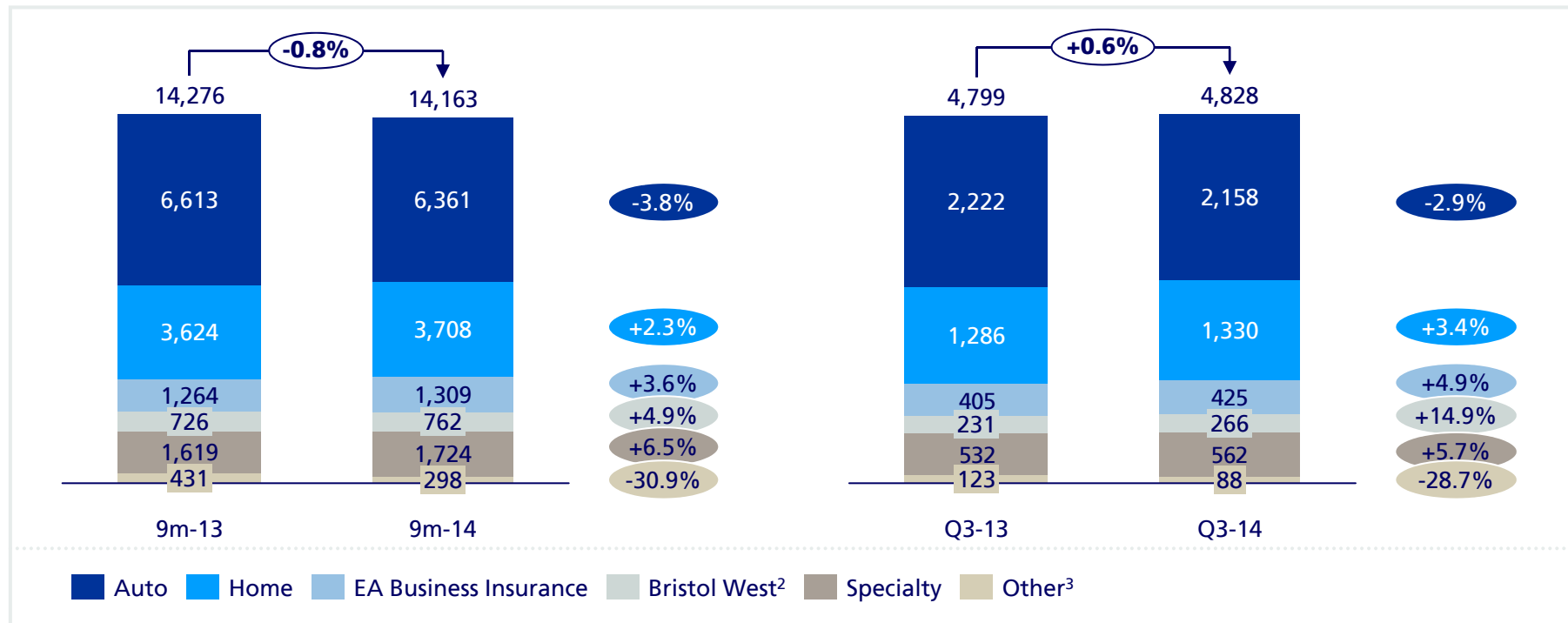


# Farmers Exchanges<sup>1</sup> – GWP

Return to top-line growth



## DEVELOPMENT OF GWP BY BUSINESS LINE (USDm)



<sup>1</sup> Provided for informational purposes only. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Bristol West writes non-standard Auto business.

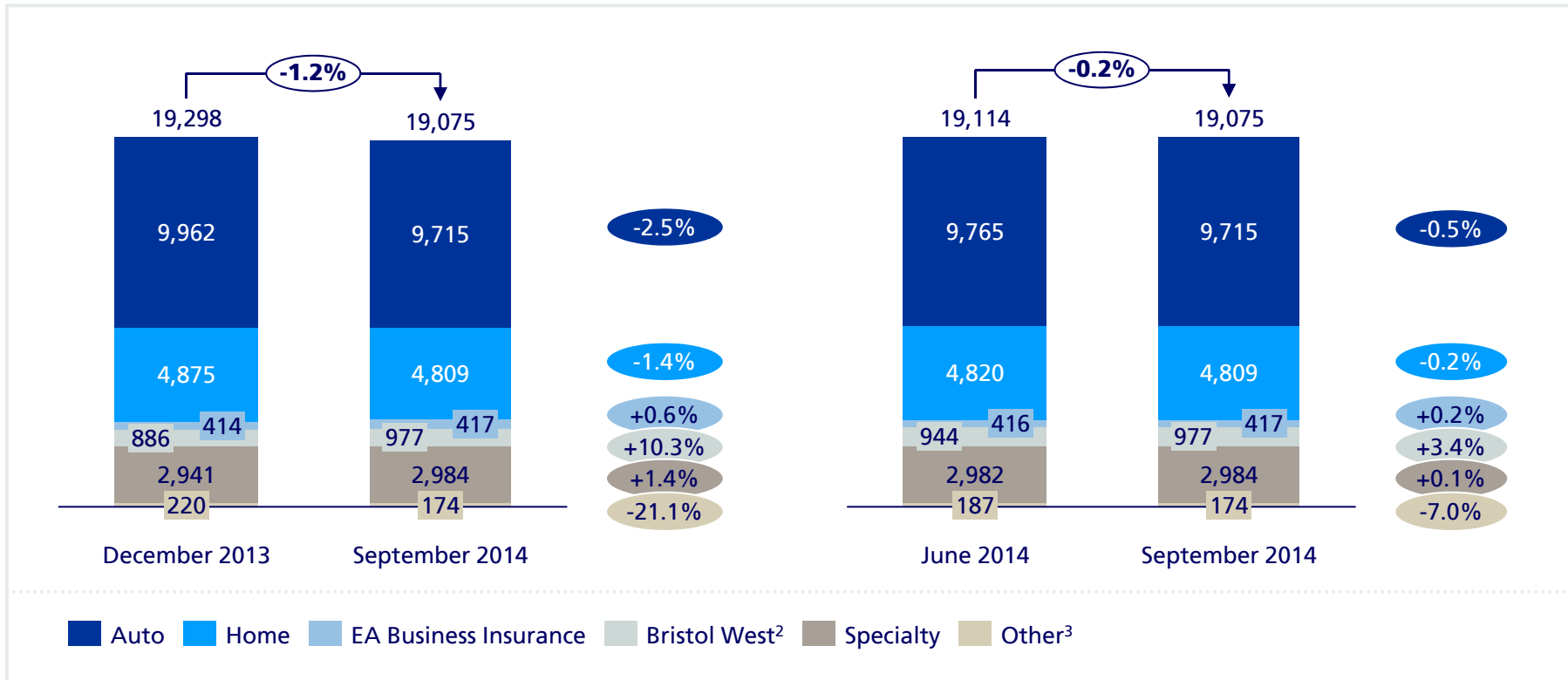
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations. Note that Personal Umbrella has been moved to Auto as per HY-14.

# Farmers Exchanges – PIF/VIF<sup>1</sup>

PIF trends also much more positive



## DEVELOPMENT OF PIF/VIF<sup>1</sup> BY BUSINESS LINE (THOUSANDS)



<sup>1</sup> Policies-in-force (PIF) or Vehicle-in-force (VIF) for Auto businesses.

<sup>2</sup> Bristol West writes non-standard Auto business.

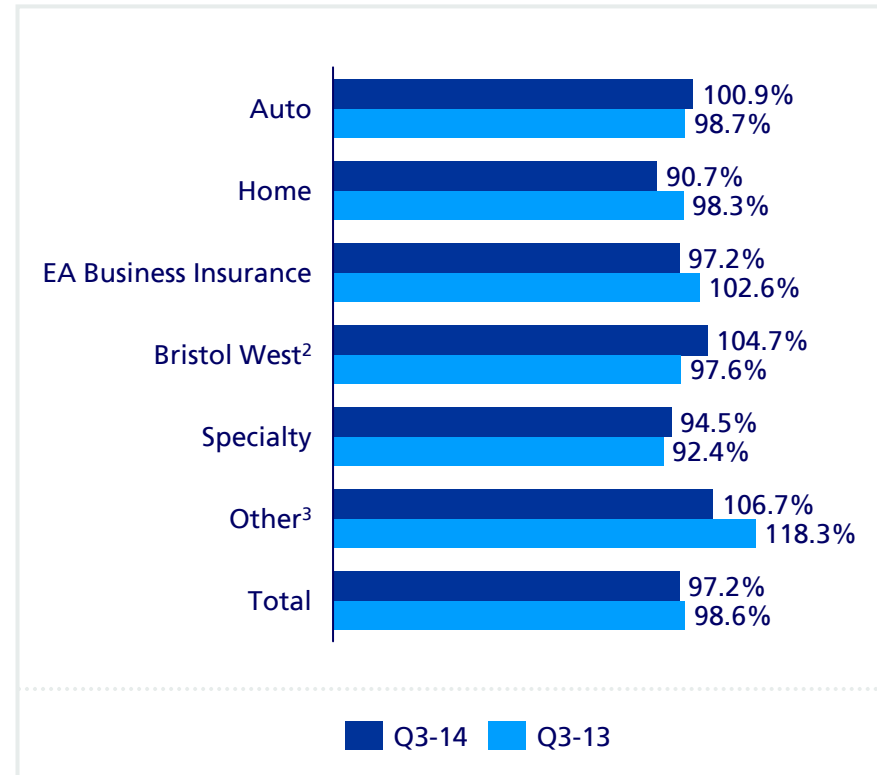
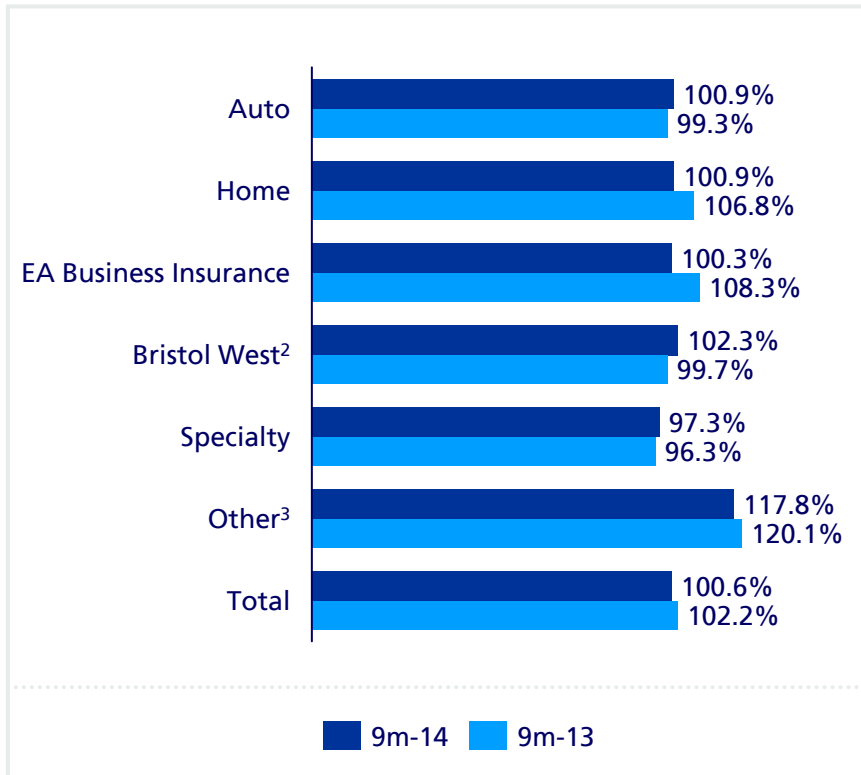
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations. Note that Personal Umbrella has been moved to Auto as per HY-14.

# Farmers Exchanges – Combined ratio

Continued improvement helped by lower catastrophe losses



## COMBINED RATIO BY BUSINESS LINE (%)<sup>1</sup>



<sup>1</sup> Combined ratio is before quota share treaties with Famers Reinsurance Company, Zurich Insurance Company Ltd and a third party reinsurer.

<sup>2</sup> Bristol West writes non-standard Auto business.

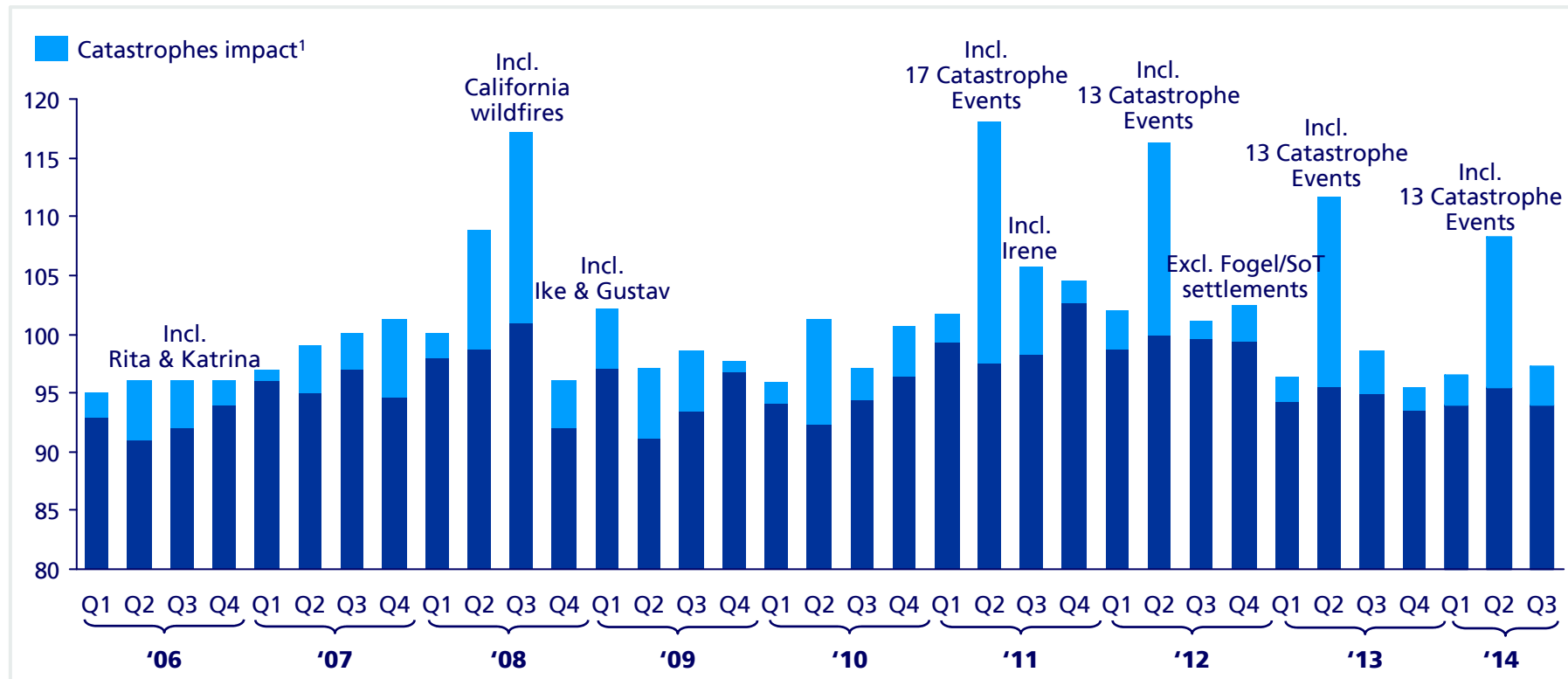
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations. Note that Personal Umbrella has been moved to Auto as per HY-14.

# Farmers Exchanges – Combined ratio history

Catastrophe losses drive volatility in quarterly combined ratio



## QUARTERLY COMBINED RATIO (%)



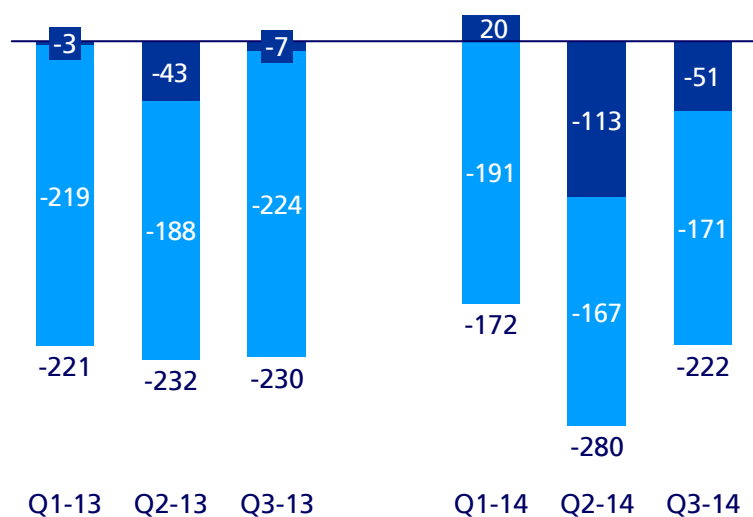
<sup>1</sup> Farmers Exchanges adopted industry standard ISO defined catastrophes as per July 2011.

# Other Operating Businesses



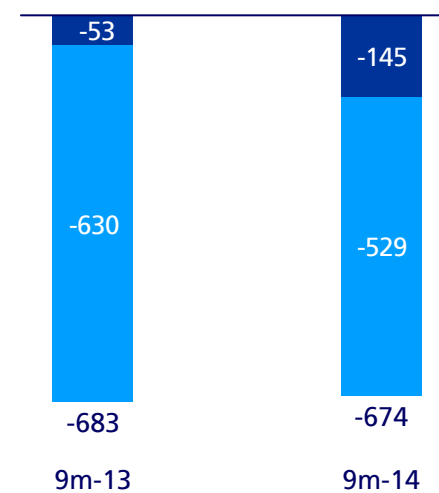
One-off items create quarter-to-quarter volatility in HQ BOP

## YTD BOP SPLIT (USDm)



■ Headquarters ■ Holding & Financing<sup>1</sup>

## QUARTERLY BOP SPLIT (USDm)



■ Headquarters ■ Holding & Financing<sup>1</sup>

<sup>1</sup> Includes Alternative Investments.

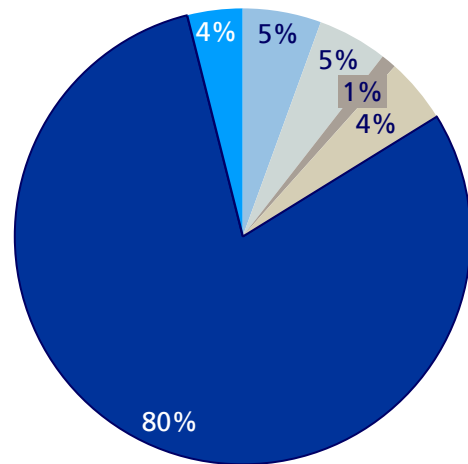
# Group Investments – Asset allocation



Zurich's sources of investment risk and return are balanced

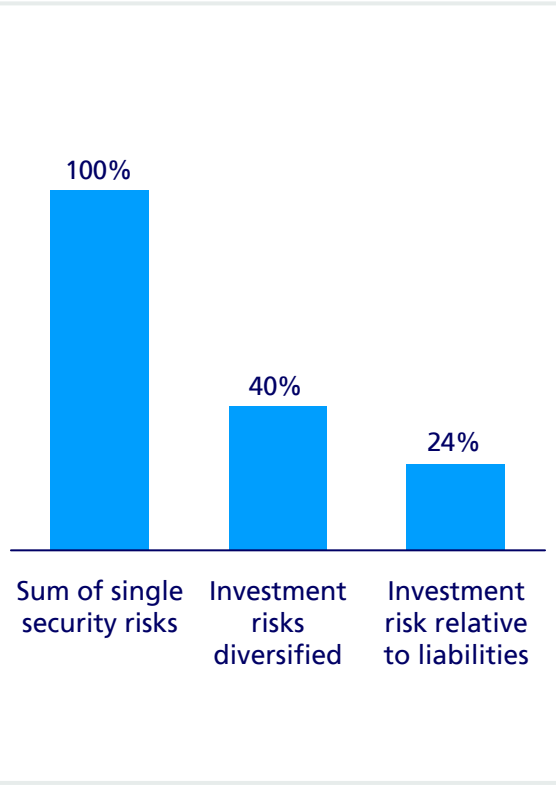
## ASSET ALLOCATION<sup>1</sup>

Total Group Investments: USD 207bn



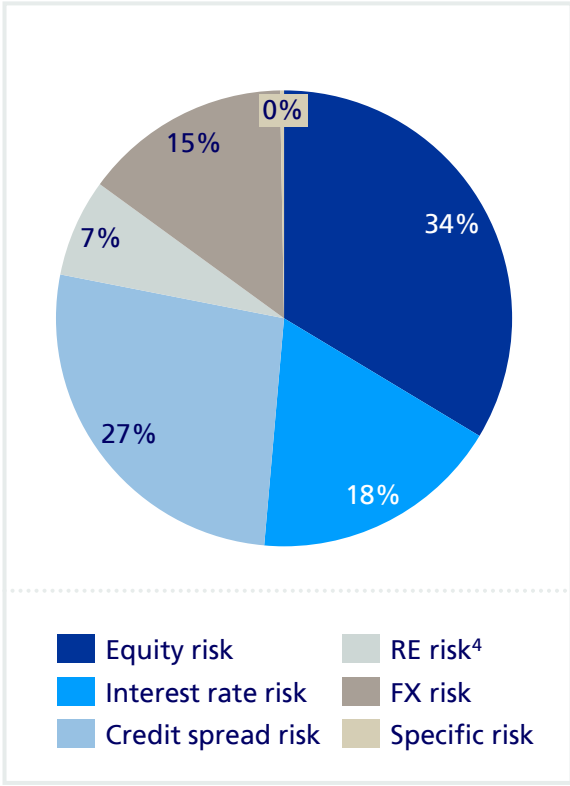
- Fixed income
- Mortgages
- Real estate
- Equities
- Hedge funds, PE<sup>4</sup>
- Cash

## RISK DIVERSIFICATION<sup>2</sup>



- Sum of single security risks
- Investment risks diversified
- Investment risk relative to liabilities

## RISK DRIVERS<sup>2,3</sup>



- Equity risk
- Interest rate risk
- Credit spread risk
- RE risk<sup>4</sup>
- FX risk
- Specific risk

<sup>1</sup> Economic view.

<sup>2</sup> Estimated.

<sup>3</sup> Risk drivers of ALM/Market risk (at Expected Shortfall 99% based on Monte Carlo simulation) show marginal contribution to the total ALM/Market risk.

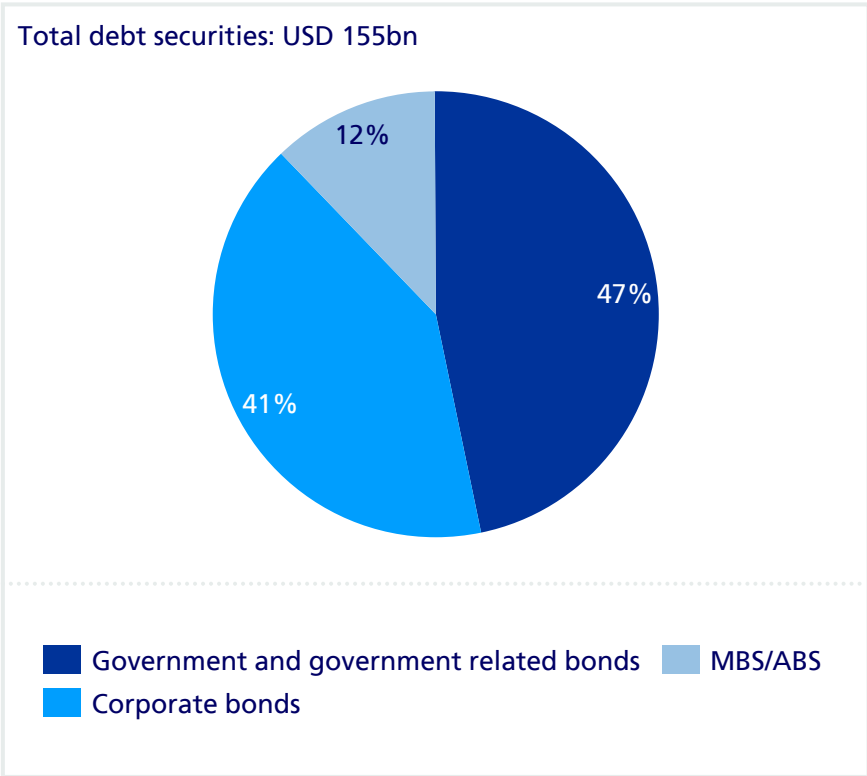
<sup>4</sup> PE = Private equity, RE = Real estate.

# Group Investments – Debt securities portfolio

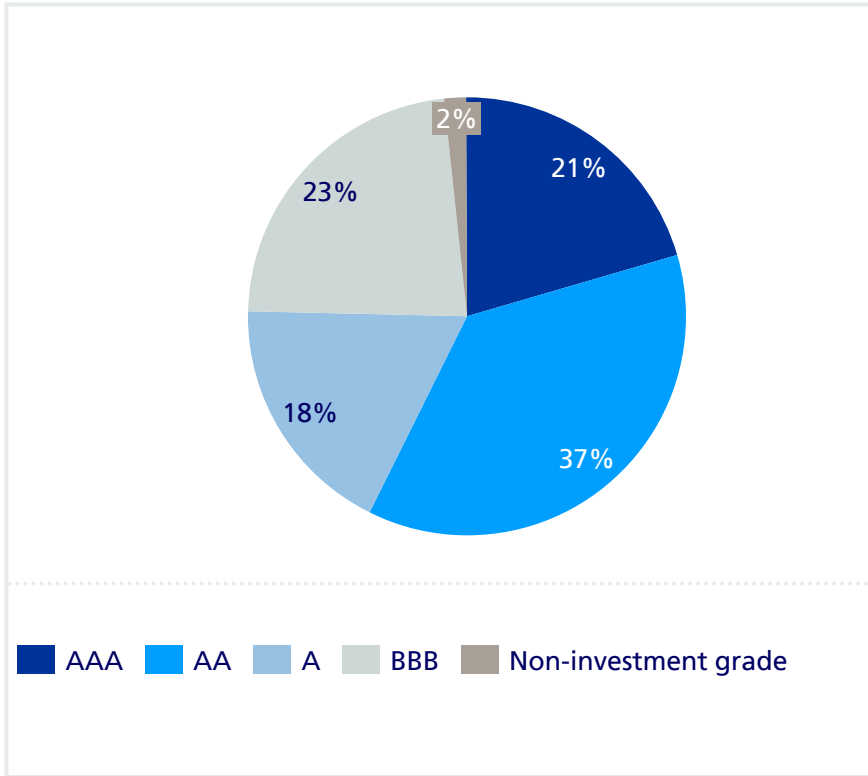


Debt securities portfolio is of a high quality

## BY CATEGORY (%)



## BY RATING (%)



# Investment income yield<sup>1</sup>

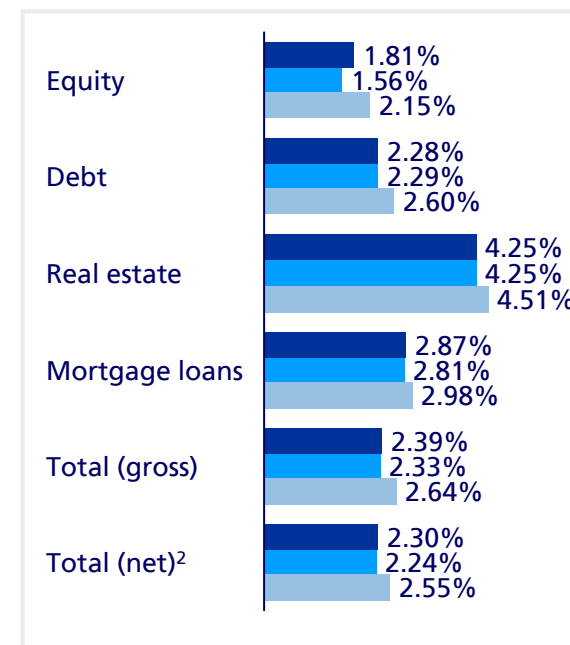
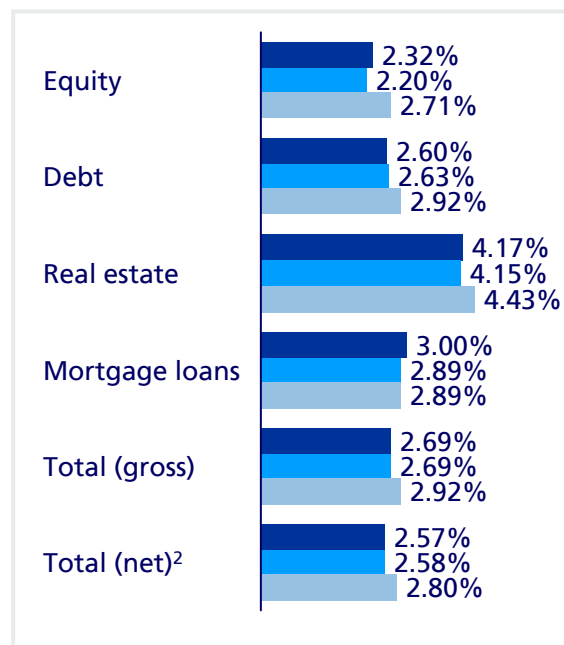
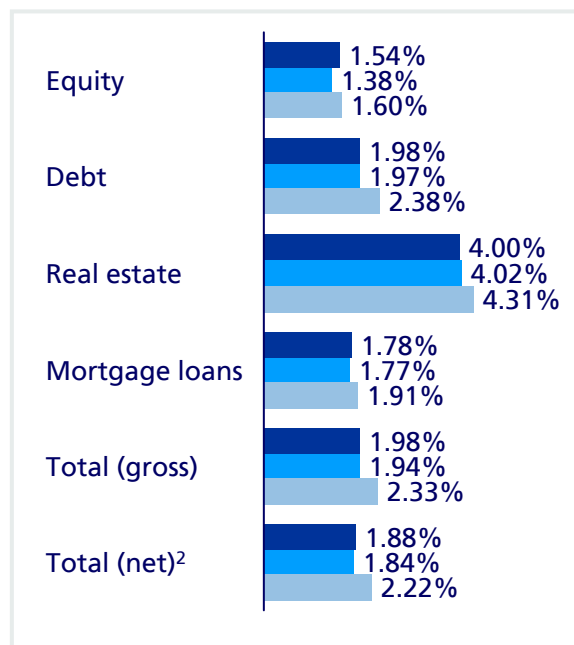
Portfolio yields are flattening out



## GENERAL INSURANCE

## GLOBAL LIFE

## GROUP



■ 9m-14   
 ■ 9m-13   
 ■ 9m-12

<sup>1</sup> Calculated based on the asset class average assets, not annualized, accounting view before eliminations.

<sup>2</sup> Net of investment expenses.

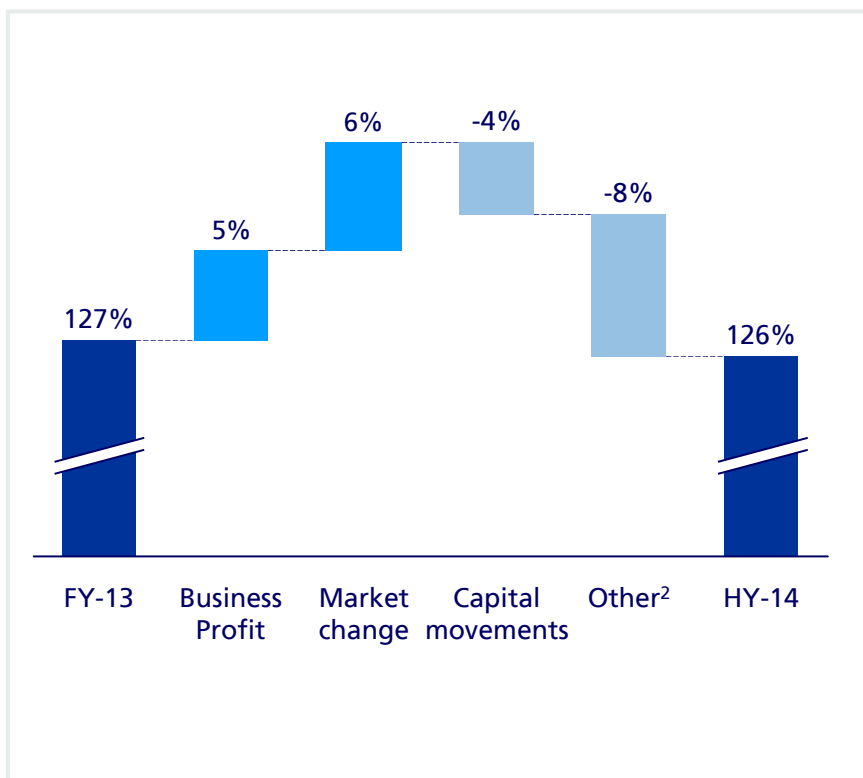


# Group – Economic capital models

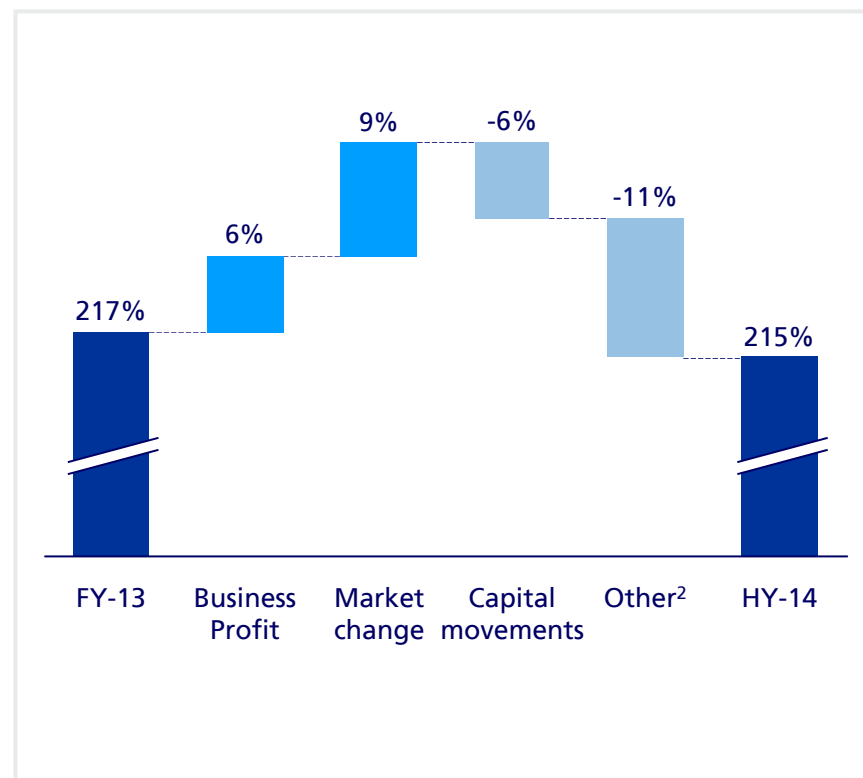


Very strong capital position

## Z-ECM RATIO DEVELOPMENT (%)



## SST<sup>1</sup> RATIO DEVELOPMENT (%)



<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

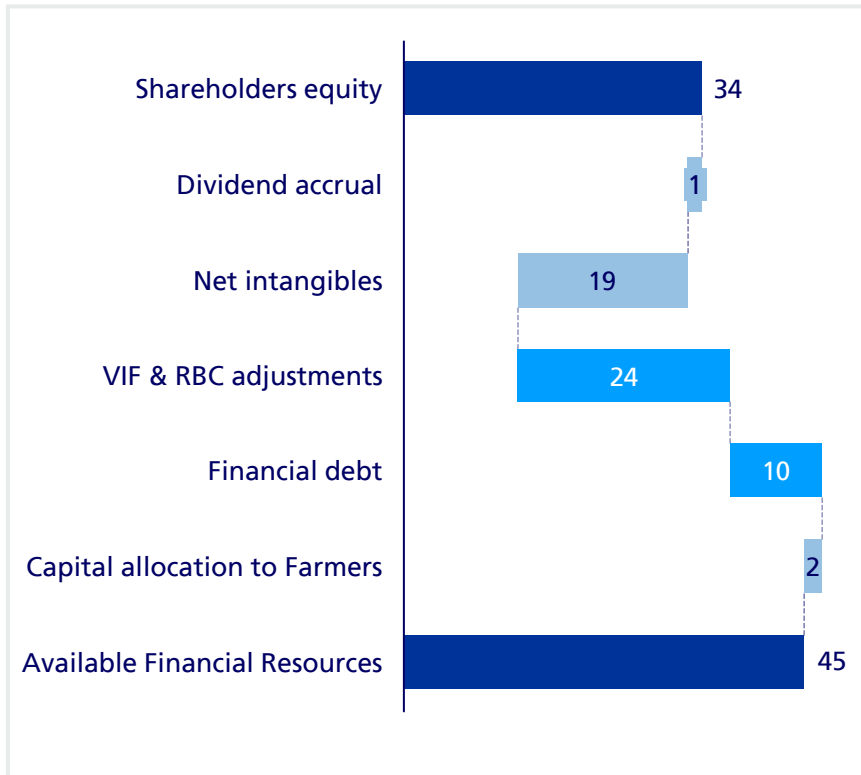
<sup>2</sup> "Other" includes risk taking and model changes, and change in H1-14 is mainly due to incremental investment risk taking.

# Group – Z-ECM components

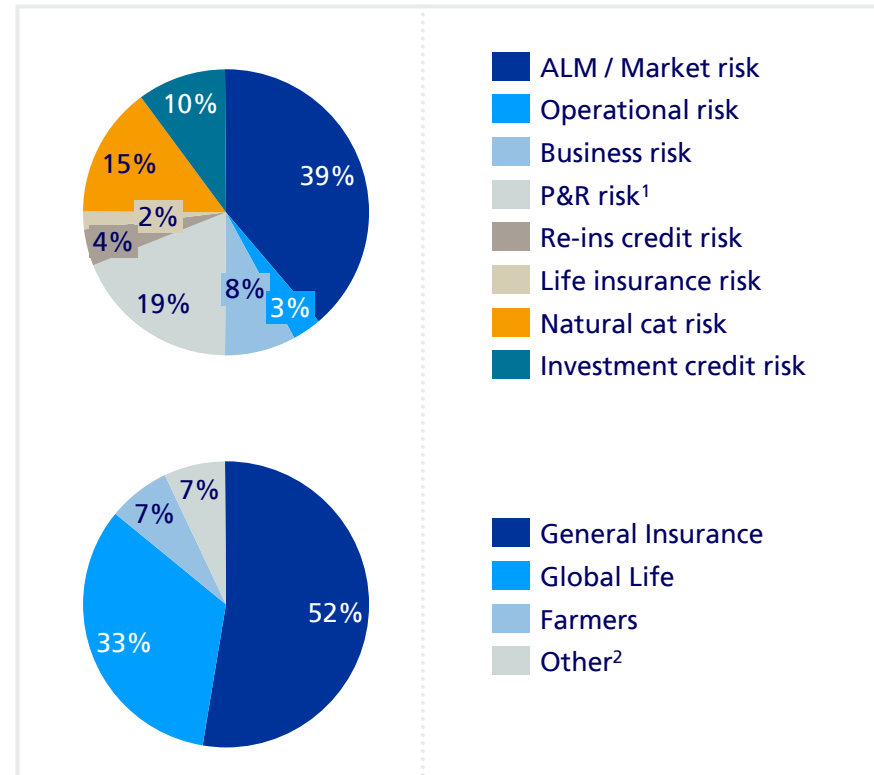
Well diversified capital base by risk type



## HY-14 AFR COMPOSITION (USDbn)



## RBC BY RISK TYPE AND BUSINESS



<sup>1</sup> Premium & reserving risk.

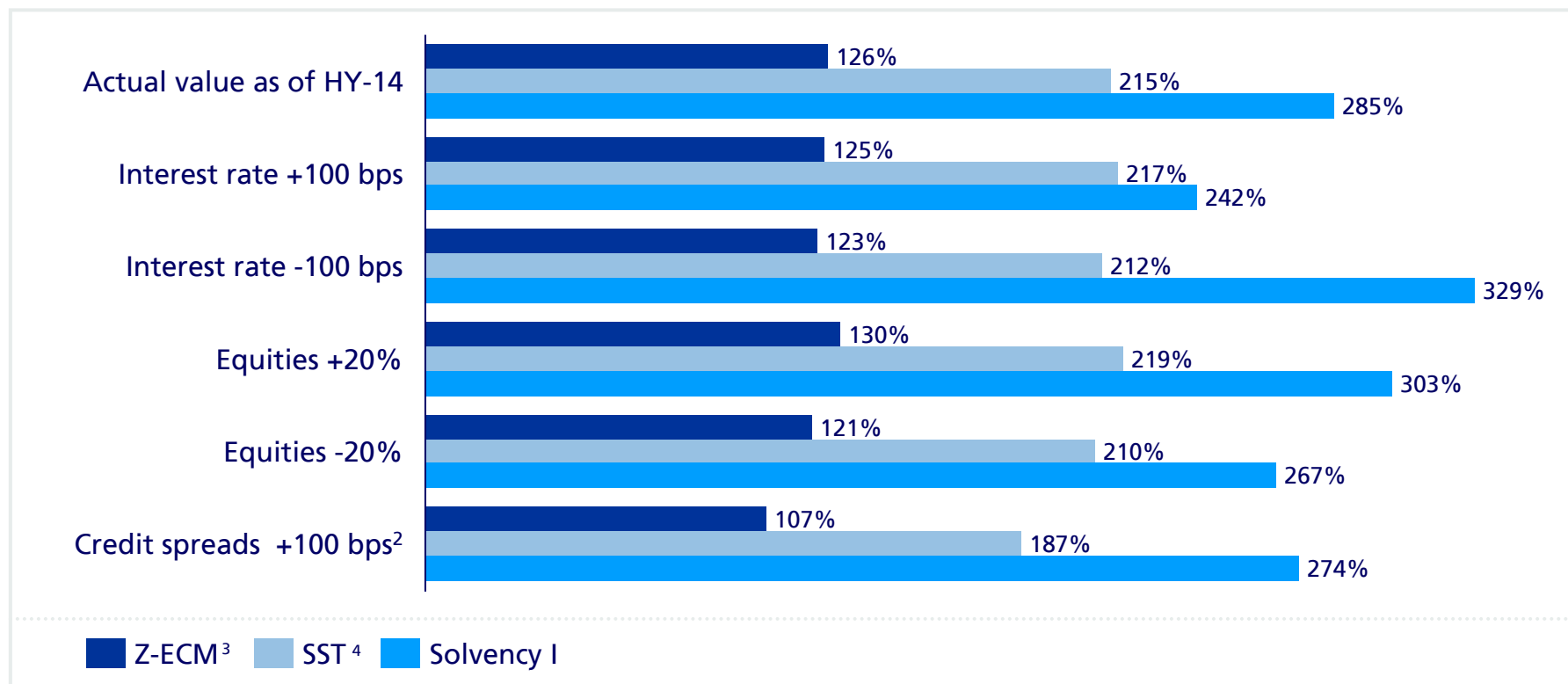
<sup>2</sup> Includes Other Operating Businesses and Non-Core Businesses.

# Group – Solvency ratio sensitivities

Solvency ratios resilient to market movements



## SOLVENCY RATIO IMPACT<sup>1</sup>



Note: Sensitivities are best estimate and non-linear, i.e. will vary depending on prevailing market conditions at the time.

<sup>1</sup> The impact of the changes to the required capital is only approximated and only taken into account on Market ALM risk.

<sup>2</sup> Includes Euro sovereign spreads and mortgages, does not take into account the buffering effect of policyholder participation.

<sup>3</sup> 99.95% Value at Risk.

<sup>4</sup> 99.00% Expected Shortfall.

# For further information



## CALL US

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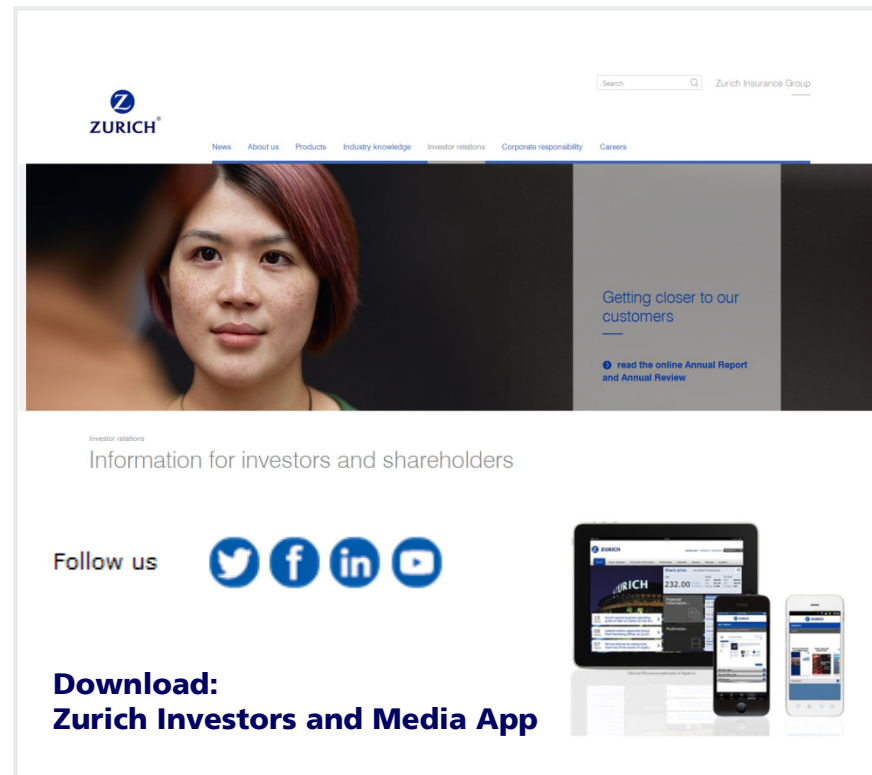
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## VISIT OR FOLLOW US



**Calendar:**

- December 5, Investor update, London
- February 12, 2015, Annual results 2014
- April 1, 2015, Annual General Meeting 2015, Zurich
- May 7, 2015, Results for three months to March 31, 2015
- May 21, 2015, Investor Day, Zurich

