

Zurich exceeds all 2017-2019 targets with strong 2019 results; proposes increase in dividend to CHF 20 per share

- **Full-year 2019 results:**
 - **Business operating profit (BOP) up 16% to USD 5.3 billion and net income after tax attributable to shareholders up 12% to highest since 2010**
 - **Proposed rise in dividend to CHF 20 per share**
 - **BOP up 38% in Property & Casualty, 2% in Life on a like-for-like¹ basis, and 4% at Farmers**
- **All 2017 to 2019 Group targets exceeded:**
 - **2019 business operating profit after tax return on equity at 14.2% versus target of in excess of 12% and increasing**
 - **Cumulative net cash remittances USD 10.9 billion vs target of USD 9.5 billion**
 - **Net cost savings above target at USD 1.56 billion**
 - **Estimated Zurich Economic Capital Model ratio at a very strong 129%² and above the 100-120% target range**

Zurich Insurance Group (Zurich) today reported a 16% increase in 2019 business operating profit and proposed raising the dividend to CHF 20 per share as the company benefits from an improved business mix, reduced volatility and enhanced profitability.

Group Chief Executive Officer Mario Greco said: “Today’s results confirm that we have successfully executed our plans over the last three years. It was an amazing journey, during which we significantly strengthened the business, organically and through transactions, reduced P&L volatility and improved customer services. This is also reflected in a further proposed increase of our dividend to CHF 20 per share, the third increase in a row.”

“Today, we feel proud of these results and we are aware of our strengths: we are a simpler, more agile and more efficient company with a compelling strategic vision which will continue guiding us for the next phase of our journey. Very importantly, both customer and employee satisfaction have been rising through the last years. With this we are well positioned to meet the ambitious new targets we set ourselves for the

next three years. We look forward with real confidence and excitement as we continue our strategic journey.”

“We remain committed to supporting our customers, employees and communities in facing challenges such as climate change and work security, and will continue to play a leading role in building a more sustainable future.”

Select financial highlights (unaudited)

(For a more comprehensive set of financial highlights see page 9)

in USD millions, for the 12 months ended December 31, unless otherwise stated	2019	2018	Change in USD
Business operating profit (BOP)	5,302	4,566	16%
Net income after tax attributable to shareholders (NIAS)	4,147	3,716	12%
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	14.2%	12.1%	2.2pts

Business operating profit (BOP) for 2019, was USD 5.3 billion, up 16% compared with the prior year period. This was driven by underlying growth across the business and a strong underwriting performance in Property & Casualty (P&C).

Delivering relevant innovation for our customers

Zurich continued to execute its customer focused strategy, showing further improvement in the level of customer satisfaction in the majority of its key retail markets as measured by the net promoter score (NPS) with resulting improvements in customer retention. The aggregated NPS score rose 10 points in 2019 from the prior year.

Zurich continues to develop a range of more flexible and innovative solutions aimed at the evolving needs of its customers, while also continuing to develop propositions for the travel, mobility and well-being ecosystems.

Cover-More, the Group's innovative travel and assistance provider has continued to evolve its propositions while driving growth. In Australia, LiveWell, a new wellness proposition that offers benefits to customers, has been taken up by around 30% of new life policyholders.

Following the successful conclusion of the inaugural Zurich Innovation Championship in early 2019, the Group continues to work with 10 of the winners and finalists. A second edition of the championship has received [more than 1,300 entries](#) from startups in 68 countries and territories.

Growing access to potential customers

Zurich increased access to potential customers worldwide through acquisitions, expansion and distribution agreements.

Zurich completed the previously announced acquisitions of OnePath Life in Australia and of an 80% stake in PT Asuransi Adira Dinamika (Adira Insurance) in Indonesia. These position the Group as a leading retail life insurer in Australia and the largest international P&C insurer in Indonesia.

In addition, the Farmers Exchanges⁴ completed their plans for expanding in the Eastern U.S., and Zurich added new distribution agreements in industries ranging from retail to banks, with the potential to provide access to over 40 million customers. These included agreements with MediaMarkt Saturn in Germany, Tokyo Gas in Japan, and Swisscom and AMAG in Switzerland.

Zurich also entered into a 15-year distribution agreement with Alliance Bank in Malaysia. The completion of the acquisitions of OnePath Life and Adira Insurance saw the launch of the associated distribution partnerships with ANZ bank in Australia and PT Bank Danamon and Adira Finance in Indonesia.

Taking responsibility for the world in which we live

In 2019 Zurich took further steps towards its ambition to be one of the most responsible and impactful businesses in the world by becoming the first insurance company to commit to the UN Global Compact Business Ambition for 1.5°C Pledge. Zurich also pledged to use 100% renewable power in all of its global operations by 2022. In line with these commitments Zurich has continued to actively engage with both customers and companies in which it invests to support their own transition to

more sustainable business practices. Together with Zurich's industry-leading data commitment, these initiatives position the Group at the forefront of developing a more responsible and sustainable insurance industry.

Business performance

(for the 12 months ended December 31, 2019)

Property & Casualty

in USD millions, for the 12 months ended December 31,
unless otherwise stated

	2019	2018	Change in USD	Change like-for- like ¹
P&C gross written premiums and policy fees	34,184	33,505	2%	6%
P&C business operating profit (BOP)	2,878	2,085	38%	46%
P&C combined ratio	96.4%	97.8%	1.4pts	

- **Property & Casualty (P&C) BOP up 38%, with improved accident year combined ratio excluding catastrophes, favorable prior year reserve development and higher investment results**

Property & Casualty (P&C) results demonstrate further strong year-on-year progress with BOP up 38%. This was driven by an improved underwriting performance and higher investment results, which more than compensated for a challenging year in the North American crop business. In 2020, Zurich expects to deliver further improvement in underwriting performance as the benefits of changes to the business mix, together with improved pricing and lower expenses continue to contribute to the Group's results.

During 2019 the P&C business returned to top-line growth driven by a combination of improved pricing and underlying growth. Gross written premiums grew 6% on a like-for-like¹ basis, adjusting for currency movements, acquisitions and disposals, with growth achieved in all regions. In U.S. dollars gross written premiums grew 2%. The Group achieved price increases of about 4% overall, with the level of increases improved across most regions compared to the previous year and throughout the year. Improvements in pricing were particularly strong in North America where price increases rose sequentially in each quarter, with price increases of 10% achieved in the discrete fourth quarter.

The combined ratio for 2019 of 96.4% improved by 1.4 percentage points year-on-year driven by a reduction in the underlying accident year combined ratio excluding natural catastrophes of 0.6 percentage points, and a lower level of natural catastrophe losses.

Life

in USD millions, for the 12 months ended December 31,
unless otherwise stated

	2019	2018	Change in USD ²	Change like-for- like ^{1,3}
Life gross written premiums, policy fees and insurance deposits	33,479	33,448	0%	4%
Life business operating profit (BOP)	1,486	1,554	(4%)	2%
Life new business annual premium equivalent (APE)	4,331	4,639	(7%)	(3%)
Life new business margin, after tax (as % of APE)	25.8%	24.1%	1.8pts	2.2pts
Life new business value, after tax	976	981	(1%)	4%

- **Life business operating profit up 2% on a like-for-like¹ basis**

Life results were strong against the high prior year level. On a like-for-like¹ basis, before the impact of currency movements, acquisitions and disposals, BOP increased 2%.

Underlying growth in EMEA and Latin America more than compensated for a decline in Asia Pacific and North America. As reported in U.S. dollars, BOP declined 4% due to a stronger U.S. dollar relative to a number of key currencies.

New annual premium equivalent (APE) sales declined 7%. Underlying growth was achieved in all regions, with particular growth coming from the corporate pension business in Switzerland, higher unit-linked sales in Brazil and Italy, as well as the retail protection business in the UK. This was offset by the absence of two large corporate protection schemes written in the prior year and the impact of currency movements.

New business value (NBV) decreased 1%. Higher underlying margins as a result of improved business and country mix together with positive operating assumption changes were offset by adverse updates to economic assumptions and unfavorable foreign currency translation effects.

The new business margin increased by 1.8 percentage points to 25.8%.

Farmers

in USD millions, for the 12 months ended December 31, unless otherwise stated	2019	2018	Change in USD ¹
Farmers Exchanges⁴			
Gross written premiums	20,656	20,325	2%
Gross earned premiums	20,441	20,171	1%
Combined ratio	100.0%	99.9%	(0.1pts)
Surplus ratio	41.5%	39.5%	2.0pts
Farmers			
Farmers business operating profit (BOP)	1,707	1,643	4%
Farmers Management Services (FMS) management fees and related revenues	3,780	3,204	18%
Farmers Life annual premium equivalent (APE)	82	84	(3%)
Farmers Life new business value (NBV)	93	113	(18%)

- **Farmers BOP up 4%, with 2% growth in Farmers Exchanges⁴ gross written premiums**

Farmers BOP of USD 1,707 million was 4% higher than the prior year. This was driven by a positive performance in both Farmers Management Services and Farmers Life, which offset lower earnings from Farmers Re.

After a successful launch, ToggleSM, a new and innovative rental insurance offering aimed at millennials, has been rolled out to 23 additional states in 2019.

The Farmers Exchanges⁴, which are owned by their policyholders, showed continued growth. Gross written premiums increased by 2% compared to the prior year, with growth coming from all lines of business. Growth was supported by the expansion of the Farmers Exchanges⁴ in the Eastern U.S., with their exclusive agency network now spanning 36 states and independent channels active across all states. The agreement with Uber to provide commercial rideshare insurance was also broadened. Building on the experience in the initial two states of Pennsylvania and Georgia, this was expanded to 12 additional states and the District of Columbia. The Farmers Exchanges⁷⁴ combined ratio stood at 100.0%, broadly in line with the prior year. The Farmers Exchanges⁷⁴ surplus ratio increased by 2.0 percentage points to 41.5%. This was driven

by organic growth of surplus which more than offset the impact of a reduction in the all lines quota share treaty from 29% to 26% effective December 31, 2019.

The Farmers Exchanges⁴ continued to make progress with their customer-focused strategy as illustrated by both the net promoter score and retention rate which were above prior year levels.

Farmers Management Services (FMS) management fees and other related revenues increased 18% compared to the prior year. The increase was driven by underlying growth of 1% and a change in accounting treatment which has no impact on FMS's business operating profit and managed gross earned premium margin.

Farmers Life new business APE was 3% lower than in the prior year, while new business value decreased by 18% driven by lower sales volumes, modeling changes, and the impact of assumption updates made in the prior year.

Group Functions & Operations net operating loss of USD 716 million was USD 36 million lower than in the prior year. The improvement was driven by a further reduction in headquarter expenses.

The Group's **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 52 million. The loss reflected the net impact of previously announced transactions to exit legacy portfolios related to UK employer's liability, U.S. asbestos and environmental business, and German professional architects' and engineers' professional indemnity.

The **net investment result on Group investments**, which includes net investment income, realized net capital gains, and losses and impairments, contributed USD 7.4 billion to the Group's total revenues for the full year of 2019, up 18% on the prior year. The net return on Group investments was 3.9%.



Shareholders' equity increased by 16% to USD 35.0 billion over the year mainly as a result of movements in asset values, with net income of USD 4.1 billion partially offset by the capital returned to shareholders through dividends.

¹ In local currencies and adjusted for closed acquisitions and disposals.

² Reflects midpoint estimate as of December 31, 2019, with an error margin of +/- 5pts for Z-ECM.

³ Parentheses around numbers represent an adverse variance.

⁴ 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 certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the twelve months ended December 31, 2019, and December 31, 2018, and the financial position as of December 31, 2019, and December 31, 2018, respectively. 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 up 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 other financial reports published by Zurich Insurance Group on zurich.com. 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 measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for the IFRS figures.

in USD millions, for the 12 months ended December 31, unless otherwise stated	2019	2018	Change ¹
Business operating profit (BOP)	5,302	4,566	16%
Net income attributable to shareholders after tax	4,147	3,716	12%
P&C business operating profit (BOP)	2,878	2,085	38%
P&C gross written premiums and policy fees	34,184	33,505	2%
P&C combined ratio	96.4%	97.8%	1.4pts
Life business operating profit (BOP)	1,486	1,554	(4%)
Life gross written premiums, policy fees and insurance deposit	33,479	33,448	0%
Life new business annual premium equivalent (APE) ²	4,331	4,639	(7%)
Life new business margin, after tax (as % of APE) ²	25.8%	24.1%	1.8pts
Life new business value, after tax ²	976	981	(1%)
Farmers business operating profit (BOP)	1,707	1,643	4%
Farmers Management Services management fees and related revenues	3,780	3,204	18%
Farmers Management Services managed gross earned premium margin	7.0%	7.0%	(0.0pts)
Farmers Life new business annual premium equivalent (APE) ²	82	84	(3%)
Average Group investments ³	190,237	190,235	0%
Net investment result on Group investments ³	7,391	6,288	18%
Net investment return on Group investments ^{3,4}	3.9%	3.3%	0.6pts
Total return on Group investments ^{3,4}	8.2%	0.6%	7.6pts
Shareholders' equity ⁵	35,004	30,109	16%
Z-ECM ⁶	129%	124%	5pts
Diluted earnings per share (in CHF)	27.51	24.28	13%
Book value per share (in CHF)	228.95	201.71	14%
Return on common shareholders' equity (ROE) ⁷	14.4%	13.1%	1.3pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁷	14.2%	12.1%	2.2pts

¹ Parentheses around numbers represent an adverse variance.

² Details of the principles for calculating new business are included in the embedded value report in the annual results 2019. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

³ Including investment cash.

⁴ Calculated on average Group investments.

⁵ Balance as of December 31, 2019, includes adjustment for effect of adoption of IFRS 16 and IAS 29.

⁶ Ratio as of December 31, 2019, reflects midpoint estimate with an error margin of +/- 5 pts.

⁷ Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Further information

Supplemental financial information and written comments to accompany the [investor presentation](#) will be available from 06:45 CET on our [webpage](#).

The Annual Report 2019, with detailed information about Zurich's financial performance, will be published on Zurich's [webpage](#) on March 6, 2020.

Live media event

There will be a press conference at the Zurich Development Center (Keltenstrasse 48, 8044 Zurich) starting at 08:45 CET with Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. Journalists who are unable to attend in person, may dial in using the details provided below. The presentation will be held in English.

Q&A session for analysts and investors

There will be a conference call Q&A session for analysts and investors starting at 13:00 CET. Media may listen in. A podcast of this Q&A session will be available from 17:00 CET.

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Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The 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 Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information about Zurich is available at www.zurich.com.



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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 inter-insurance 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 services and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

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

Persons requiring advice should consult an independent adviser.

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