

# Half year results 2015

Investor & Media presentation  
August 6, 2015

Zurich Insurance Group



# Results overview

Martin Senn, Chief Executive Officer



# Key financials

ROE below target, strong Z-ECM and cash remittances



## HY-15 KEY RESULTS

**BOP**

USD 2.2bn (-15%)

**NIAS**

USD 2.1bn (-3%)

## TARGET METRICS OVER STRATEGIC PERIOD

<b>BOPAT ROE<sup>1</sup></b>	<b>HY-15</b>	<b>Target</b>
	11.6%	12 - 14%
<b>Z-ECM<sup>2</sup></b>	<b>Q1-15</b>	<b>Target</b>
	120%	100 - 120%
<b>Net cash remittances</b>	<b>FC FY-15</b>	<b>Cumulative 3-year target</b>
	> USD 3.5bn	> USD 9bn

<sup>1</sup> Business operating profit after tax return on equity (annualized), excluding unrealized gains and losses.

<sup>2</sup> Zurich Economic Capital Model (Z-ECM).

# Report card – Group

Clear priorities for next 18 months

## GROUP STRATEGY

1

**Prioritizing investment in distinctive positions**

## HY-15 KEY ACTIONS

- Investments in corporate, commercial and select retail markets

## 2015-2016 PRIORITIES

- Continue investments in NAC and Global Corporate / CLP
- Targeted investments in select retail markets

2

**Managing other businesses for value**

- GI “turnarounds” progressing
- In-force initiatives in “maximize value” life markets gaining traction
- Exit from UK annuity book

- Complete the work on GI turnarounds
- Next phase of in-force initiatives in manage for value life markets
- Extract capital from some blocks of business

3

**Growing our operating earnings**

- Efficiency initiatives launched, with aim of reducing costs by at least USD 1bn by end of 2018

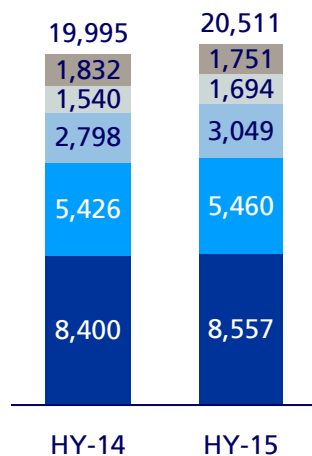
- Deliver on USD 300m cost saving target by end of 2016
- Address underperforming GI portfolios

# Report card – General Insurance

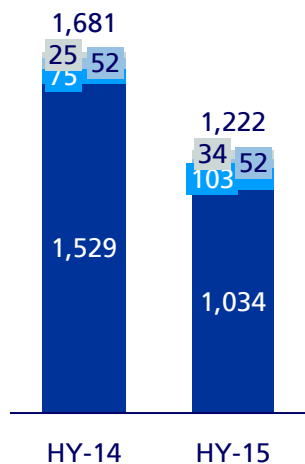
Further actions required on underperforming portfolios

## PRIORITY MARKETS<sup>1</sup>

GWP (USDm)



BOP (USDm)



Other  
Continue as is  
Retail  
Corporate  
Commercial

Other  
Turnaround / Exit  
Continue as is  
Priority

## MANAGE FOR VALUE

- Actions in South Africa starting to show progress, with a 9ppt improvement in underlying LR in H1
- Numerous actions underway in Brazil, new CEO for Latin America region appointed

## NEXT STEPS

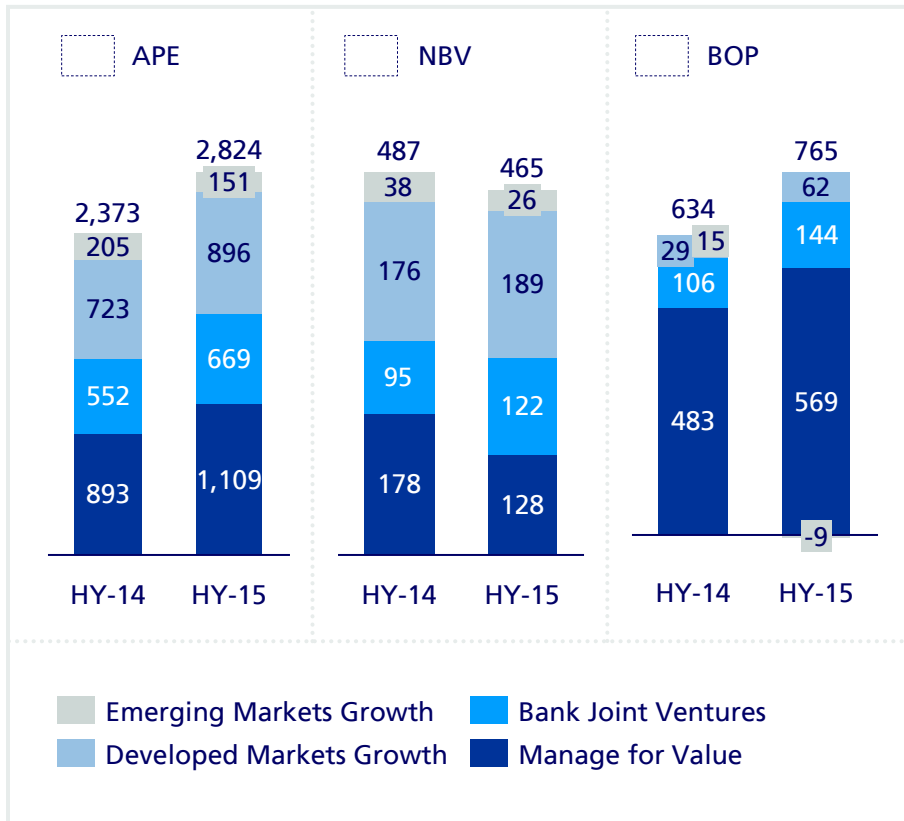
- Continue investments in NAC, Global Corporate and select retail markets
- Complete the work on GI “turnarounds”
- Address underperforming property portfolios and further actions to reduce expense base

<sup>1</sup> All figures calculated at constant HY-14 exchange rates.

# Report card – Global Life

On track to deliver BOP improvement

## PRIORITY MARKETS (USDm)<sup>1</sup>



## MANAGE FOR VALUE

- Exit of annuity book in UK
- Starting to see BOP uplift from in-force management actions

## NEXT STEPS

- Expand in-force management initiatives to include Ireland and Isle of Man
- Implement efficiency improvements
- Address emerging markets profitability

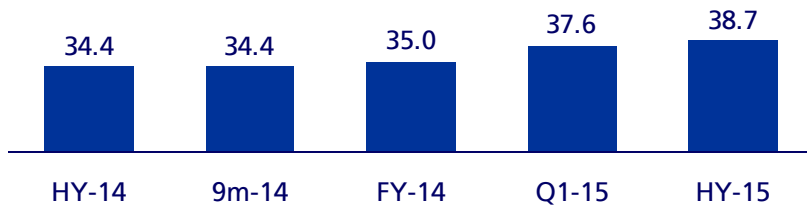
<sup>1</sup> All figures calculated at constant HY-14 exchange rates.

# Report card – Farmers Exchanges<sup>1</sup>

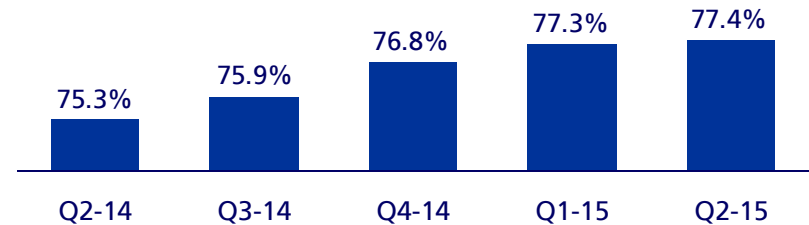
Continued progress in strategic execution



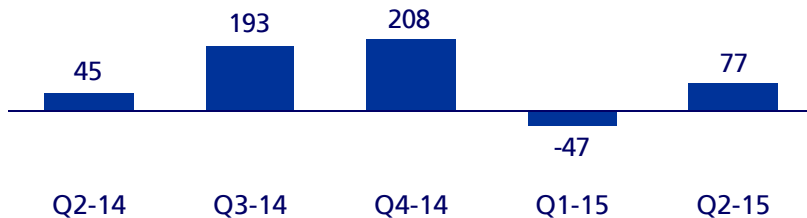
## NET PROMOTER SCORE<sup>2</sup>



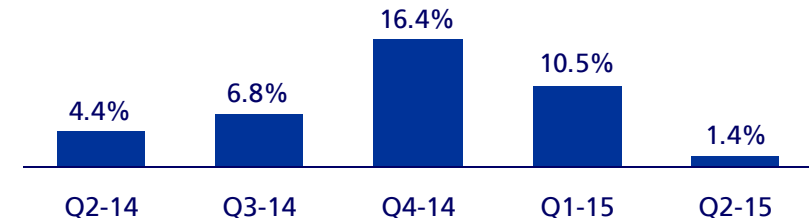
## RETENTION<sup>3</sup>



## NET GAIN / LOSS OF AGENTS<sup>4</sup>



## NEW BUSINESS COUNT GROWTH<sup>5</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> Survey based measure of customer loyalty (for Farmers Auto and Farmers Home only). Figures are reported on a YTD basis.

<sup>3</sup> Reflects rolling 3-month 13/1 survival rate for Farmers Exchanges, based on trailing 12-month weighted average GWP.

<sup>4</sup> Change in total number of exclusive Farmers agents including full time and career agents.

<sup>5</sup> Quarterly YoY change in new business counts for all books of business. Farmers and Bristol West Auto reflects New Business/New Household.

# Key messages

## General Insurance

Combined ratio of 100% for Q2 and 98.3% for H1; actions under way to deliver on 2016 targets

## Global Life

Good growth in APE and BOP, at constant currency

## Farmers

Continued progress in strategic execution

## Cash remittance

Cash remittance expected for full year >USD 3.5bn, and >USD 10bn in 2014-2016



# Financial highlights

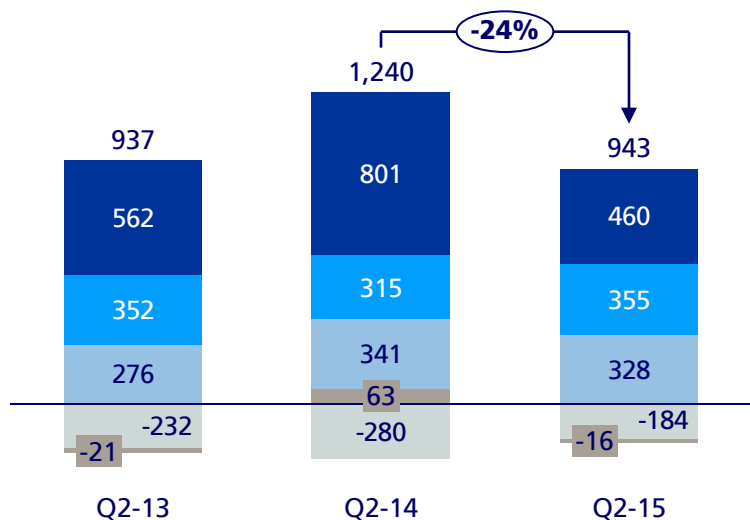
George Quinn, Chief Financial Officer



# Group – Business operating profit

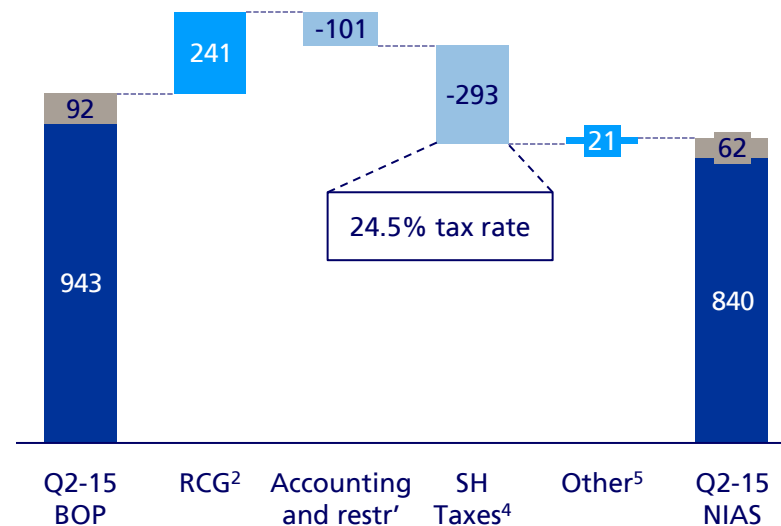
Lower operating result due to higher GI combined ratio

## BOP BY SEGMENT (USDm)<sup>1</sup>



■ General Insurance    ■ Farmers    ■ NCB  
■ Global Life    ■ OOB

## BOP/NIAS RECONCILIATION (USDm)



■ Non-controlling interests

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

<sup>2</sup> Realized capital gains/losses.

<sup>3</sup> Includes impairments of goodwill, restructuring provisions and other restructuring charges.

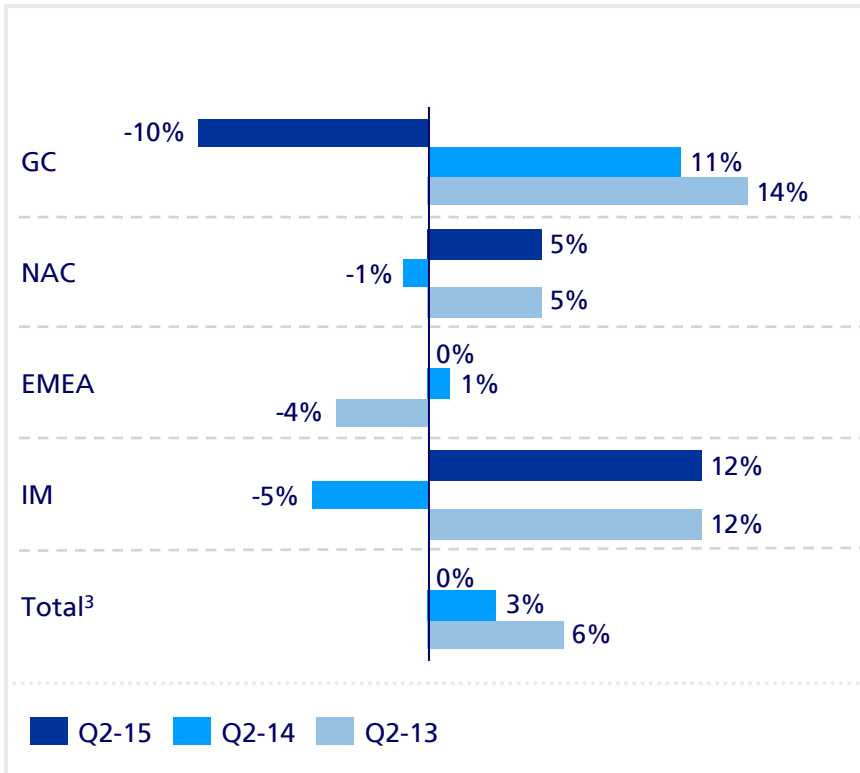
<sup>4</sup> Shareholder taxes (income tax expense attributable to shareholders).

<sup>5</sup> Includes change in estimate of earn-out liabilities.

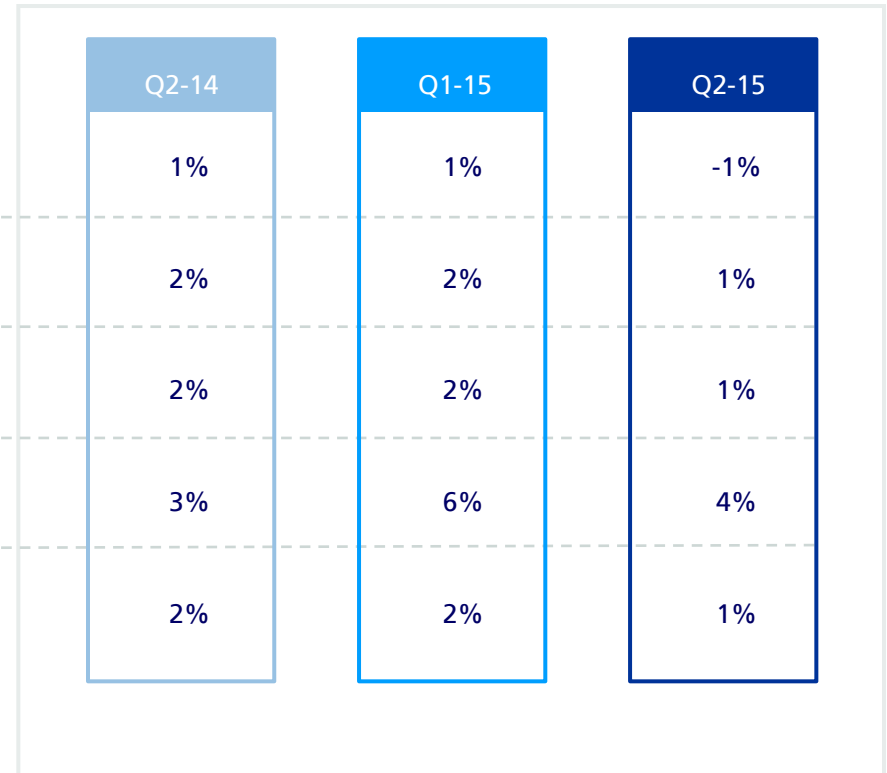
# General Insurance – Topline

Growth impacted by timing and market pressure

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



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



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

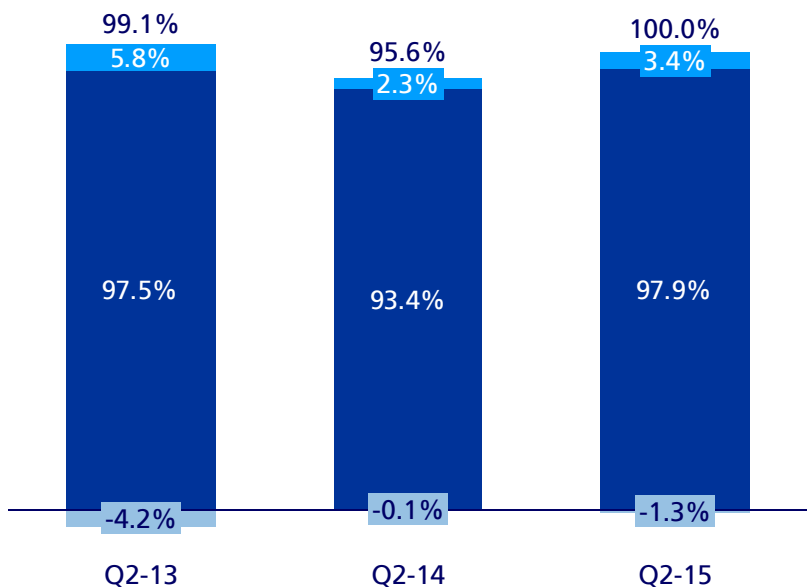
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

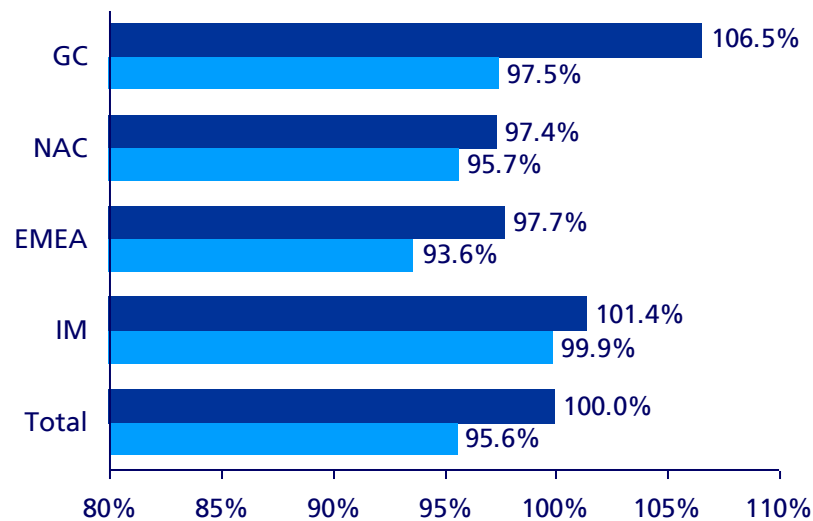
# General Insurance – Combined ratio

AY CR impacted by large losses and higher expenses

## COMBINED RATIO SPLIT (%)<sup>1</sup>



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



■ Catastrophes<sup>2</sup> ■ AY CR (excl. catastrophes)<sup>3</sup> ■ PYD

■ Q2-15 ■ Q2-14

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

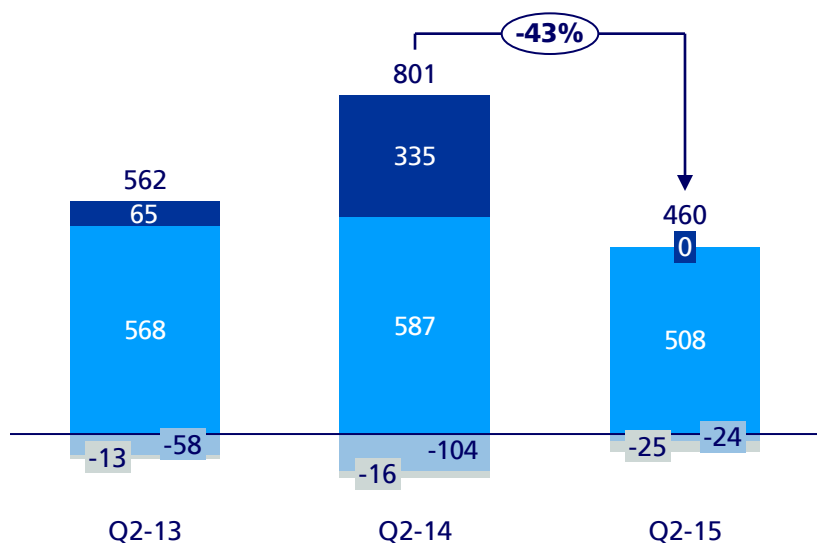
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes, including significant weather related events.

<sup>3</sup> Accident year combined ratio (AY CR) excludes prior year reserve development (PYD).

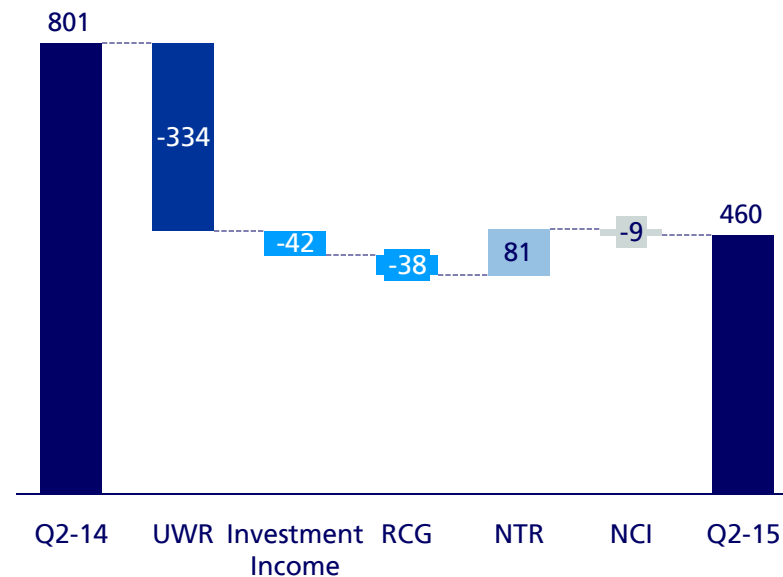
# General Insurance – BOP components

Decline in BOP due to lower underwriting result

## BOP BREAK DOWN (USDm)<sup>1</sup>



## KEY DRIVERS (USDm)<sup>1</sup>



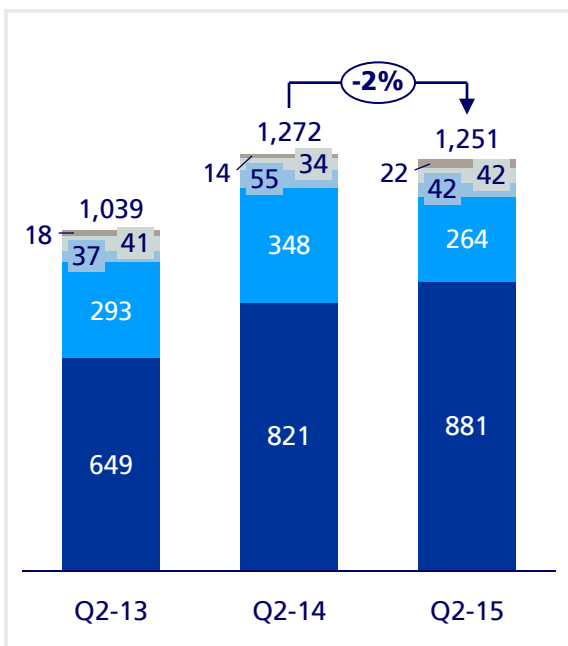
■ Underwriting result 
 ■ Investment inc. / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

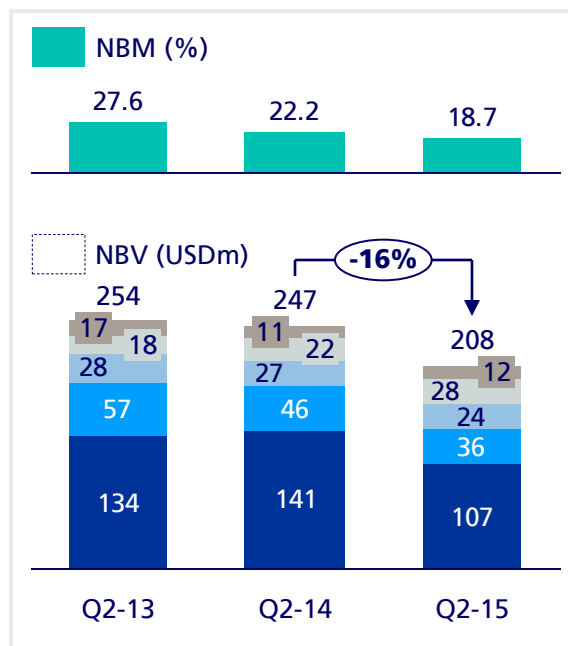
# Global Life – New business

Strong APE growth in Europe, NBV impacted by low yields

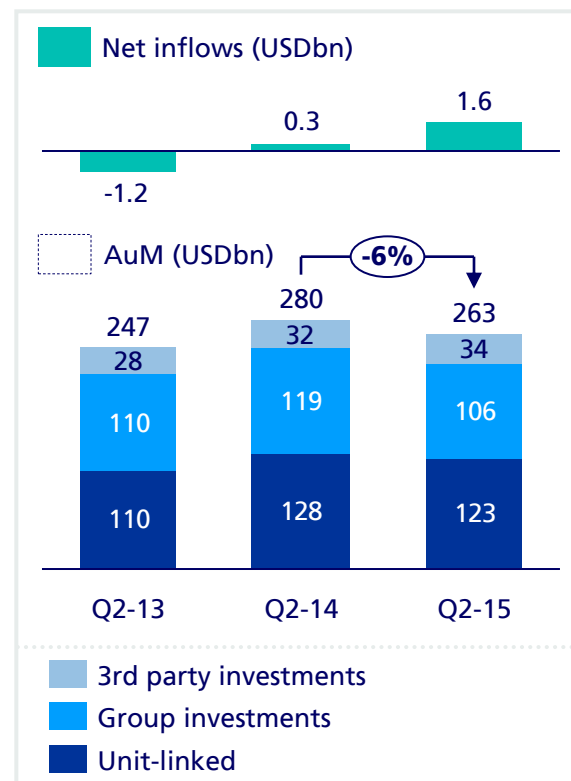
## APE (USDm)<sup>1,4</sup>



## NBM & NBV<sup>1,2,4</sup>



## NET INFLOWS<sup>3</sup> & AUM



Other APAC North America Latin America EMEA

<sup>1</sup> APE is reported before non-controlling interests. NBM and NBV are reported net of non-controlling interests.

<sup>2</sup> 2013 and 2014 figures have been restated to reflect a change in the MCEV CRNHR methodology.

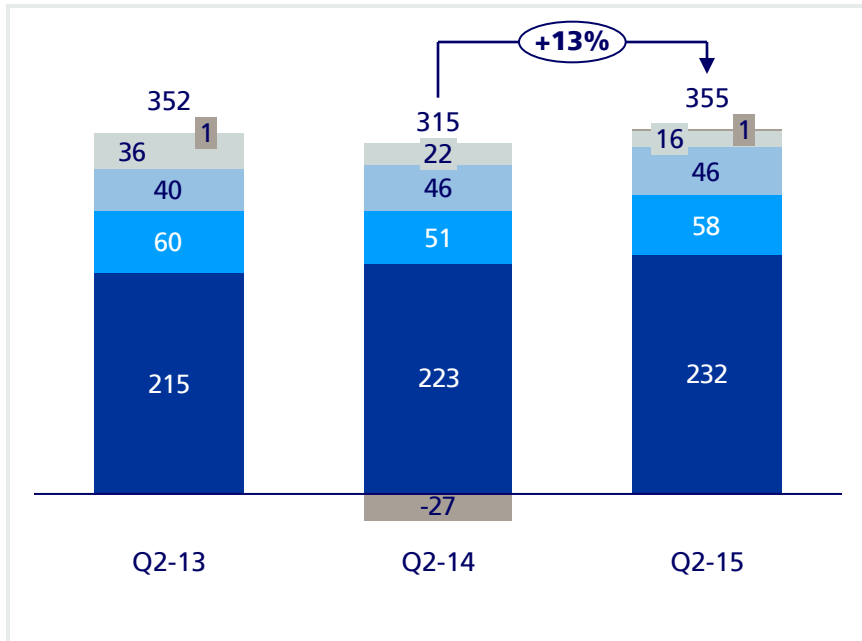
<sup>3</sup> 2013 net policyholders flows did not include inflows for certain short-duration contracts.

<sup>4</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

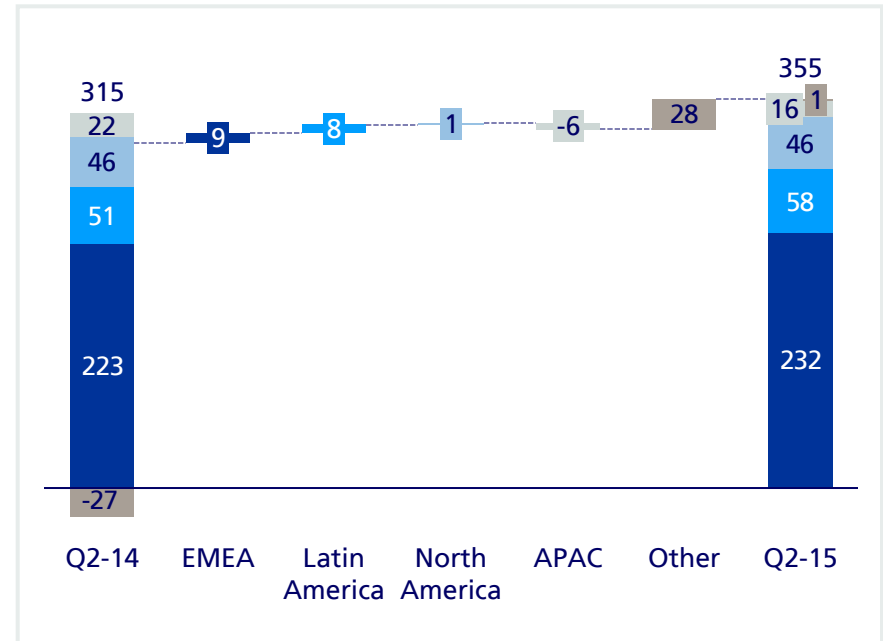
# Global Life – BOP by region

Discrete quarter BOP increased 29% at constant currency

## BOP BY REGION (USDm)<sup>1</sup>



## KEY DRIVERS (USDm)<sup>1</sup>



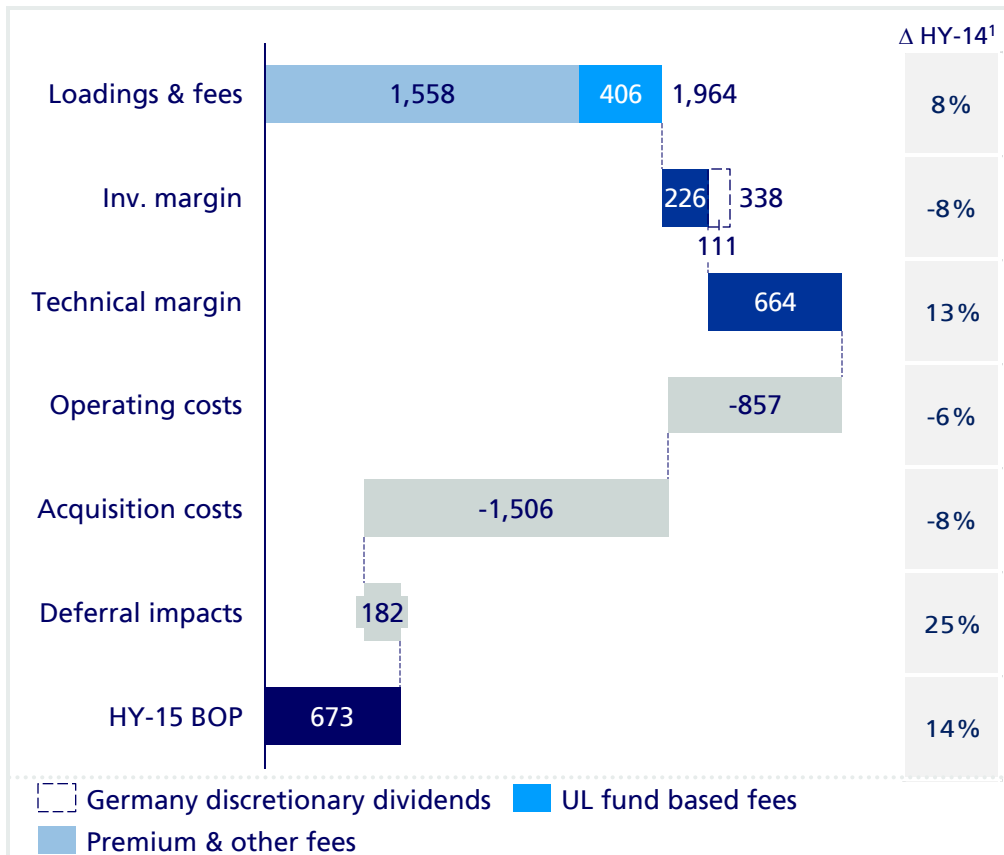
Other APAC North America Latin America EMEA

<sup>1</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

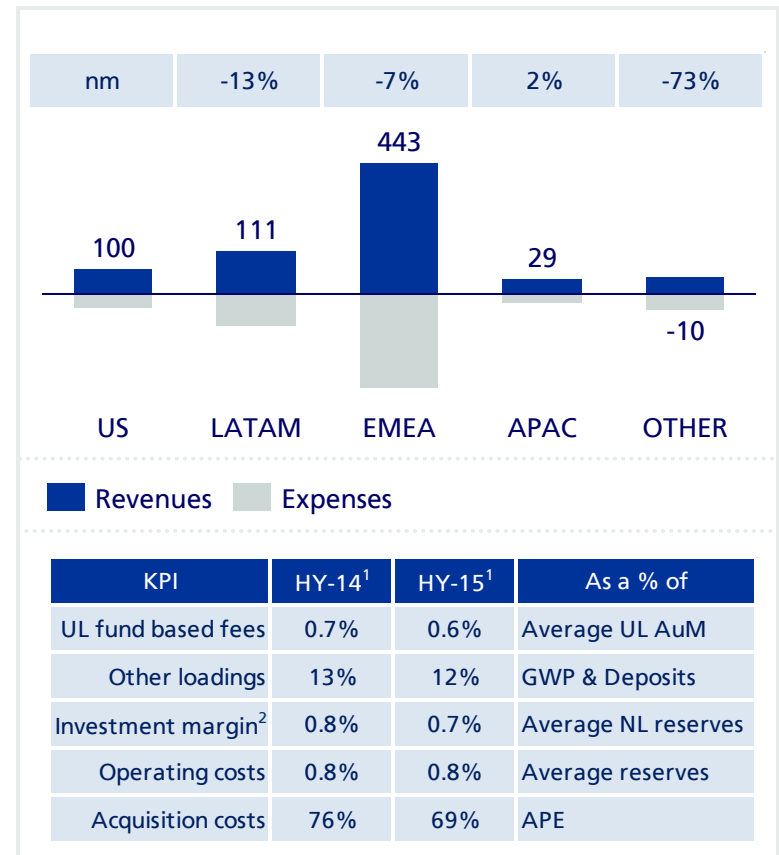
# Global Life – BOP

Growth in local currency revenues and new business investment

## BOP BY SOURCE OF EARNINGS (USDm)



## REGIONAL BOP & KPI (USDm)



<sup>1</sup> Adjusted for distorting impacts – Refer to Global Life Source of earnings briefing document for details; HY-14 deltas at constant FX.

<sup>2</sup> Excluding German discretionary dividends.

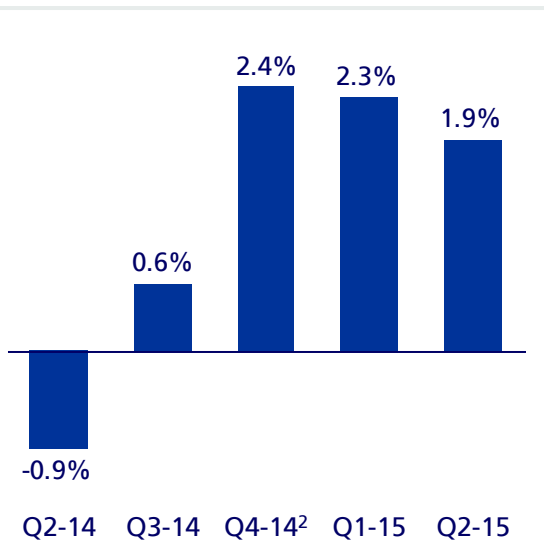


# Farmers Exchanges<sup>1</sup> – KPIs

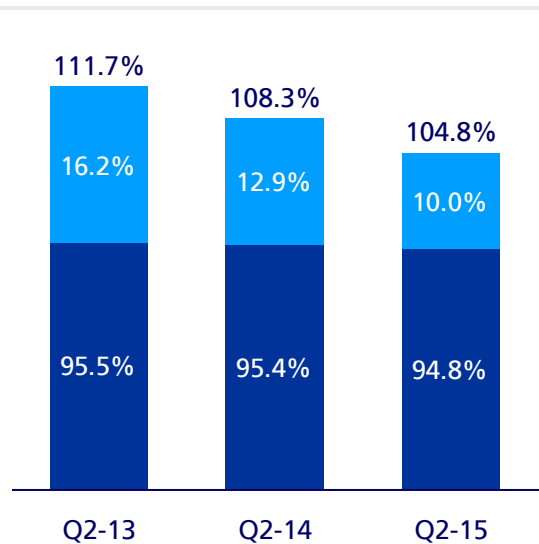
Top-line recovery continues, lower cat losses vs prior years



## GWP GROWTH (%)

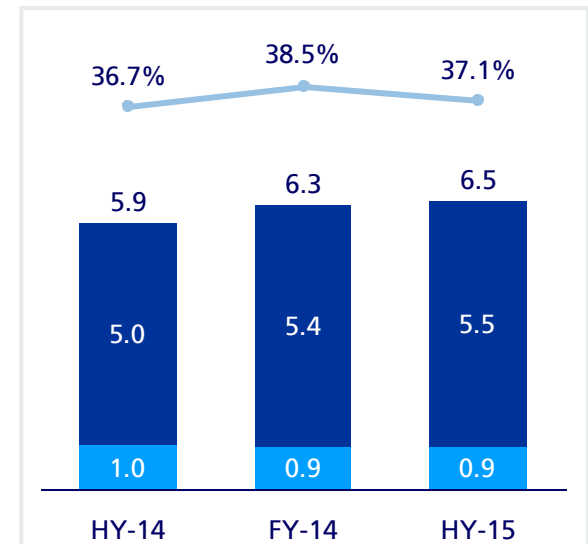


## COMBINED RATIO (%)<sup>3</sup>



■ Catastrophe losses  
■ CR (excl. catastrophe losses)

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



— Surplus ratio  
■ Farmers Exchanges surplus  
■ Farmers Reinsurance Co. surplus

<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> Adjusting for a one-time accounting change growth was 1.9% in Q4-14.

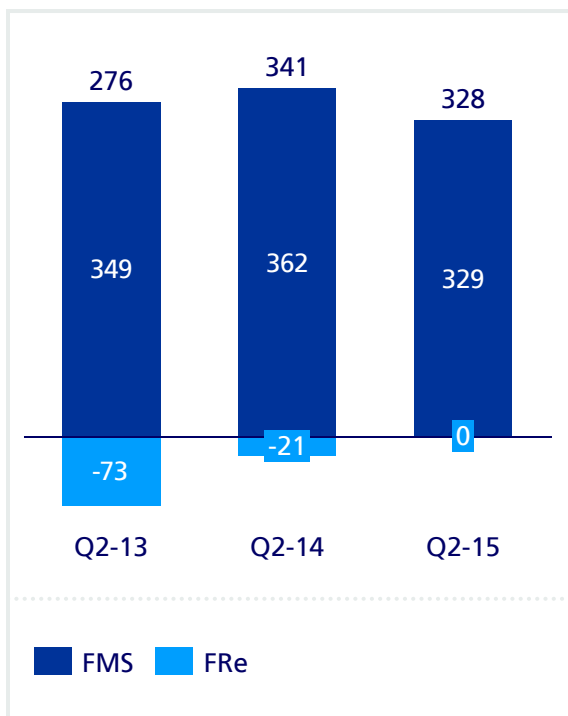
<sup>3</sup> Before quota share treaties with Farmers Reinsurance Company, Zurich Insurance Company Ltd and a third party reinsurer.

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

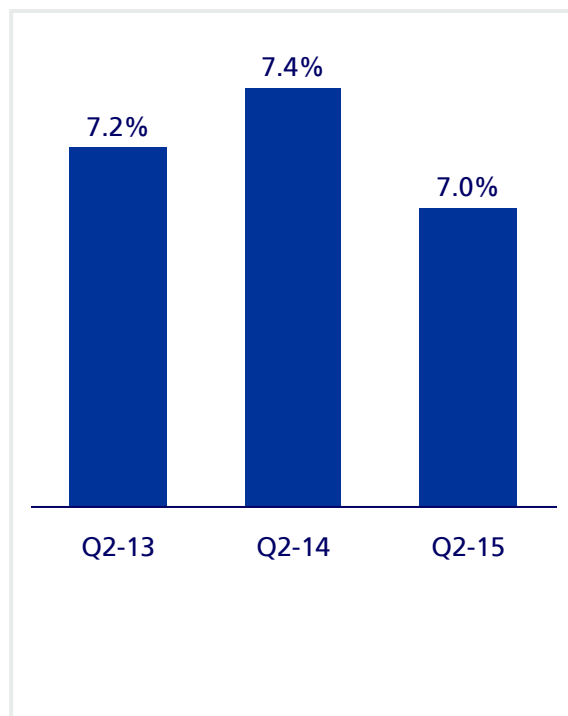
# Farmers – KPIs

Margin in line with expectations

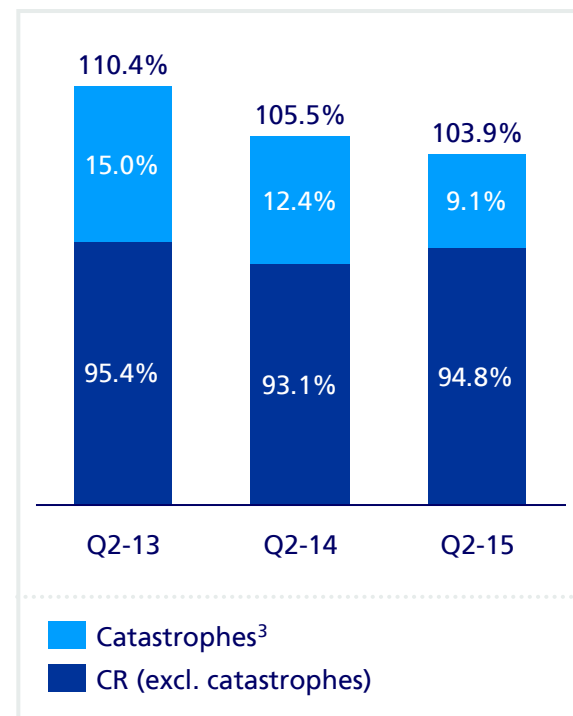
## BOP (USDm)



## MGEP MARGIN (%)<sup>1</sup>



## FARMERS RE CR (%)<sup>2</sup>



<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).

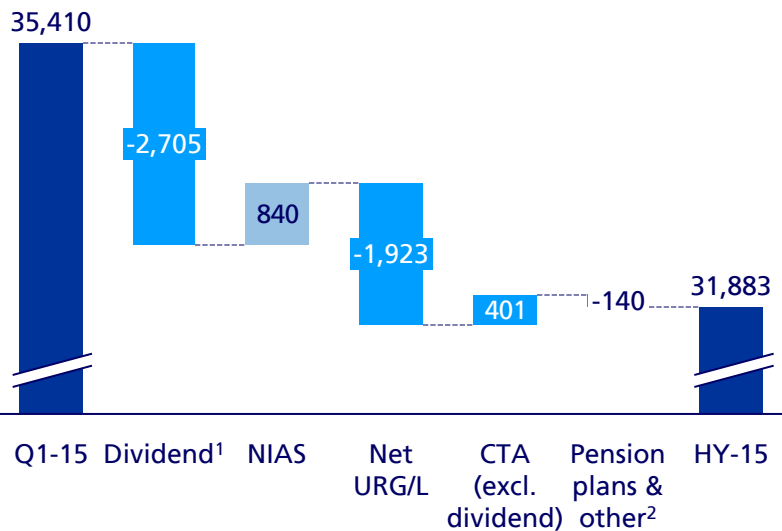
<sup>3</sup> As defined by the Quota Share reinsurance treaties.

# Group – Balance sheet and capital

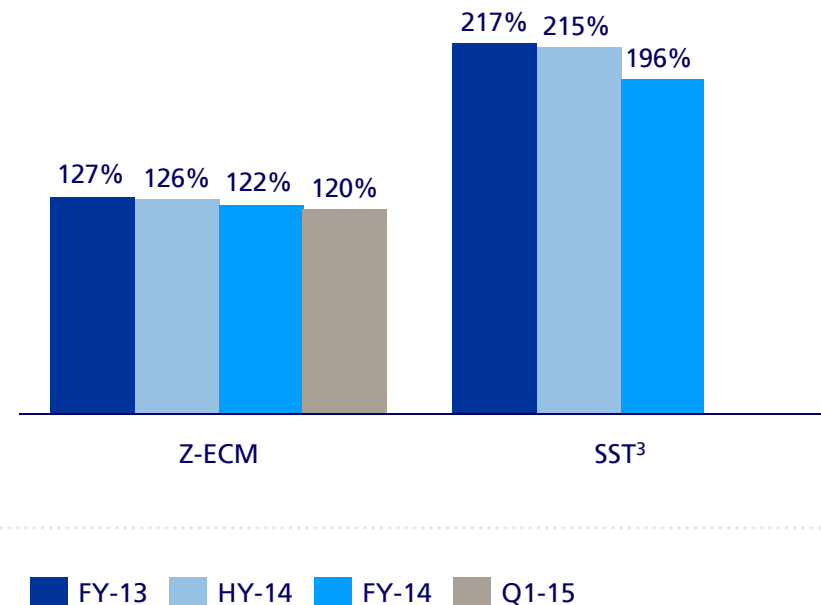
Continued strong solvency position



## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<sup>1</sup> Dividend as approved by the Annual General Meeting on April 1, 2015, and at transaction day exchange rates. Dividend at historical exchange rates amounts to USD 1,683m, with the difference of USD 1,022m reflected in the cumulative foreign currency translation adjustment (CTA).

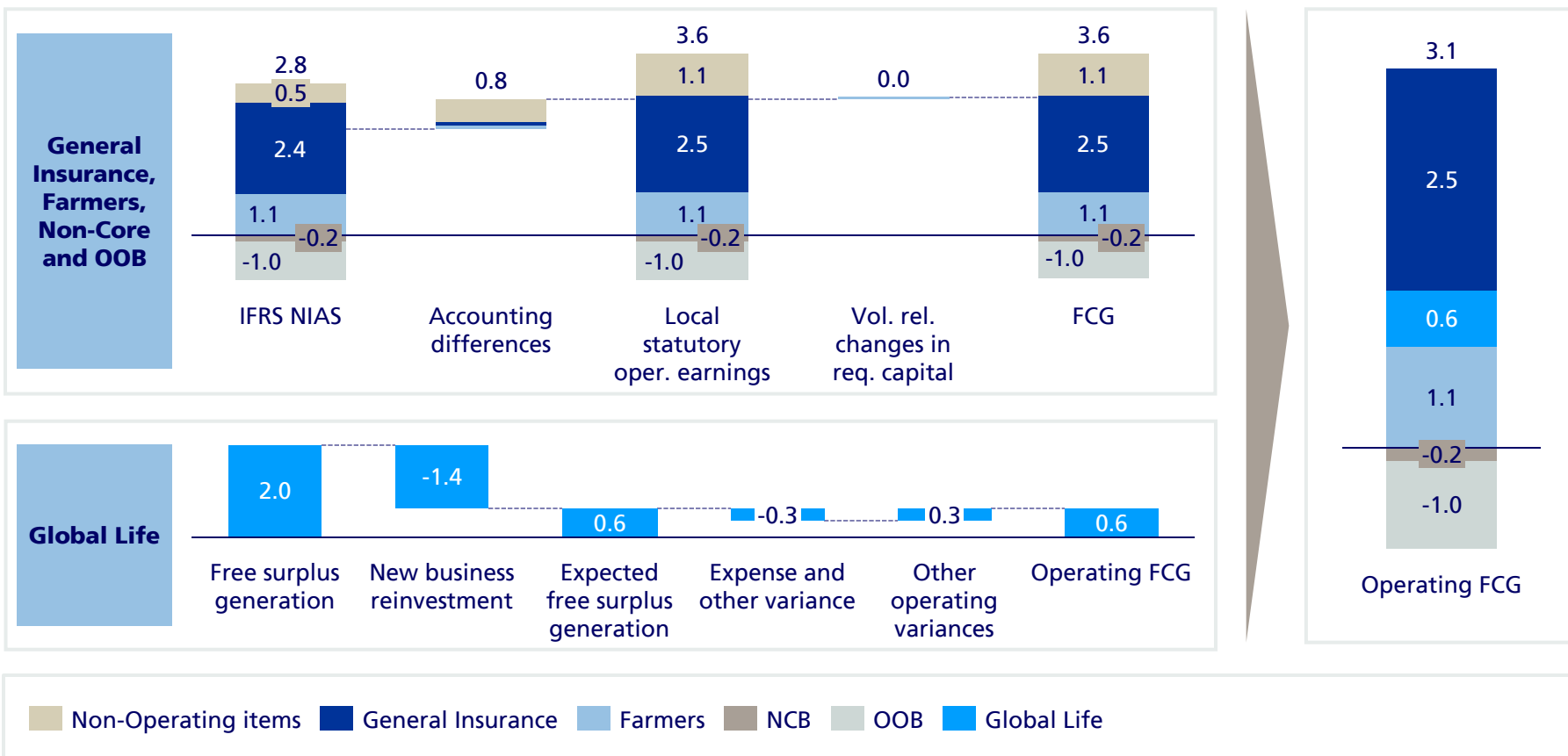
<sup>2</sup> Includes share-based payments transactions, issuance of share capital and other.

<sup>3</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.

# Group – Free capital generation

Strong free capital generation in 2014

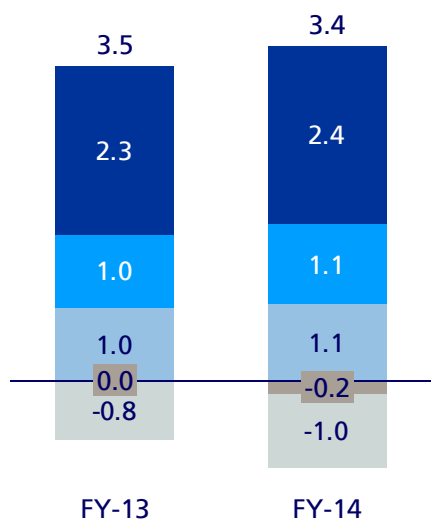
## 2014 FREE CAPITAL GENERATION (USDbn)



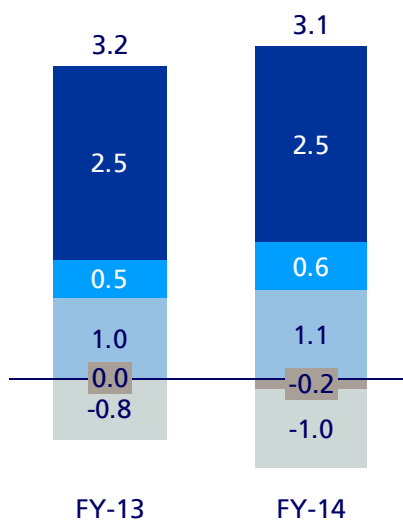
# Group – Net cash remittances

Very strong conversion of IFRS earnings to FCG and cash

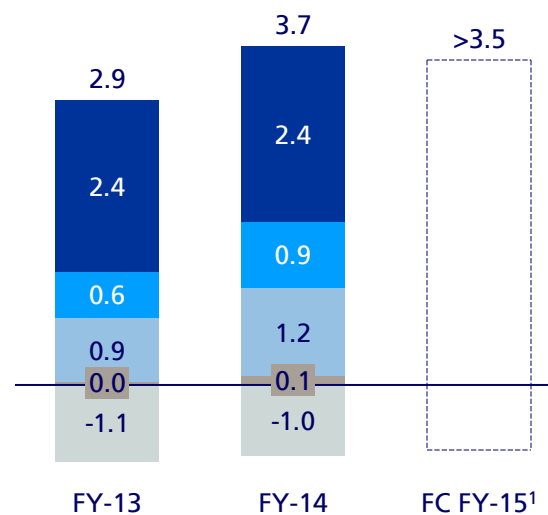
## BOPAT (USDbn)



## OPERATING FCG (USDbn)



## CASH REMITTANCES (USDbn)



■ General Insurance 
 ■ Global Life 
 ■ Farmers 
 ■ NCB 
 ■ OOB

<sup>1</sup> Estimated full year 2015 cash remittances, subject to change.

# Key messages

## General Insurance

Combined ratio of 100% for Q2 and 98.3% for H1; actions under way to deliver on 2016 targets

## Global Life

Good growth in APE and BOP, at constant currency

## Farmers

Continued progress in strategic execution

## Cash remittance

Cash remittance expected for full year >USD 3.5bn, and >USD 10bn in 2014-2016

# 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; 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.

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# Appendix

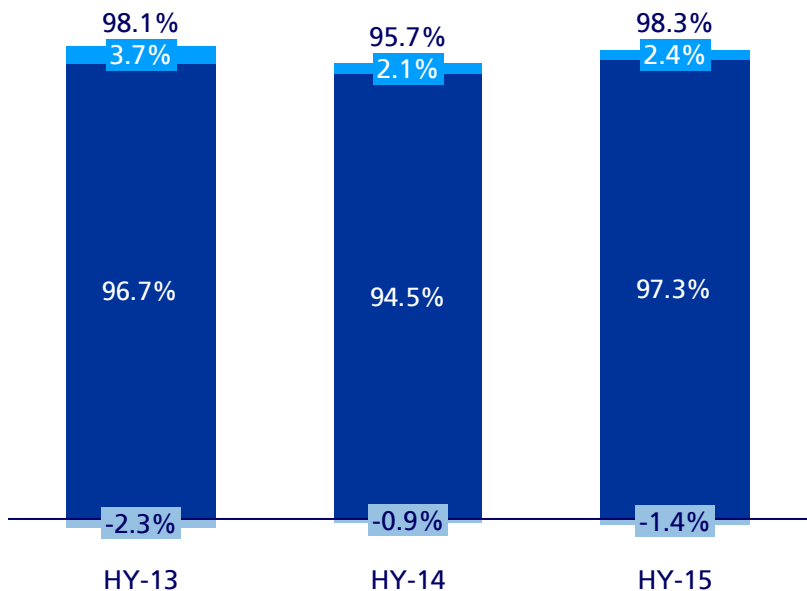




# GI – HY-15 Combined ratio

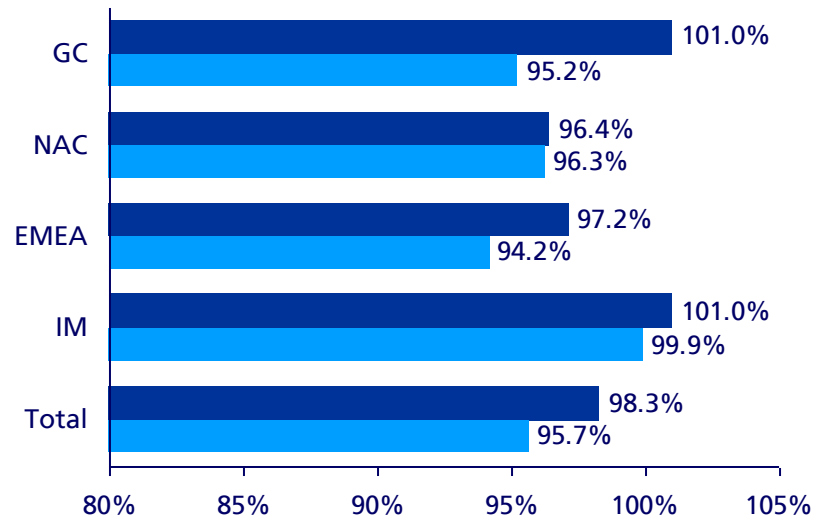
AY CR impacted by large losses and higher expenses

## COMBINED RATIO SPLIT (%)<sup>1</sup>



■ Catastrophes<sup>2</sup> ■ AY CR (excl. catastrophes)<sup>3</sup> ■ PYD

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



■ HY-15 ■ HY-14

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

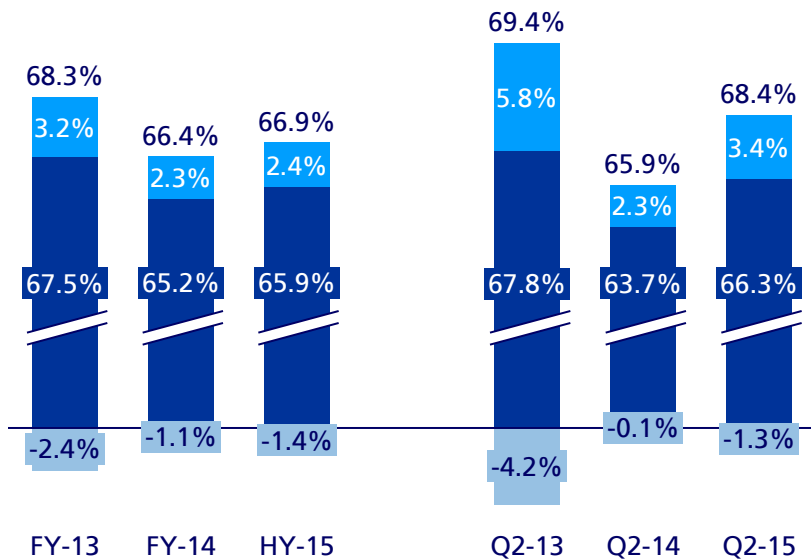
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes, including significant weather related events.

<sup>3</sup> Accident year combined ratio (AY CR) excludes prior year reserve development (PYD).

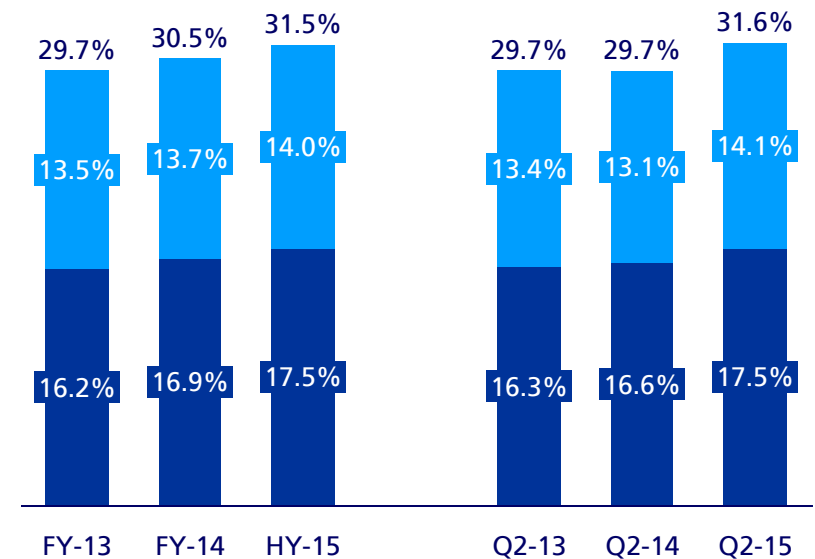
# GI – Combined ratio details

Uptick in AY loss ratio and expense ratio

## LOSS RATIO (%)<sup>1</sup>



## EXPENSE RATIO (%)<sup>1</sup>



■ Catastrophes<sup>2</sup> ■ AY LR (excl. catastrophes) ■ PYD

■ Commissions ■ Other technical expenses<sup>3</sup>

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

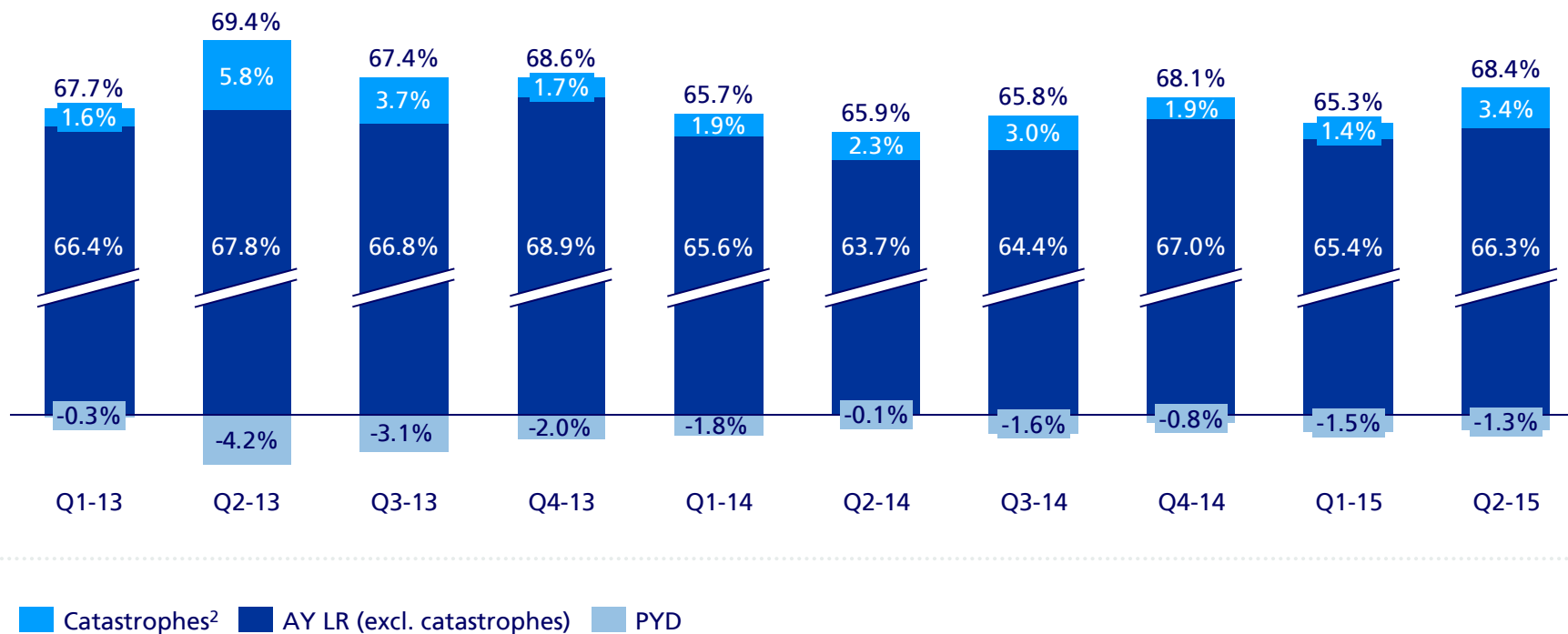
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

<sup>3</sup> Includes the amortization costs of upfront payments for distribution agreements.

# GI – Loss ratio details

LR impacted by higher attritional but also cat losses

## LOSS RATIO (%)<sup>1</sup>



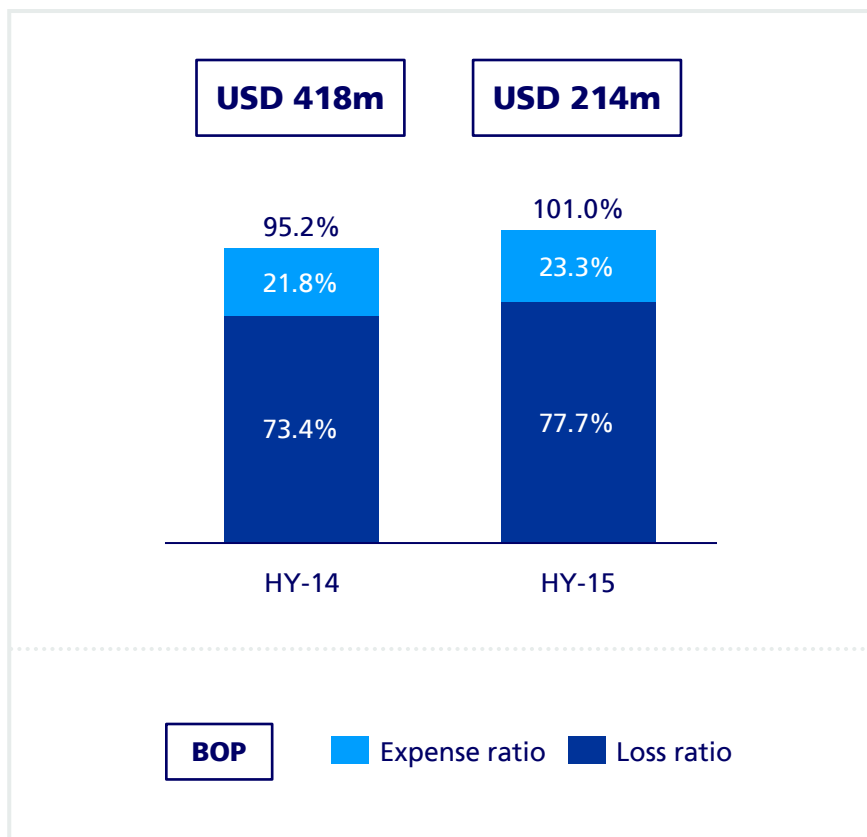
<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

<sup>2</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

# GI Global Corporate – KPIs

Modest growth, CR impacted by higher large and cat losses

## HY-15 KEY FINANCIALS<sup>1</sup>



GWP Growth <sup>2</sup>	Zurich rate change <sup>3</sup>	Combined Ratio
1%	0%	101%

## KEY DRIVERS

- Modest growth reflecting continued market pressure, particularly in North America
- Flat rate increase, with main pressure in property lines in North America and across all lines in APAC
- AY CR benefitting from improved attritional loss ratio, but impacted by higher large and catastrophe losses and an uptick in expense ratio

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015.

<sup>2</sup> In local currency.

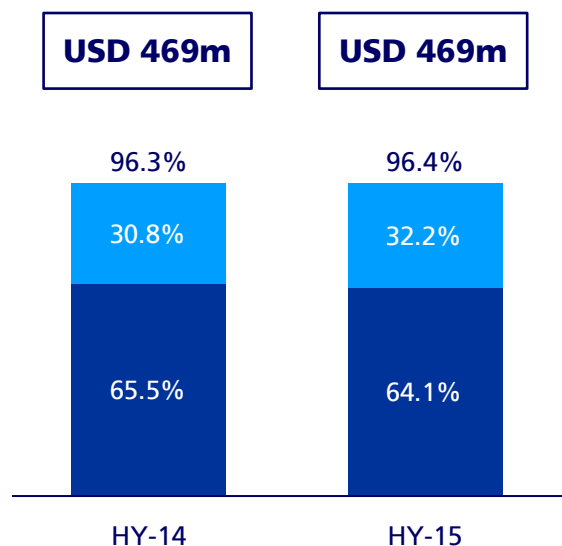
<sup>3</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI North America Commercial – KPIs



Modest growth, combined ratio flat

## HY-15 KEY FINANCIALS



**BOP**    Expense ratio    Loss ratio

**GWP Growth<sup>1</sup>**

**3%**

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

**1%**

**Combined Ratio**

**96%**

## KEY DRIVERS

- Modest growth with continued execution of strategic growth initiatives and increase in retentions
- Market pressure on rates, especially in property lines and workers' comp
- Combined ratio flat with increases in the AY LR ex-cat and ER offset by lower catastrophes and higher favorable prior year reserve releases

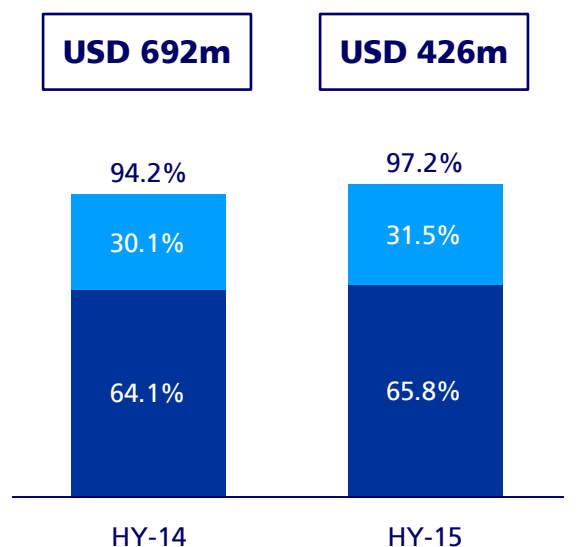
<sup>1</sup> In local currency.

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

# GI EMEA – KPIs

Combined ratio impacted by large losses and one-offs

## HY-15 KEY FINANCIALS<sup>1</sup>



**BOP**

Expense ratio Loss ratio

**GWP Growth<sup>2</sup>**

**0%**

**Zurich rate change<sup>3</sup>**

**2%**

**Combined Ratio**

**97%**

## KEY DRIVERS

- 1% growth excluding Russia Retail<sup>4</sup>, expansion in Switzerland, Germany and Spain, offset by declines in UK and Italy
- Continued low single digit rate increases in most markets
- Combined ratio higher but mainly driven by higher large losses in the UK and one-off items in the expenses

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015.

<sup>2</sup> In local currency.

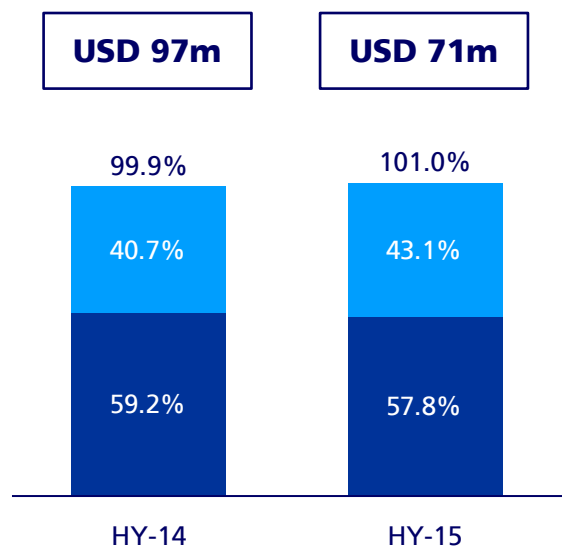
<sup>3</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

<sup>4</sup> Zurich's Russia Retail business was sold in Q4-14.

# GI International Markets – KPIs

Lower AY loss ratio offset by higher expenses

## HY-15 KEY FINANCIALS



**BOP**

Expense ratio Loss ratio

**GWP Growth<sup>1</sup>**

**12%**

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

**5%**

**Combined Ratio**

**101%**

## KEY DRIVERS

- Growth mainly driven by the new extended warranty distribution agreement in Brazil
- Higher rate increases due to actions to improve profitability in Latin America
- Increase in expenses is driven by the amortization of the upfront payment for the new distribution agreement in Brazil; AY LR improvement despite catastrophes in Australia, but still more required

<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 – Rate change monitor

Increased pricing pressure across the globe



## Q2-15 ZURICH RATE CHANGE ASSESSMENT

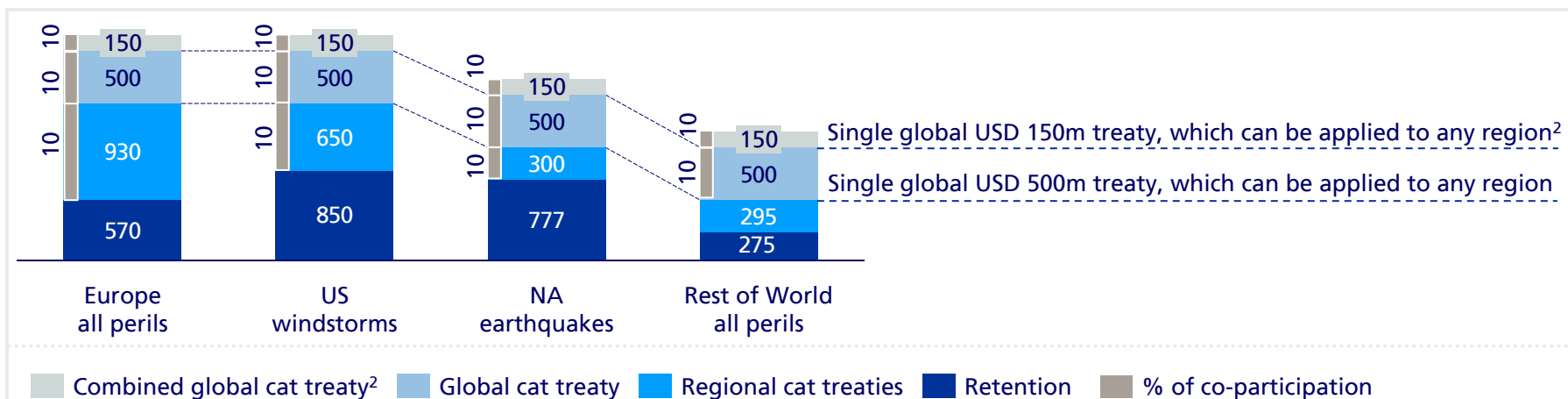
Business	Assessment
Group	Moderate rate increases, below prior year levels with market pressure, particularly in US property lines and across our Global Corporate markets, Australia and UK.
Global Corporate	Competitive market conditions, particularly in the US. Rates in Asia Pacific and in property lines of business were negative.
North America Commercial	Continued small positive rate increases, although market conditions are challenging in property and workers' compensation lines.
EMEA	Fairly stable rate increases, albeit slightly below our expectations and with different local market dynamics.
UK	Rate increases in all lines of business except property, lower than prior year.
Germany	Rate increases in our main lines, overall broadly in line with expectations.
Switzerland	Renewal rates broadly flat, with pressure on motor rates.
Italy	Overall reductions, with pressure on motor rates due to high market profitability.
Spain	Solid rate increases, ahead of prior year, mainly in motor.
International Markets	Increases in APAC, but below prior year levels, particularly in Australia. Strong rate increases in Latin America are consistent with prior quarter.



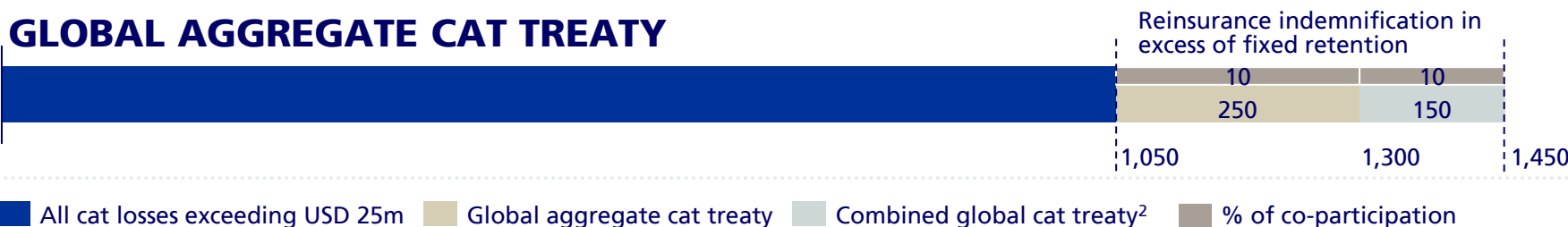
# GI – Natural catastrophe reinsurance

Program further benefitted from lower reinsurance prices

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



## GLOBAL AGGREGATE CAT TREATY



<sup>1</sup> US Cat Treaty and Global Aggregate Cat Treaty renewed on January 1, 2015; Europe Cat Treaty and Global Cat Treaty renewed on April 1, 2015; and International Cat Treaty renewed on July 1, 2015.

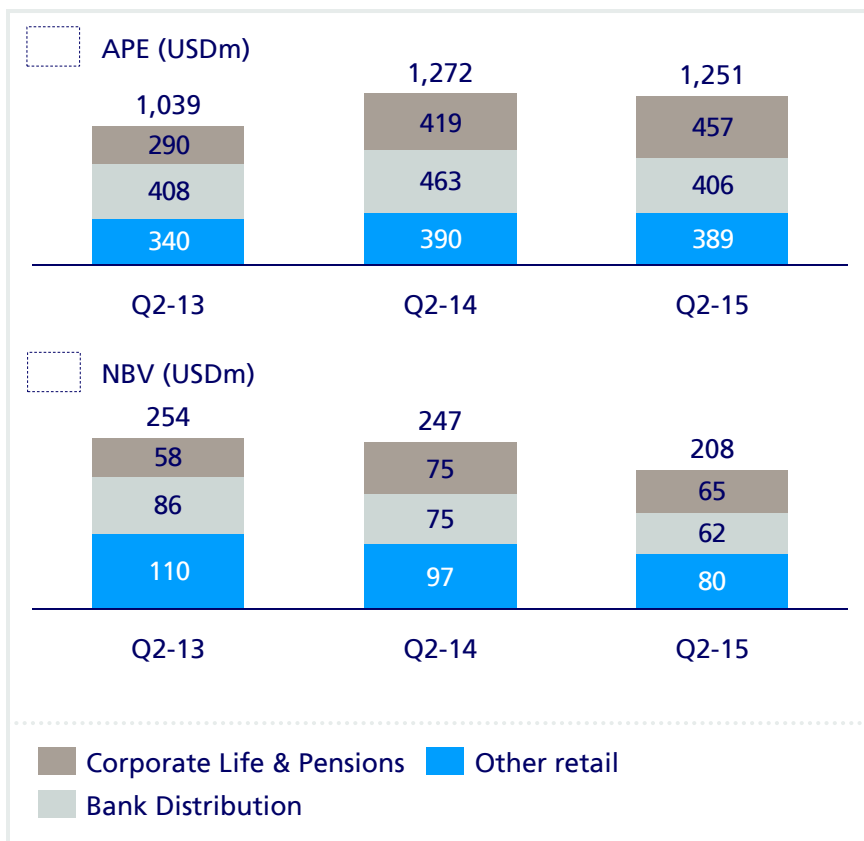
<sup>2</sup> This USD 150m cover is the same combined global occurrence / aggregate treaty presiding over the global catastrophe treaty. This cover can be used only once, either for aggregated losses or for an individual event.

# GL – New business by pillar

NBV impacted by interest rate reductions and product mix effects



## Q2-15 KEY FINANCIALS<sup>1,2</sup>



NBM	PVNBP	CLP single premium
18.7%	USD 12.9 bn	USD 2.5 bn

## KEY DRIVERS

- CLP protection and pensions APE increased, particularly in the UK and Switzerland, with overall lower margin
- Bank APE negatively impacted by FX effects, most notably from the devaluation of the Brazilian Real
- Other retail APE down in North America and Latin America partially offset by Europe with increasing volumes on the UK Retail Platform
- NBV further impacted by overall lower margins due to product mix effects and low interest rates

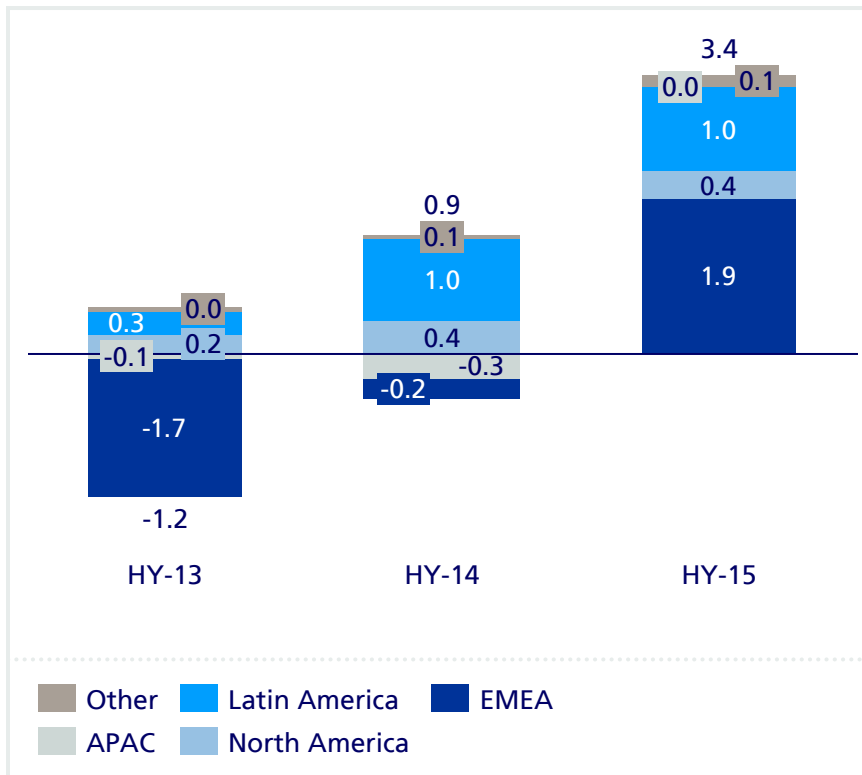
<sup>1</sup> APE is reported before non-controlling interests. NBM and NBV are reported net of non-controlling interests.

<sup>2</sup> 2013 and 2014 NBV figures have been restated to reflect a change in the MCEV CRNHR methodology.

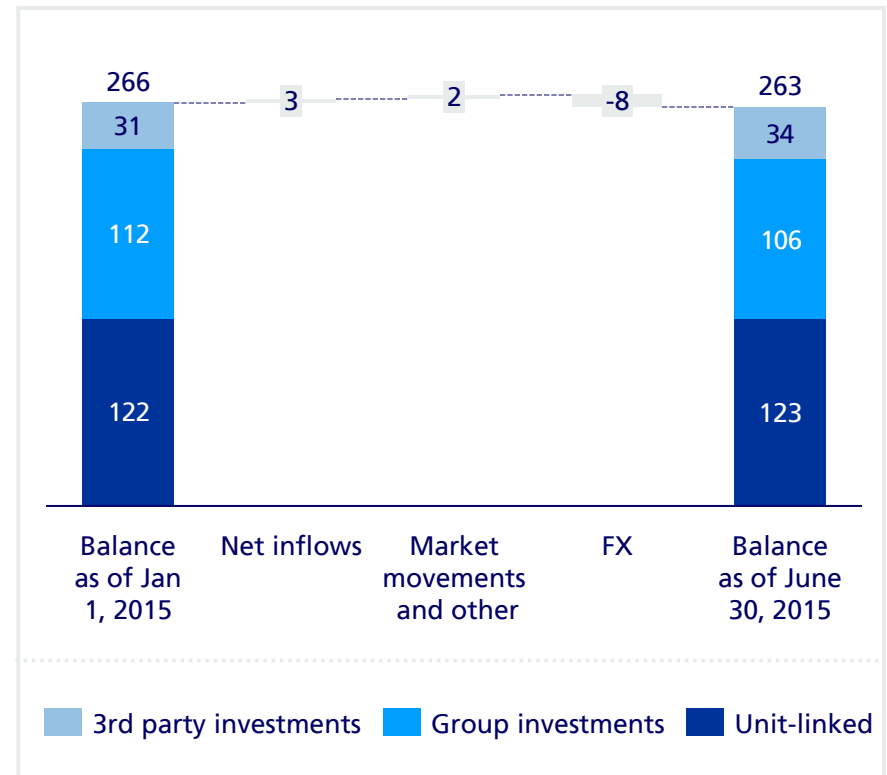
# GL – Net inflows & Assets under management

Higher net inflows and asset growth offset by currency impacts

## NET INFLOWS BY REGION (USDbn)<sup>1,2</sup>



## AUM DEVELOPMENT (USDbn)



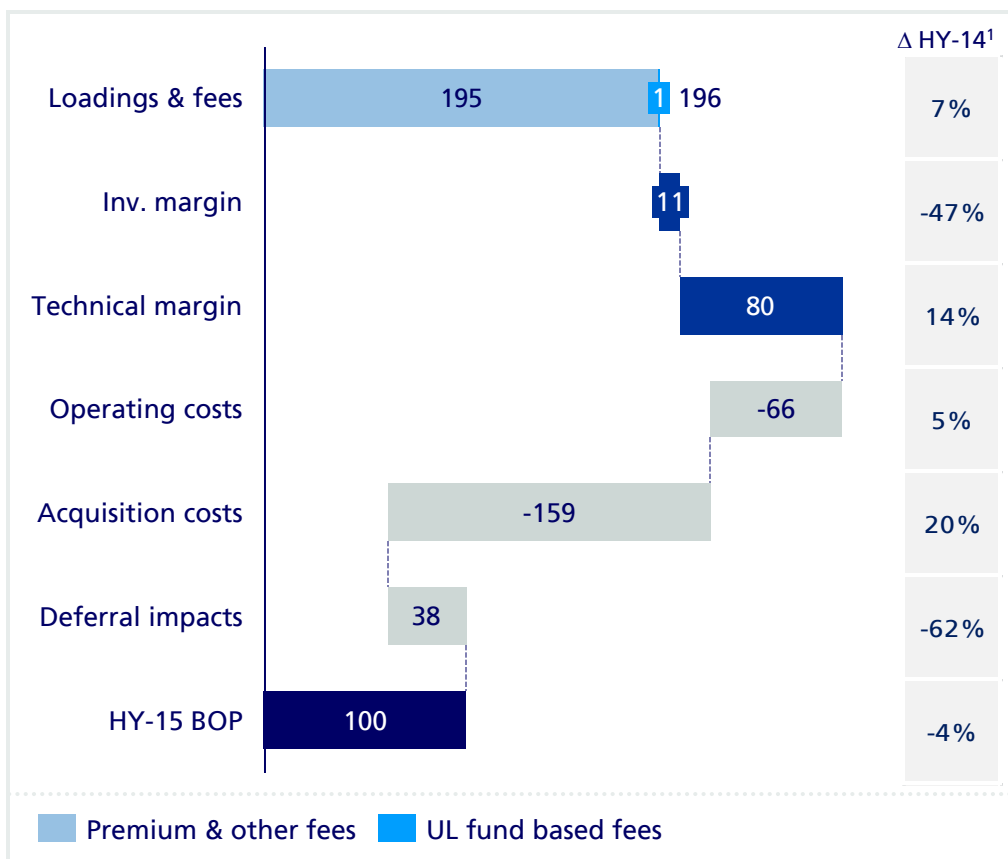
<sup>1</sup> In 2013 net policyholders flows did not include inflows for certain short-duration contracts.

<sup>2</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

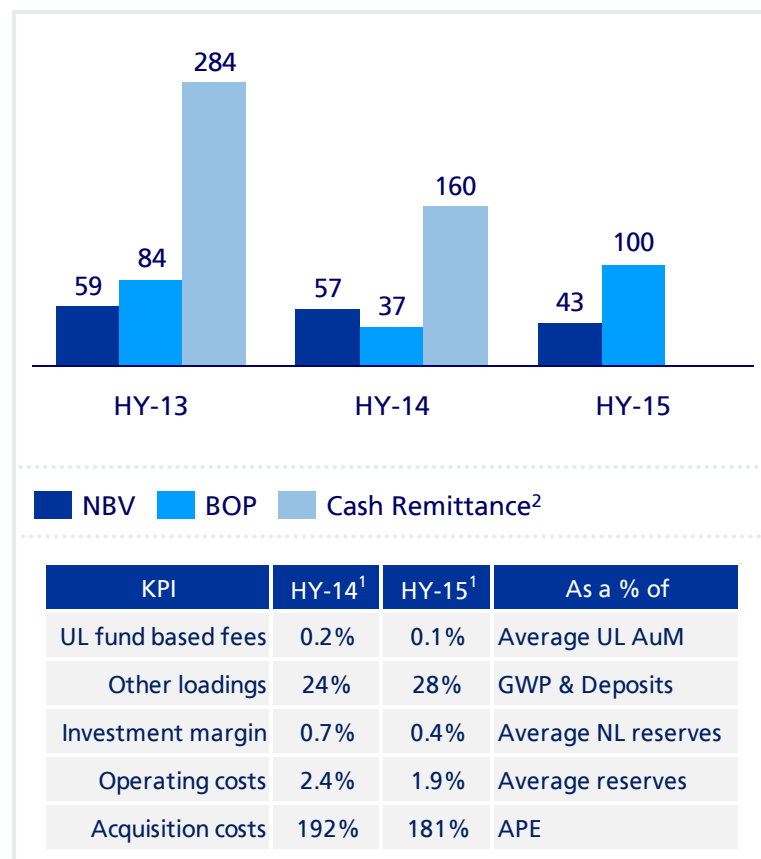
# GL North America – Key financials

Slight deterioration in BOP, adjusted for distorting impacts

## BOP BY SOURCE OF EARNINGS (USDm)



## KEY FINANCIALS & KPI (USDm)



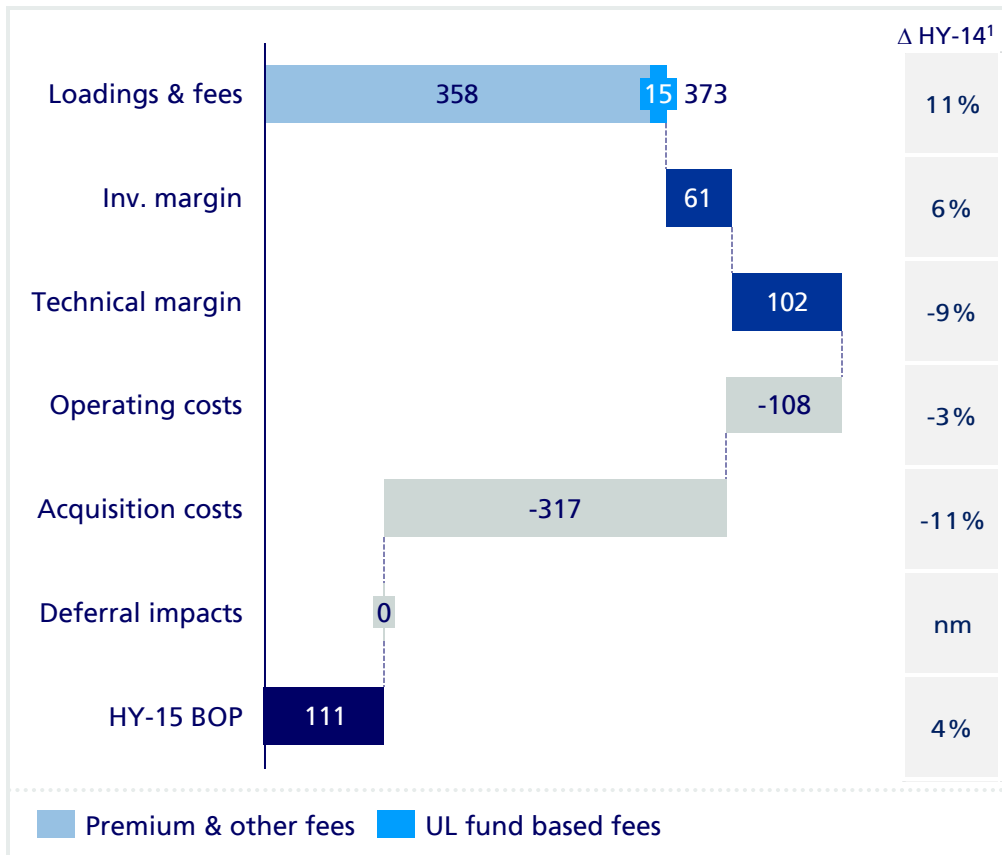
<sup>1</sup> Adjusted for distorting impacts – refer to Global Life Source of earnings briefing document for details; HY-14 deltas at constant FX.

<sup>2</sup> Cash remittance received centrally including FY data.

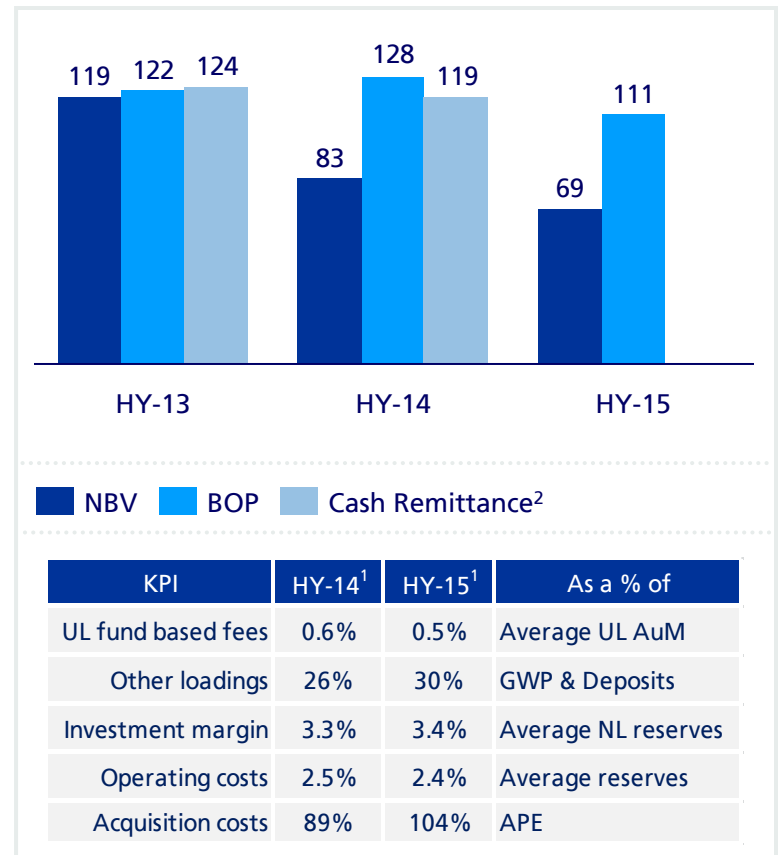
# GL Latin America – Key financials

## Local currency BOP growth

### BOP BY SOURCE OF EARNINGS (USDm)



### KEY FINANCIALS & KPI (USDm)



<sup>1</sup> Adjusted for distorting impacts – refer to Global Life Source of earnings briefing document for details; HY-14 deltas at constant FX.

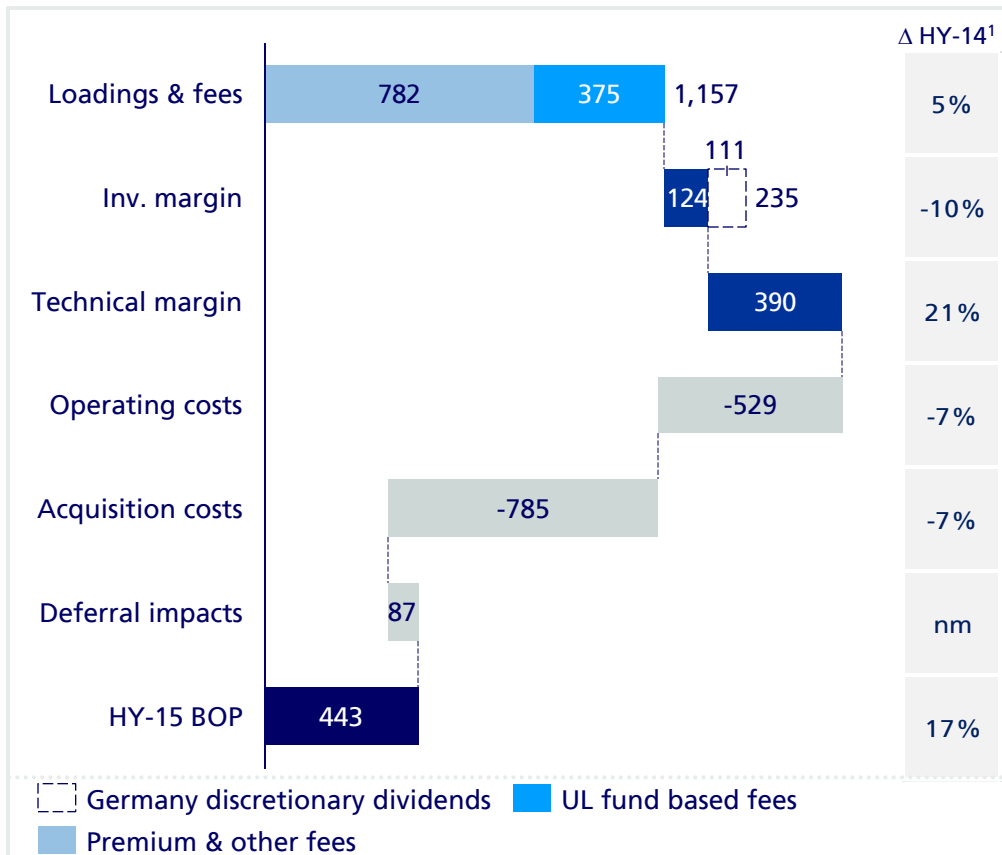
<sup>2</sup> Cash remittance received centrally including FY data.

# GL EMEA – Key financials

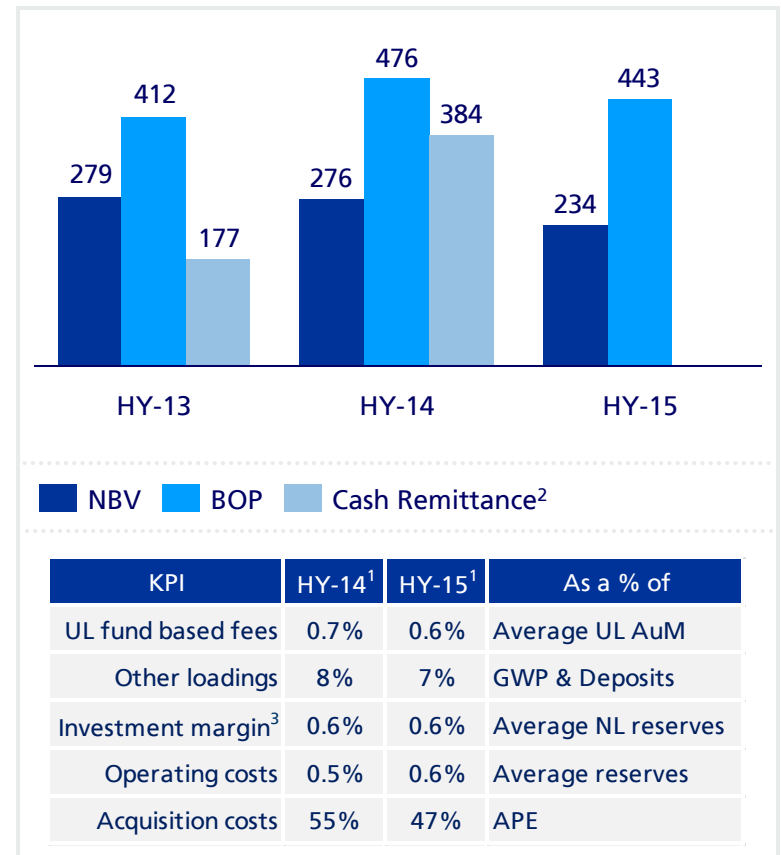
Strong growth in Loadings & fees and Technical margin



## BOP BY SOURCE OF EARNINGS (USDm)



## KEY FINANCIALS & KPI (USDm)



<sup>1</sup> Adjusted for distorting impacts – refer to Global Life Source of earnings briefing document for details; HY-14 deltas at constant FX.

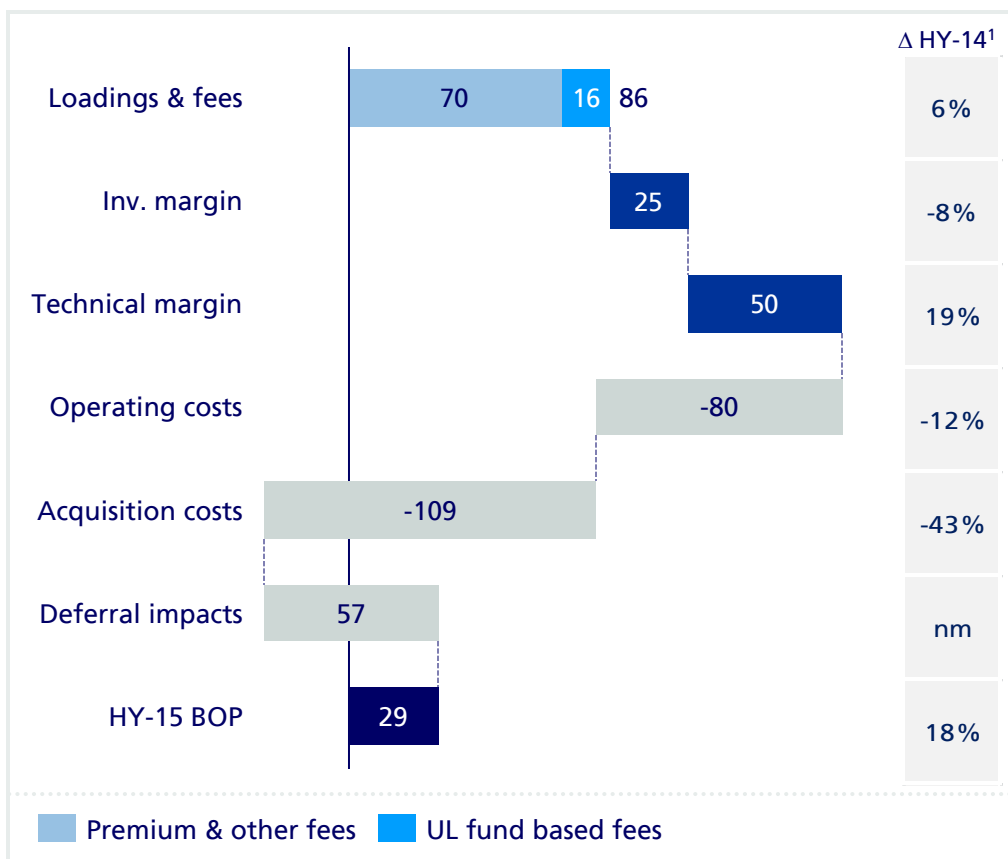
<sup>2</sup> Cash remittance received centrally.

<sup>3</sup> Adjusted for German discretionary dividends.

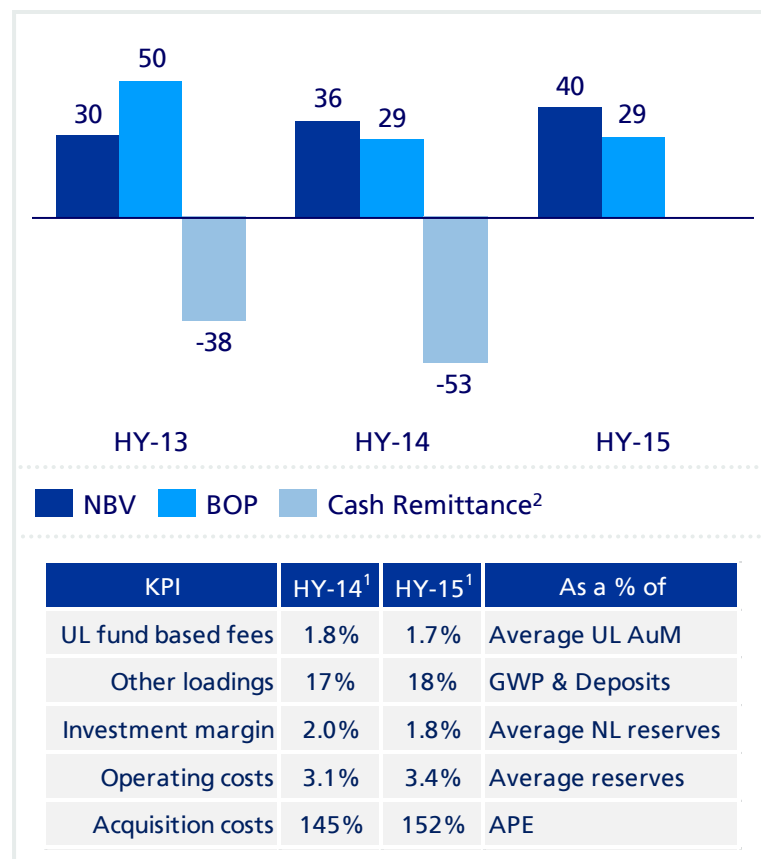
# GL APAC – Key financials

Volume driven growth in fee and technical margins

## BOP BY SOURCE OF EARNINGS (USDm)



## KEY FINANCIALS & KPI (USDm)



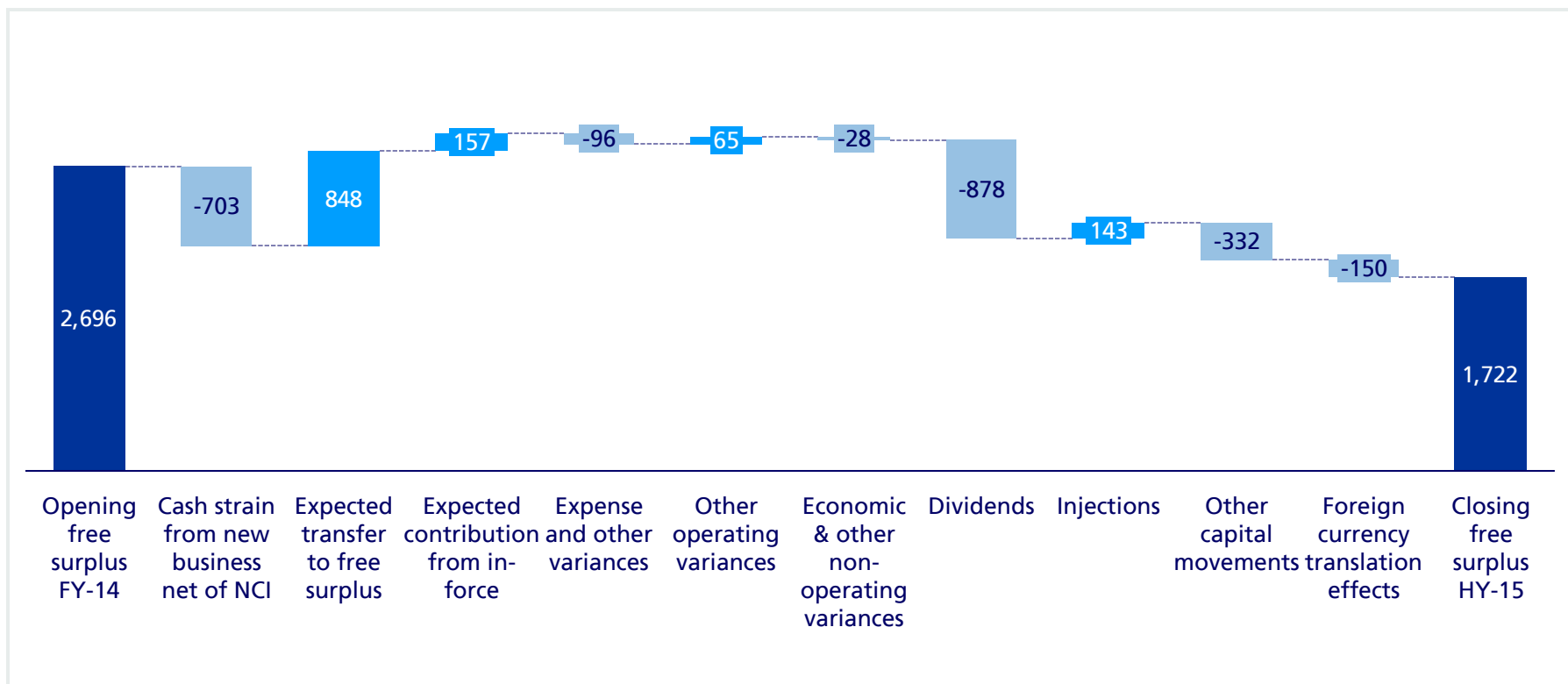
<sup>1</sup> Adjusted for distorting impacts – refer to Global Life Source of earnings briefing document for details; HY-14 deltas at constant FX.

<sup>2</sup> Cash remittance received centrally.

# Global Life – MCEV free surplus roll-forward

Positive development offset by dividends and capital movements

## FREE SURPLUS DEVELOPMENT (USDm)

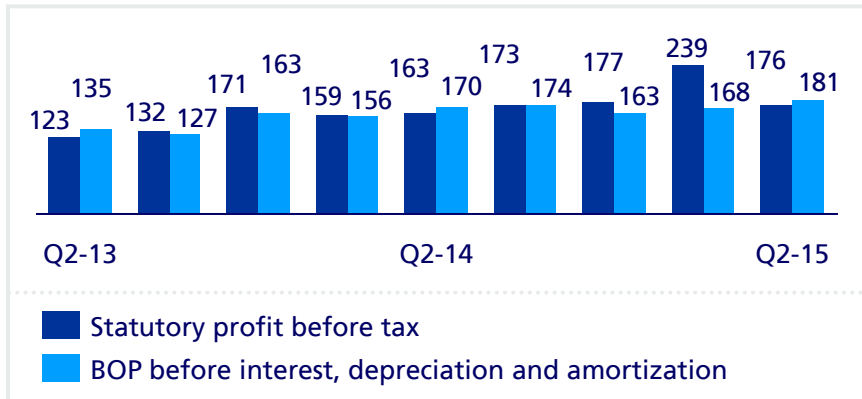




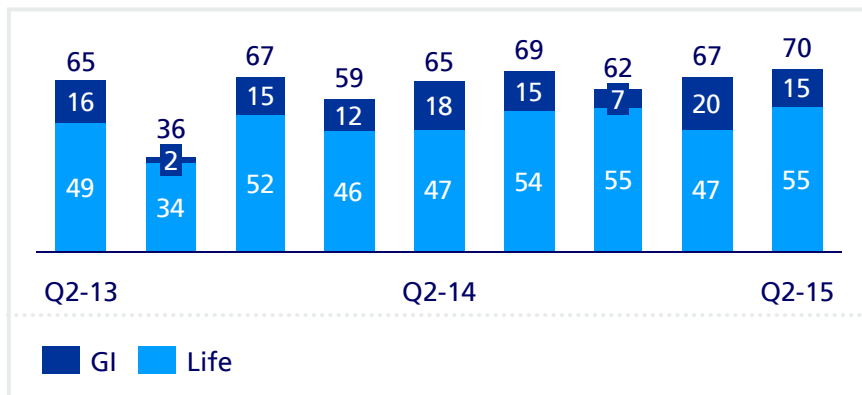
# Zurich Santander – Quarterly results

Continued growth offset in USD by adverse FX development

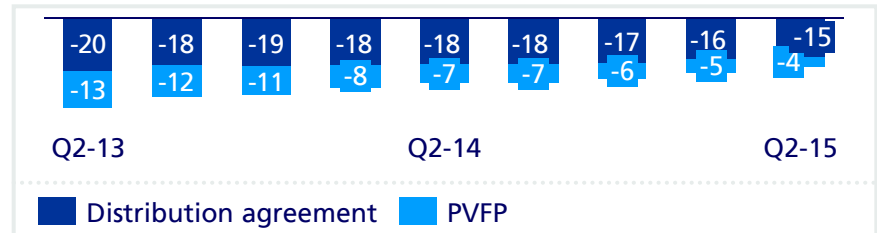
## PROFIT BEFORE TAX GI & LIFE (100%)



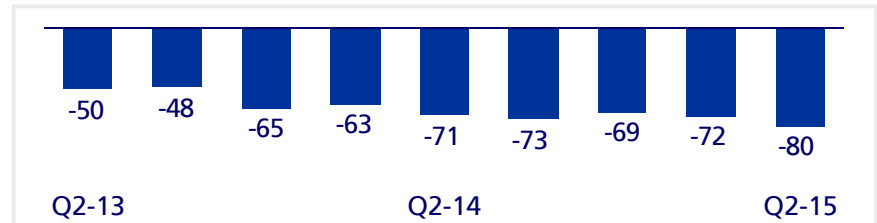
## CORE SEGMENT BOP GI & LIFE (51%)



## INTANGIBLES AMORTIZATION (100%)



## MINORITY ADJUSTMENT (-49%)



## EARN-OUT & PPA ADJUSTMENTS (51%)

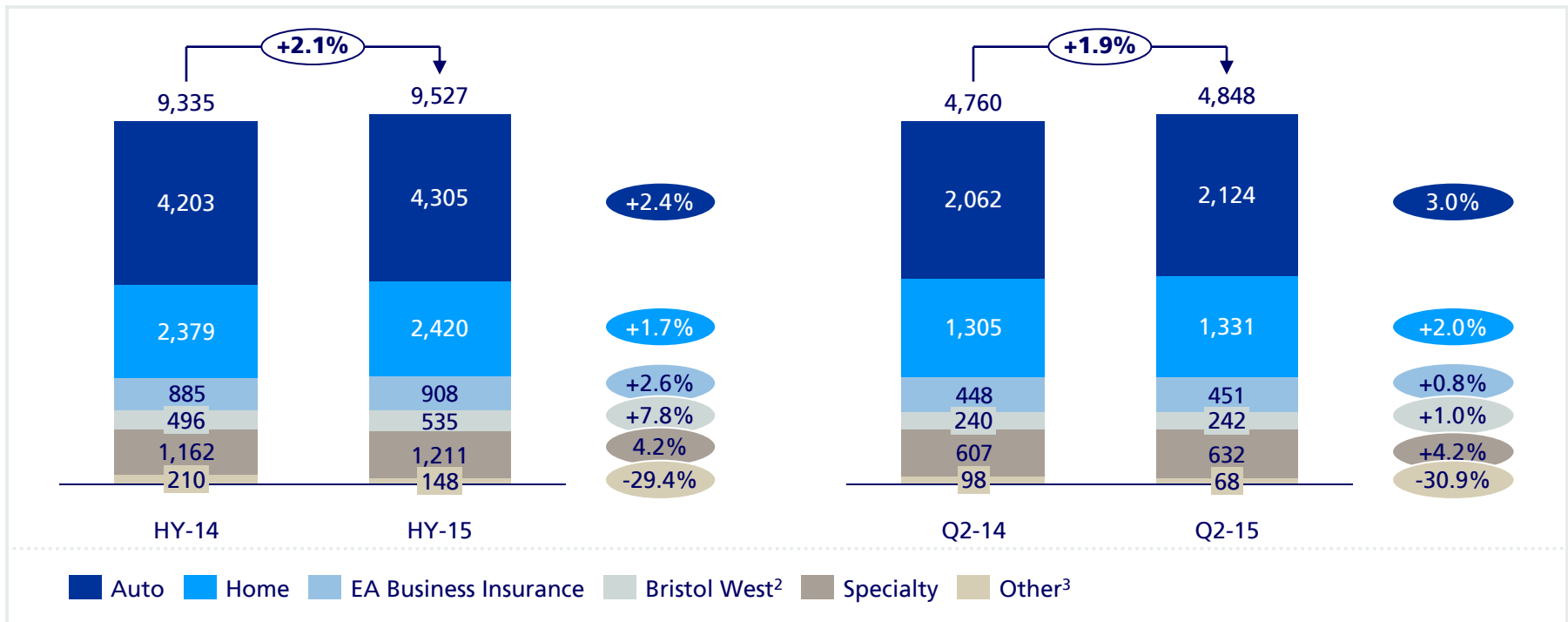


# Farmers Exchanges<sup>1</sup> – GWP

Continued top-line recovery



## 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. Note that Specialty Auto has been moved to Auto from Bristol West as per Q4-14. Previous year figures have not been restated as the impact is relatively small.

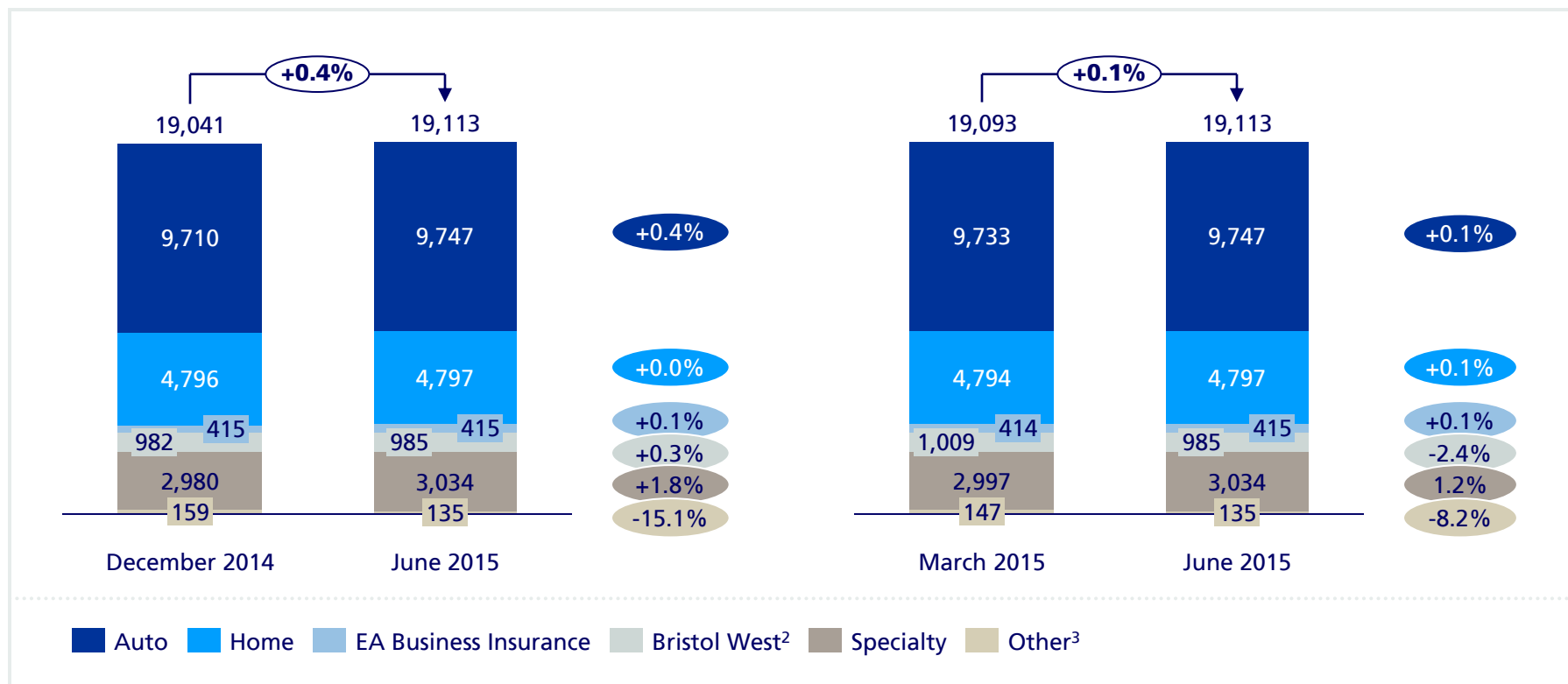
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations.

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

Policies in force returned to growth



## 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. Note that Specialty Auto has been moved to Auto from Bristol West as per Q4-14. Previous year figures have not been restated as the impact is relatively small.

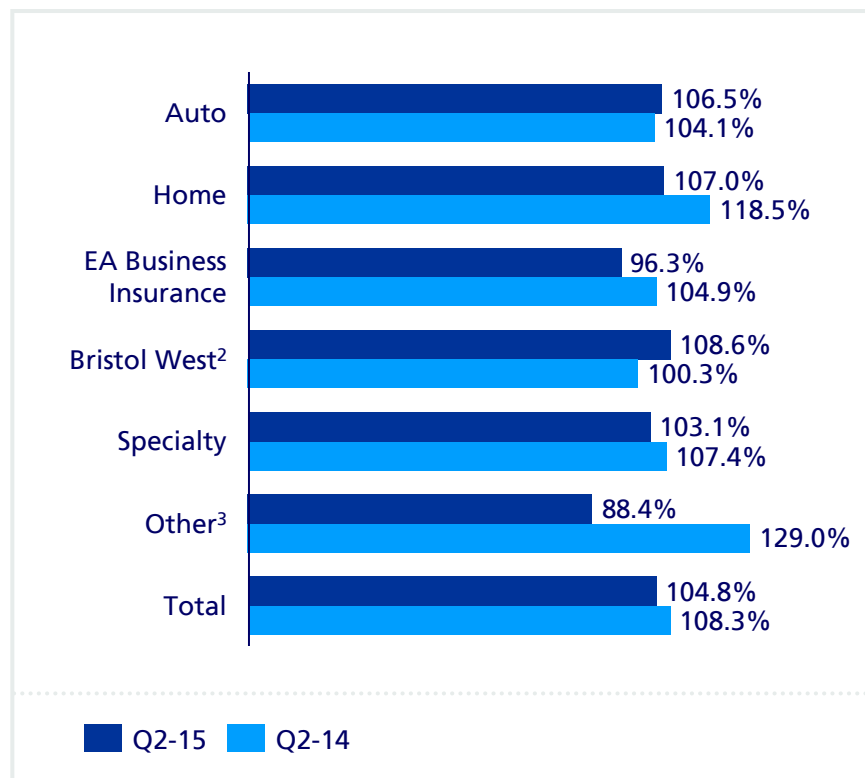
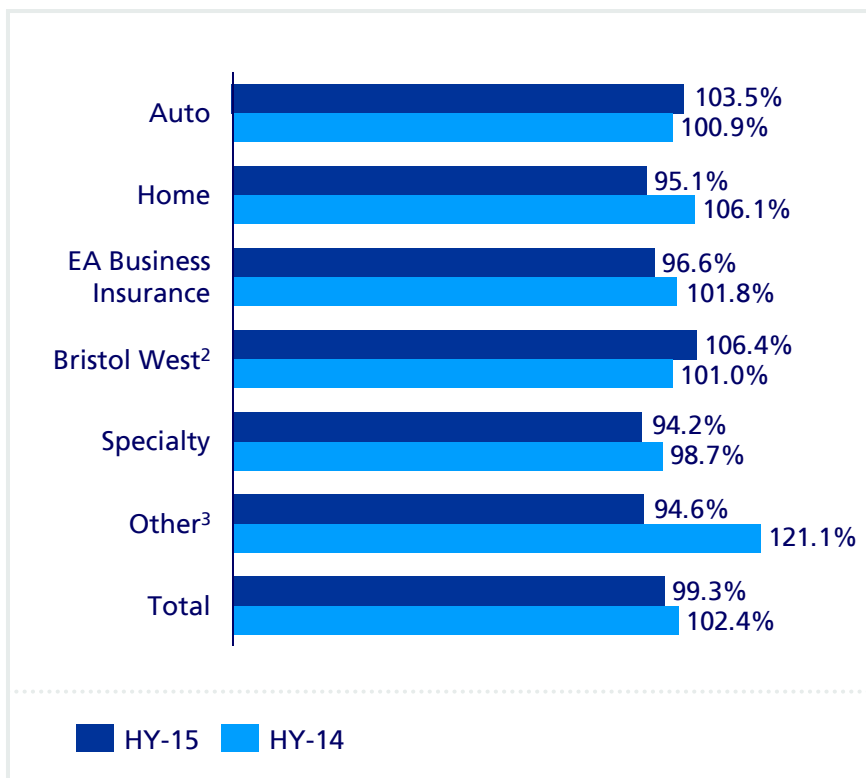
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations.

# Farmers Exchanges – Combined ratio



Auto and Bristol West CR impacted by unfavorable claim trends

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



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

<sup>2</sup> Bristol West writes non-standard Auto business. Note that Specialty Auto has been moved to Auto from Bristol West as per Q4-14. Previous year figures have not been restated as the impact is relatively small.

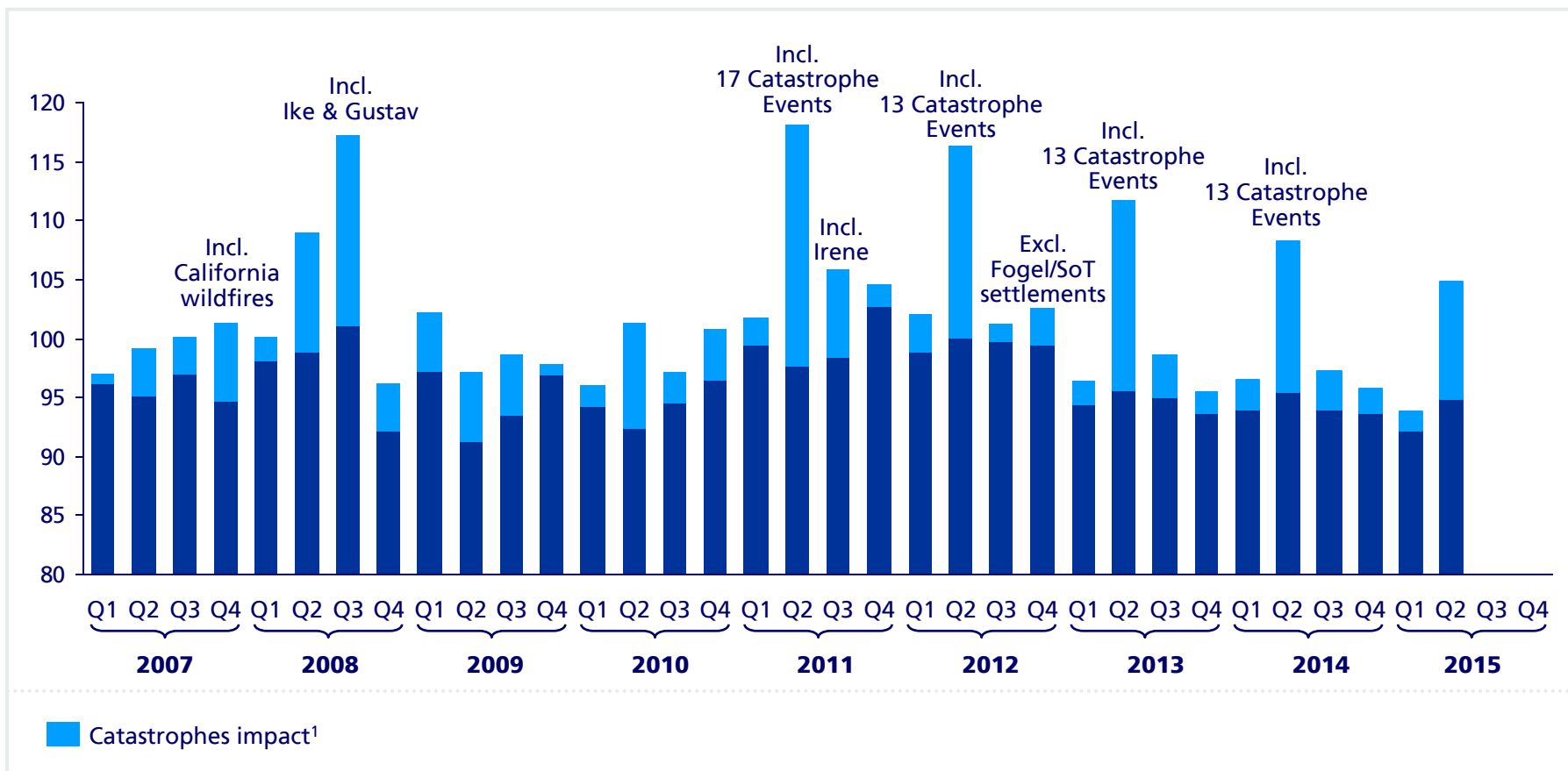
<sup>3</sup> Other includes Miscellaneous Pools, Independent Agent personal lines business, Independent Agent Business Insurance and Discontinued Operations.

# Farmers Exchanges – Combined ratio history

Q2-15 catastrophe losses more benign than in previous years



## QUARTERLY COMBINED RATIO (%)

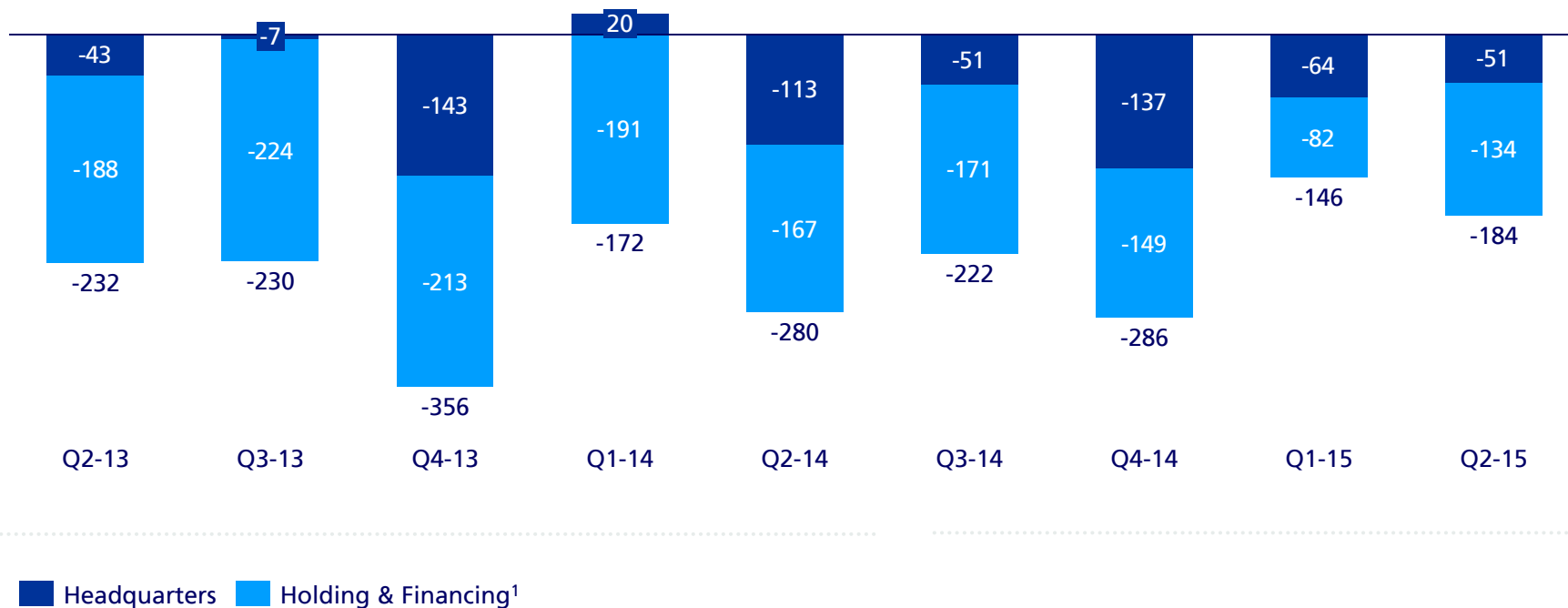


<sup>1</sup> Farmers Exchanges adopted industry standard ISO defined catastrophes as per July 2011.

# Other Operating Businesses

H&F benefitting from lower interest costs & FX one-offs

## QUARTERLY BOP SPLIT (USDm)



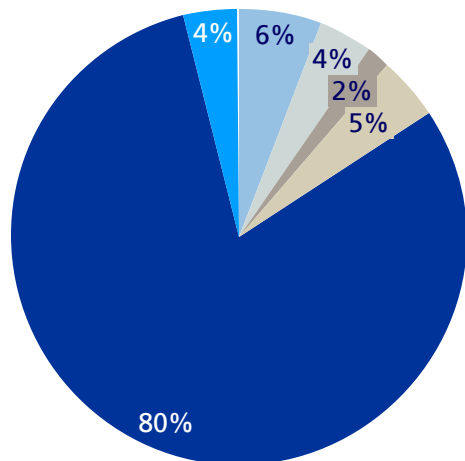
<sup>1</sup> Includes Alternative Investments.

# Group Investments – Asset allocation

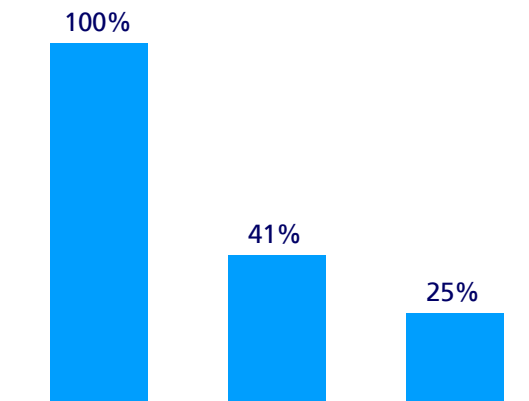
Zurich's sources of investment risk and return are balanced

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

Total Group Investments: USD 197bn

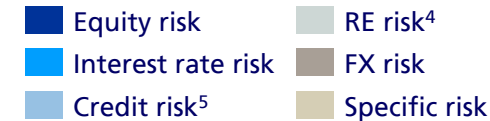
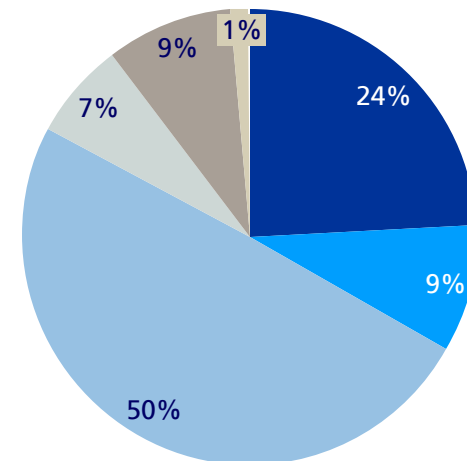


## RISK DIVERSIFICATION<sup>2</sup>



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

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



<sup>1</sup> Economic view.

<sup>2</sup> Estimated.

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

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

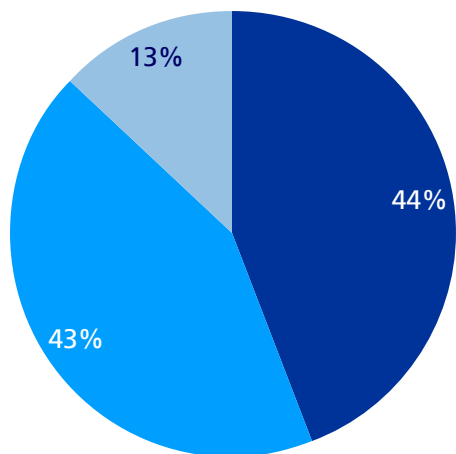
<sup>5</sup> Credit risk consists of swap spread risk, credit spread risk and credit default risk.

# Group Investments – Debt securities portfolio

Debt securities portfolio is of a high quality

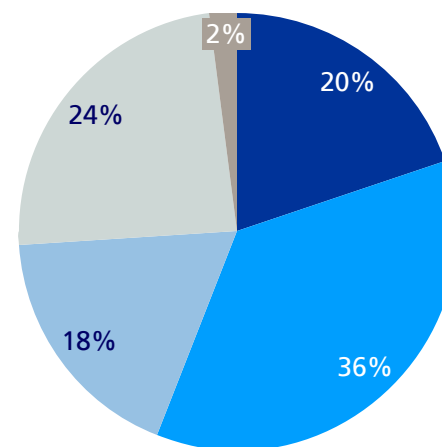
## BY CATEGORY

Total debt securities: USD 142bn



■ Government and government related bonds ■ MBS/ABS¹  
■ Corporate bonds

## BY RATING



■ AAA ■ AA ■ A ■ BBB ■ Non-investment grade

<sup>1</sup> MBS = Mortgage backed securities, ABS = Asset backed securities



# Group Investments – Investment income yield<sup>1</sup>

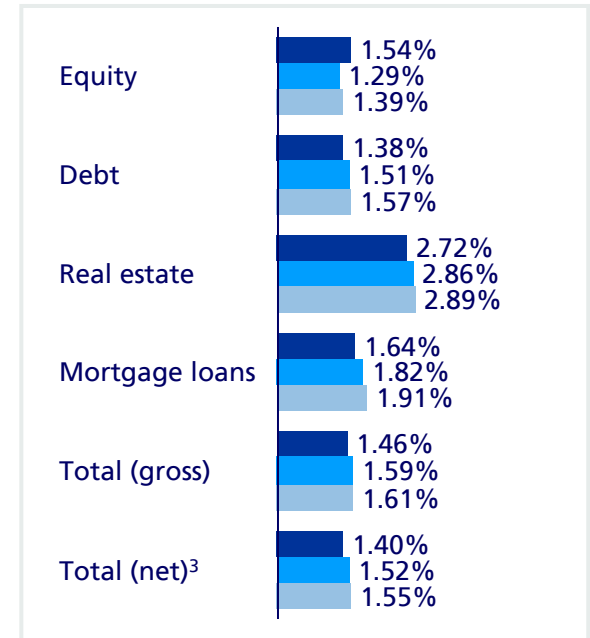
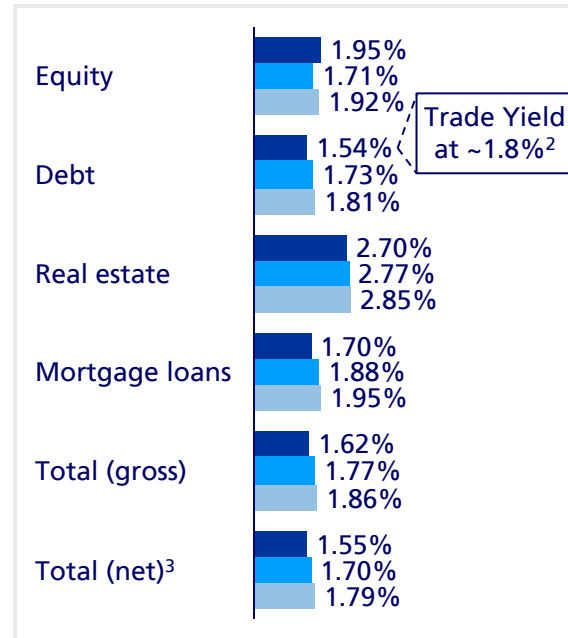
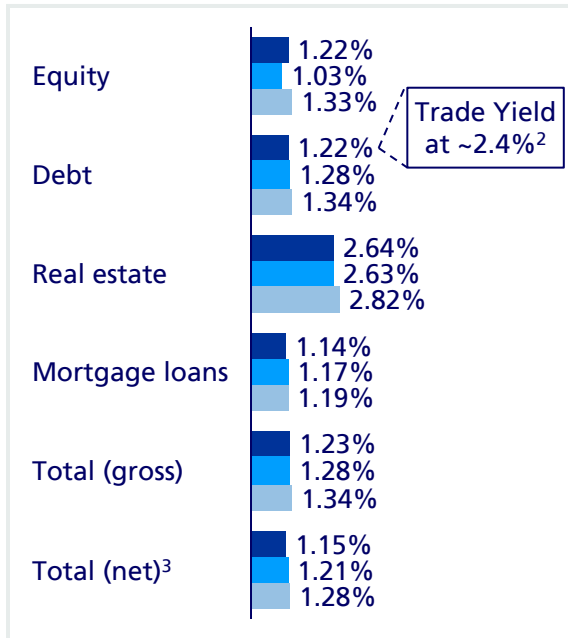


Higher risk premium offset by lower yields and USD appreciation

## GENERAL INSURANCE

## GLOBAL LIFE

## GROUP



■ HY-15 ■ HY-14 ■ HY-13

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

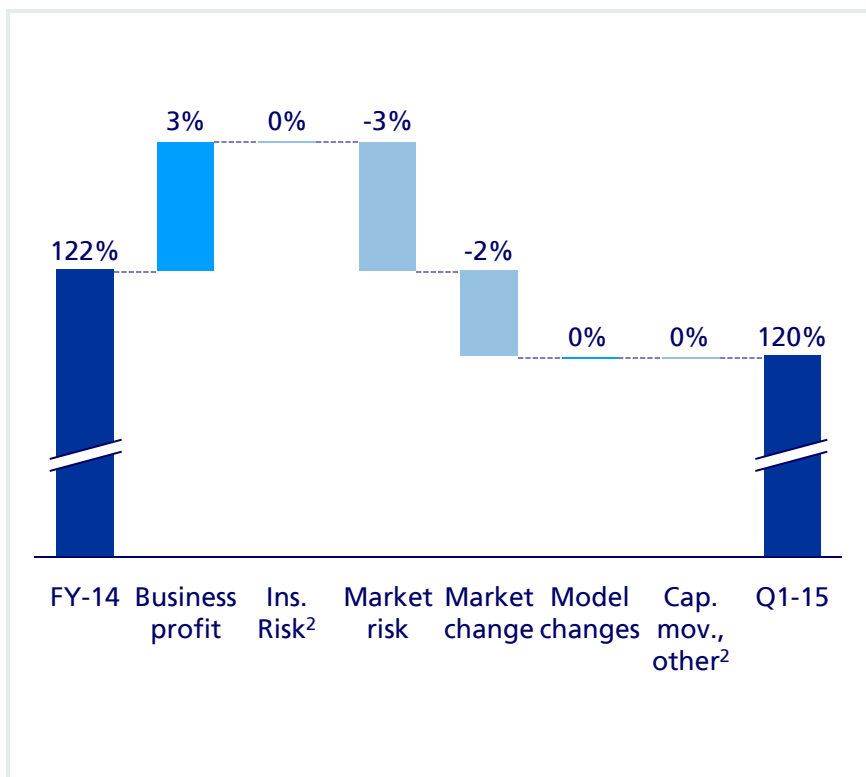
<sup>2</sup> Calculated as a weighted average trade yield of purchased debt securities on an annual basis.

<sup>3</sup> Net of investment expenses.

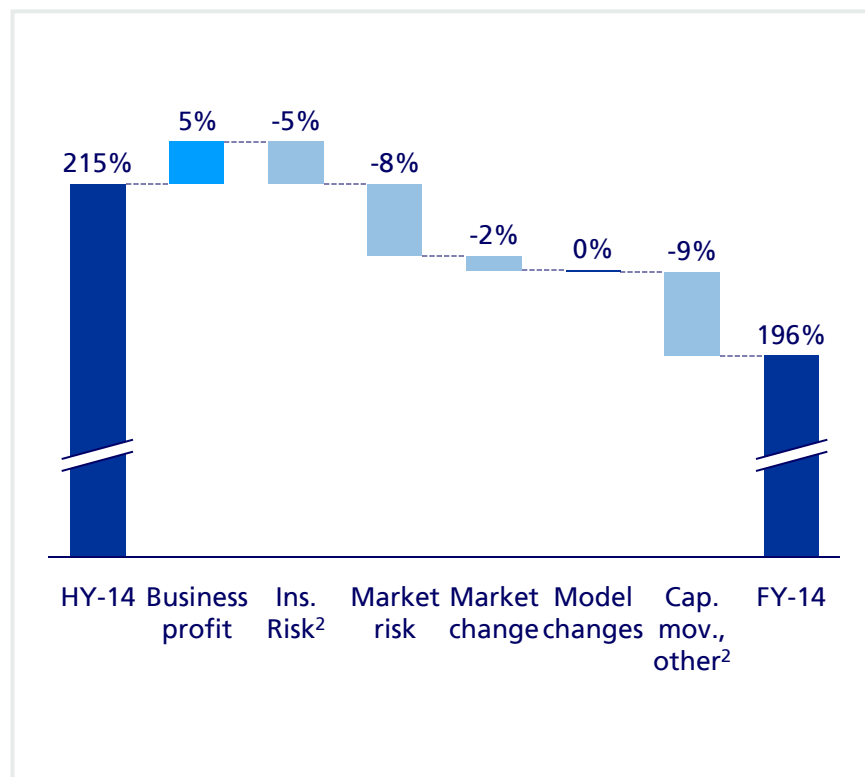
# Group – Economic capital models

Continued strong solvency position

## Z-ECM RATIO DEVELOPMENT (%)



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



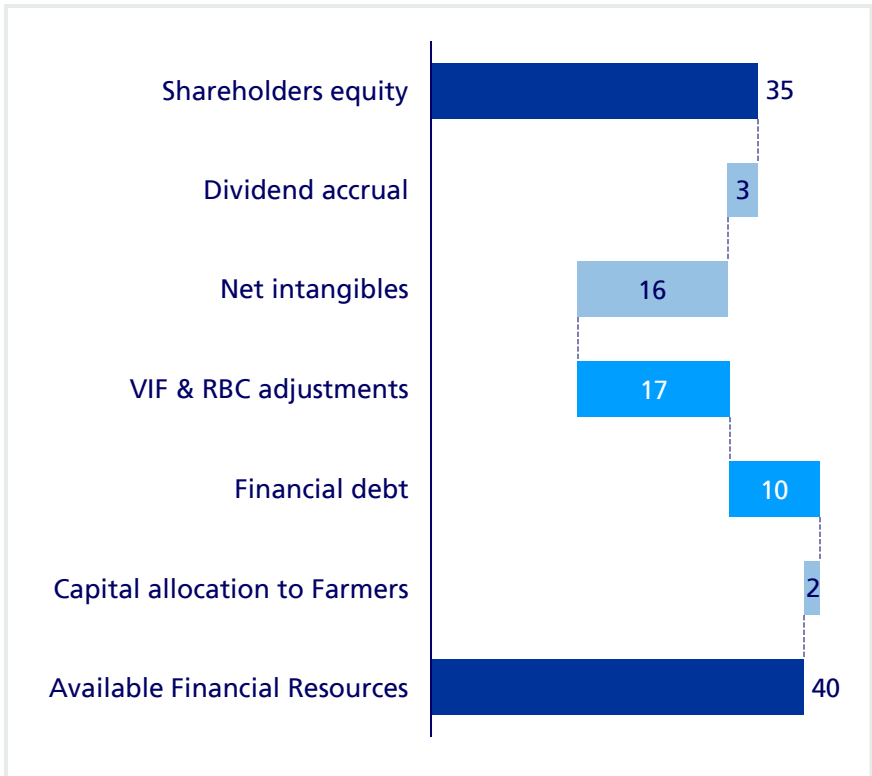
<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

<sup>2</sup> Insurance risk, capital movements and change in diversification benefit.

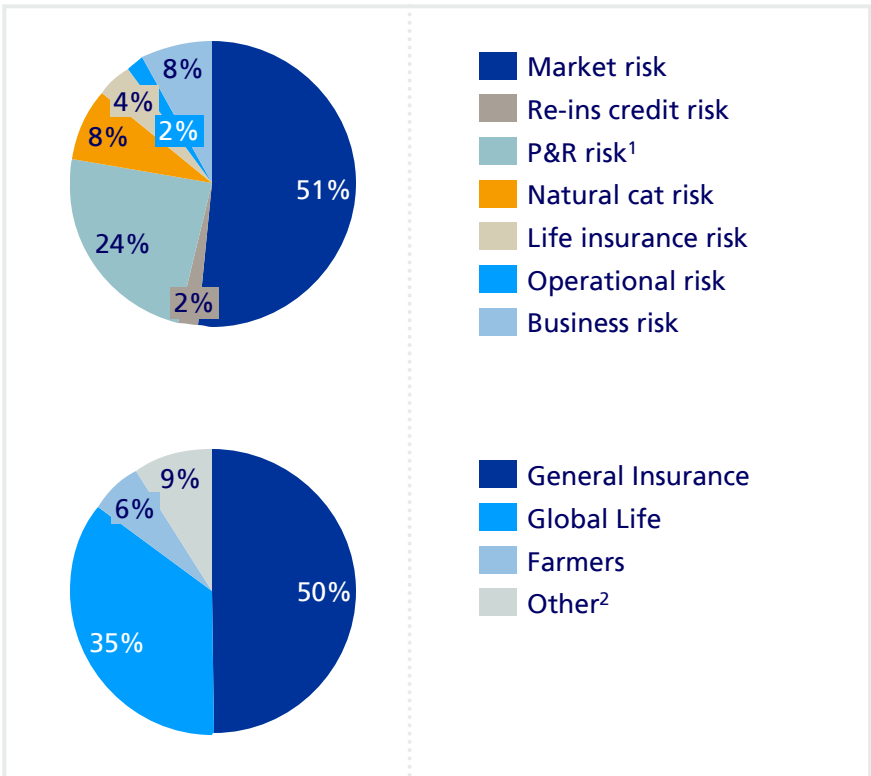
# Group – Z-ECM components

Well diversified capital base by risk type

## Q1-15 AFR COMPOSITION (USDbn)



## RBC BY RISK TYPE AND BUSINESS



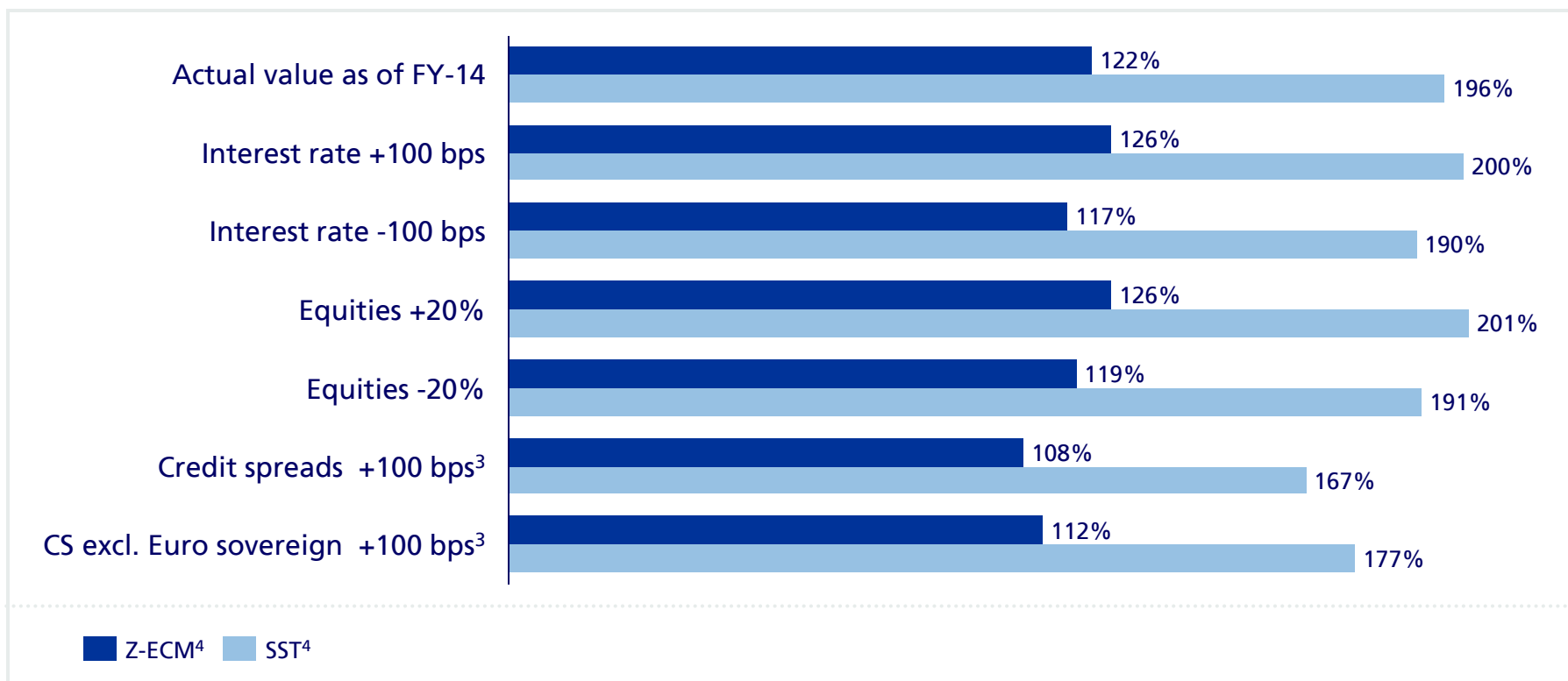
<sup>1</sup> Premium & reserving risk.

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

# Group – Solvency ratio sensitivities<sup>1</sup>

Solvency ratios resilient to market movements

## SOLVENCY RATIO IMPACT<sup>2</sup>



<sup>1</sup> Sensitivities are best estimate and non-linear, i.e. will vary depending on prevailing market conditions at the time. They reflect recent model changes in Z-ECM.

<sup>2</sup> The impact of the changes to the required capital is approximated and only taken into account on Market risk.

<sup>3</sup> Credit Spreads (CS) include mortgages and incl./excl. Euro sovereign spreads. Z-ECM sensitivity is net of profit sharing with policyholders.

<sup>4</sup> Z-ECM: 99.95% Value at Risk; SST: 99.00% Expected Shortfall.

# Group – EPS, BVPS and ROE calculations<sup>1</sup>

## EPS AND BVPS (CHF)

No., CHF	FY-14	HY-15
Common shares issued	149.64m	150.40m
Treasury shares	1.29m	1.25m
Common shares outst.	148.34m	149.15m
WAvG for basic EPS	148.03m	148.76m
Dilution impact	1.32m	1.25m
WAvG diluted EPS	149.35m	150.00m
<b>NIAS (USDm)</b>	<b>3,949</b>	<b>2,059</b>
Avg USD/CHF rate	1.094	1.056
<b>Basic EPS</b>	<b>24.39</b>	<b>13.10</b>
<b>Diluted EPS</b>	<b>24.17</b>	<b>12.99</b>
<b>BVPS<sup>3</sup></b>	<b>232.65</b>	<b>200.10</b>

## BOPAT ROE AND ROE (%)

USDm, %	FY-14	HY-15
<b>SHE</b>	<b>34,735</b>	<b>31,883</b>
Net URGL / CF hedges	4,374	3,405
Adj. SHE	30,362	28,478
Avg. adj. SHE <sup>2</sup>	30,320	29,074
<b>BOP</b>	<b>4,638</b>	<b>2,238</b>
SH effective income tax rate	27.0%	24.5%
<b>BOP after tax</b>	<b>3,386</b>	<b>1,690</b>
NIAS	3,949	2,059
<b>BOPAT ROE<sup>2</sup></b>	<b>11.2%</b>	<b>11.6%</b>
NIAS ROE <sup>2</sup>	13.0%	14.2%

<sup>1</sup> Earnings per share (EPS), Book value per share (BVPS), Business Operating Profit after Tax (BOPAT), Shareholders equity (SHE), Unrealized gains/losses (URGL), Average (Avg), Weighted average (WAvG).

<sup>2</sup> Denominator is calculated as the sum of each quarterly average, divided by the number of quarters. HY-15 ROE calculations are annualized.

<sup>3</sup> Based on common shares outstanding and end-period USD/CHF rates of 1.006 and 1.030.

# Group – Currency impact

Move in currency is mainly translational

## HY-15 KEY RESULTS

	KPI	USDm	reported	at constant currency
<b>Group</b>	BOP	2,238	-15%	-10%
	NIAS	2,059	-3%	+2%
<b>General Insurance</b>	GWP	18,669	-7%	+3%
	NEP	13,928	-7%	+2%
	Net underwriting result	230	-64%	-66%
	Investment income	988	-9%	-2%
	BOP	1,166	-31%	-27%
<b>Global Life</b>	APE	2,443	+3%	+19%
	NBV	411	-15%	-5%
	BOP	673	+6%	+21%
<b>OOB</b>	BOP	-330	+27%	+22%

# For further information

## CALL US

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Gianni Vitale	+41 44 625 48 26

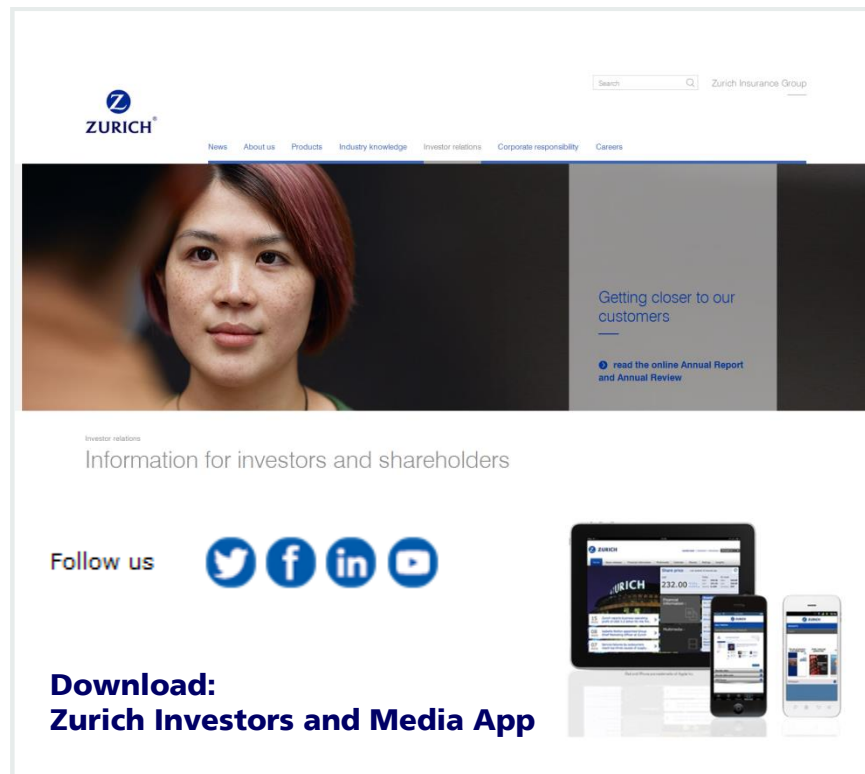
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## VISIT OR FOLLOW US



The screenshot shows the Zurich Investor Relations website. At the top, there is a search bar and the Zurich logo. The navigation menu includes: News, About us, Products, Industry knowledge, Investor relations, Corporate responsibility, and Careers. The main content area features a large image of a woman's face on the left and a text box on the right that says "Getting closer to our customers" with a link to "read the online Annual Report and Annual Review". Below this, there is a section for "Investor relations" with the text "Information for investors and shareholders". Further down, there is a "Follow us" section with icons for Twitter, Facebook, LinkedIn, and YouTube. At the bottom, there is a "Download: Zurich Investors and Media App" section with images of a tablet, a smartphone, and a smartphone displaying the app interface.

**Calendar:**

- September 29 - October 1, BoAML Conference, London
- November 5, Results for the nine months to September 30, 2015
- February 11, 2016, Annual Results 2015

