

# Results for the nine months to September 30, 2015

Investor & Media presentation  
November 5, 2015

Zurich Insurance Group



# Results overview

Martin Senn, Chief Executive Officer



# Key messages

## Q3 GI results

General Insurance operating loss of USD 0.2bn and combined ratio of ~109% for Q3, in-line with preliminary indications

## GI review

Operational review of General Insurance has identified clear action plan, first steps taken

## Life and Farmers

Global Life and Farmers are on track

## Capital

Z-ECM ratio above target range at 30 June, plans for capital deployment to be communicated with FY results

# Key financials

Q3 results in-line with preliminary indications

## Q3-15 KEY RESULTS

**BOP**

**USD 0.3bn (-79%)**

**GI CR**

**108.9%  
(+12.2pts)**

**NIAS**

**USD 0.2bn (-79%)**

## 9m-15 KEY RESULTS

**BOP**

**USD 2.5bn (-35%)**

**GI CR**

**101.9%  
(+5.8pts)**

**NIAS**

**USD 2.3bn (-27%)**

# General Insurance – Review

Operational review has identified key actions

## 5 WORK STREAMS

**1** Financial base-lining and ambition setting

**2** Technical excellence

**3** Expense reduction

**4** Strategy and portfolio focus

**5** Organization and governance

## KEY ASPECTS OF REVIEW

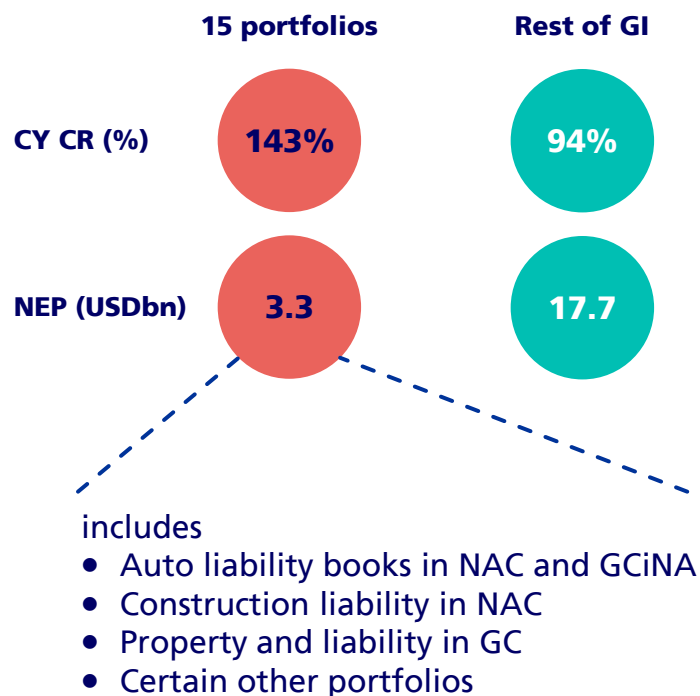
- Re-evaluating GI's current underlying earnings power, with detailed plans in place for each business unit
- Evaluate options to use reinsurance to reduce earnings volatility
- Portfolios with high underwriting loss subject to detailed investigation
- Actions agreed for key portfolios including reunderwriting, repricing and portfolio exits, with execution subject to monthly reviews
- Full transparency on planned cost evolution – for overall GI and individual BUs
- 2016 cost target developed on GI and regional level; identification of additional cost savings opportunities ongoing
- Re-evaluation of key strategic priorities for each country
- Further footprint actions identified
- Streamline GI governance and organization
- Headcount reductions initiated for Global Corporate and GI Corporate Centre, subject to formal consultation process

# General Insurance – Status update

Plan to get back on track in 2016, reduce gap to peers in 2017+

## 15 UNDERPERFORMING PORTFOLIOS<sup>1</sup>

## COMMENTS



- Key strengths to build on
  - Well diversified portfolio
  - Excellent franchises, including GC
  - Strong technical foundations and talent base
  - Global distribution reach
- Clear plans for improvement in 2016
  - Reunderwriting and enhanced discipline within parts of Global Corporate
  - Address profitability challenges in some other portfolios
  - Expense efficiency
  - Reduced earnings volatility
- Plan to reduce gap to top-tier competitors post 2016 through enhanced technical performance and improved efficiency

<sup>1</sup> As of 9m-15.

# Financial highlights

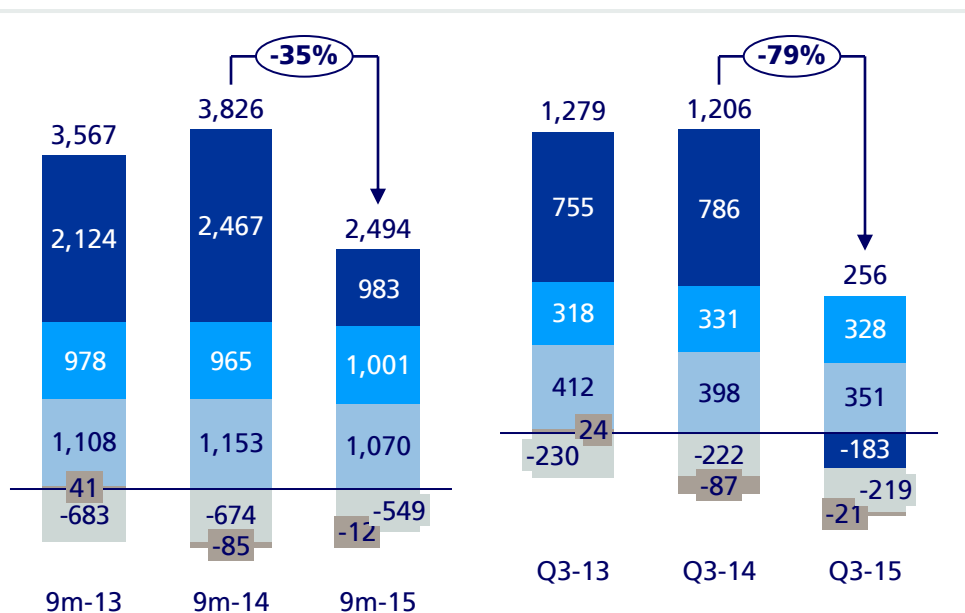
George Quinn, Chief Financial Officer



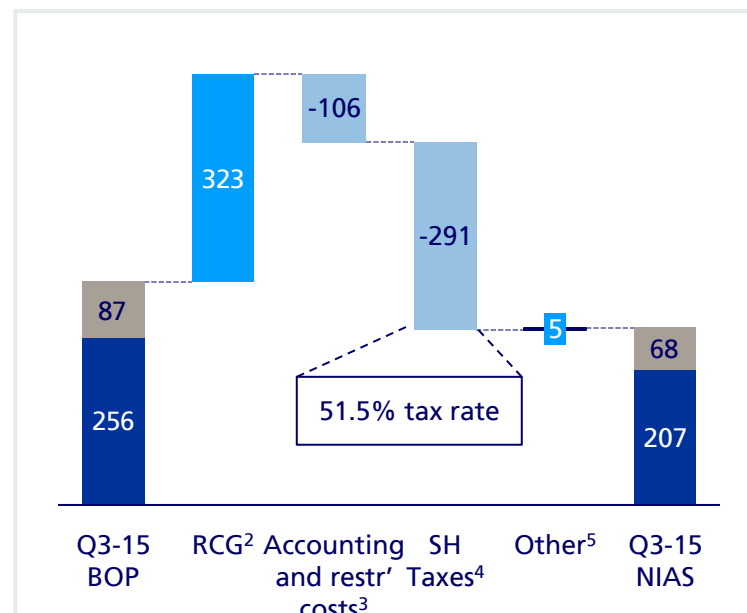
# Group – Business operating profit

Disappointing GI results, other businesses on track

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



## BOP TO NIAS WALK (USDm)



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

■ 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).

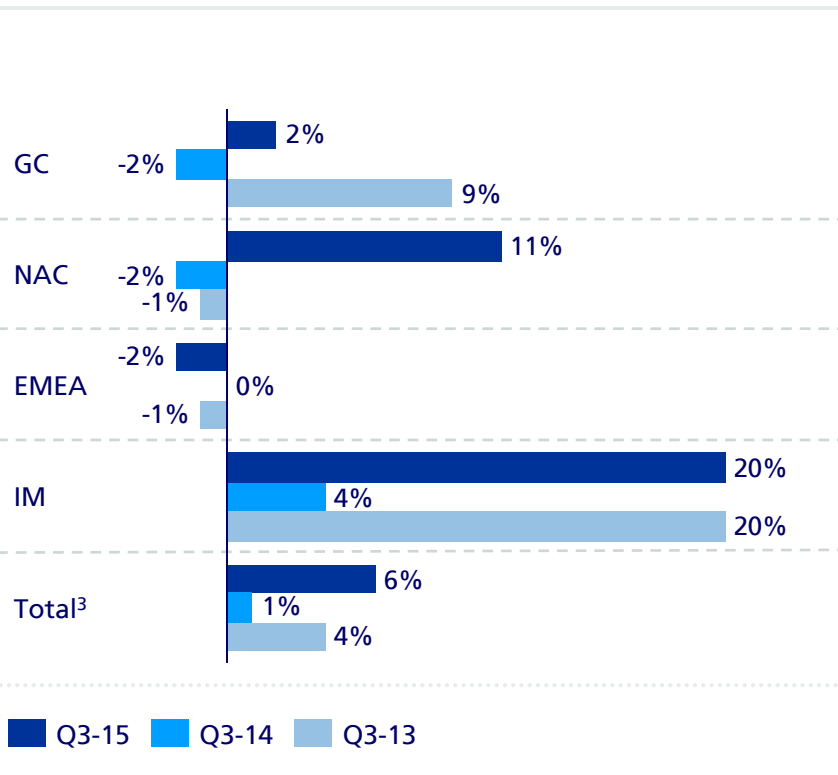
<sup>5</sup> Includes change in estimate of earn-out liabilities.



# General Insurance – Topline

Rate environment consistent with previous quarters

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



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

	Q3-14	Q2-15	Q3-15
GC	2%	-1%	0%
NAC	0%	1%	1%
EMEA	2%	1%	1%
IM	5%	4%	6%
Total <sup>3</sup>	2%	1%	2%

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

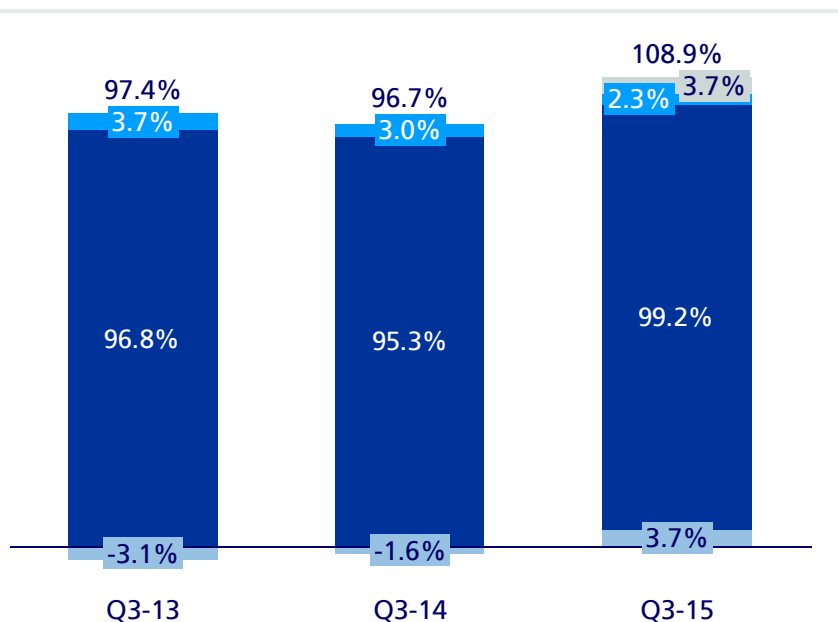
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

# General Insurance – Combined ratio

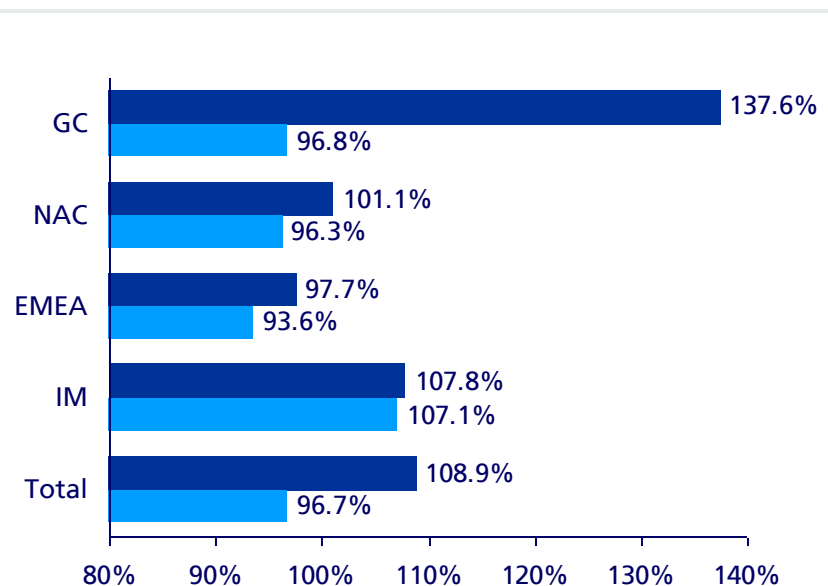
Poor results in Global Corporate

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



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

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



Q3-15    
  Q3-14

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

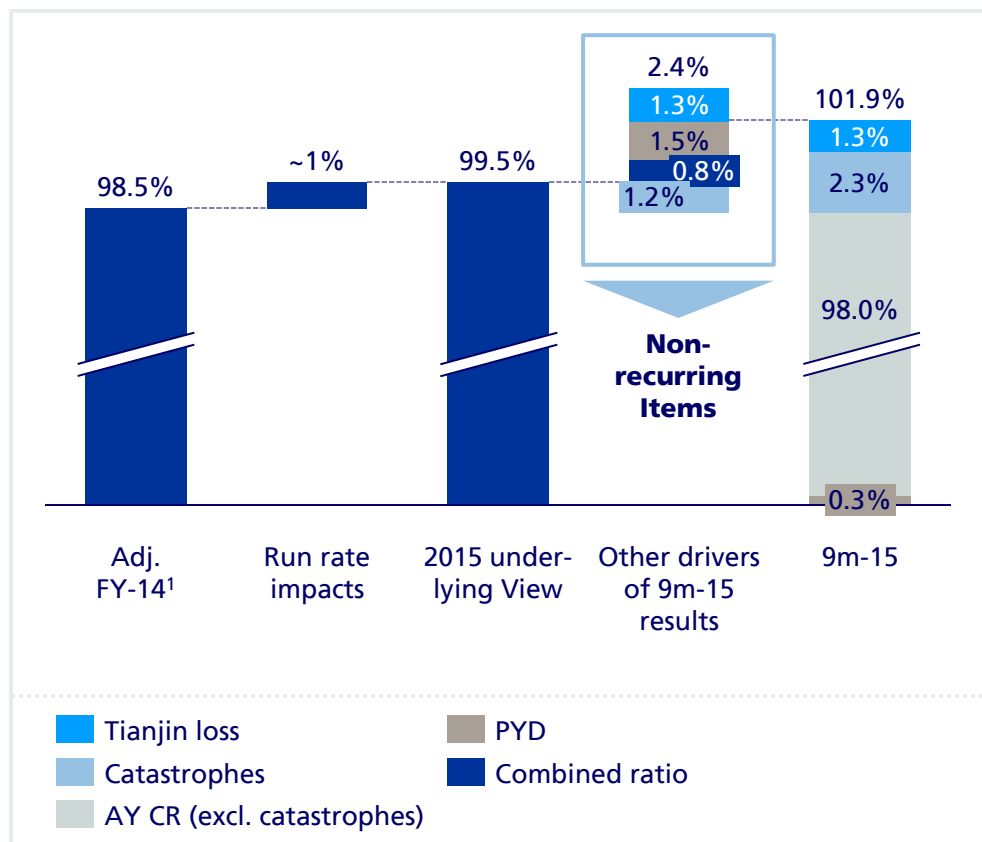
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes, including significant weather related events.

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

# General Insurance – Combined ratio walk

Results significantly impacted by non-recurring factors

## FY-14 NORMALIZED<sup>1</sup> TO 9m-15 COMBINED RATIO



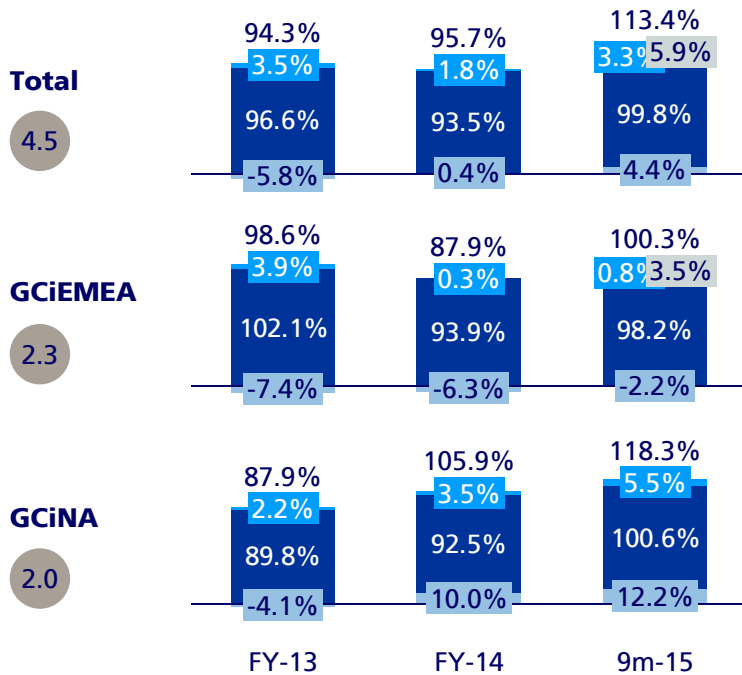
- Tianjin loss, adverse PYD and low nat cat losses viewed as non-recurring
- Current year loss ratio impacted by high frequency of mid-sized and large losses – around 1pt of this increase is viewed as recurring
- GI review actions under way to deliver improvement from 2015 underlying CR of ~99.5%
- No major reserve issues identified in results process or GI review, maintain expectation of 1-2% positive PYD

<sup>1</sup> Normalizations include adjustment to the planned catastrophe level, positive and negative one-offs; numbers rounded.

# General Insurance – Global Corporate

## Turnaround actions in US

### COMBINED RATIO (%)



### COMMENTS

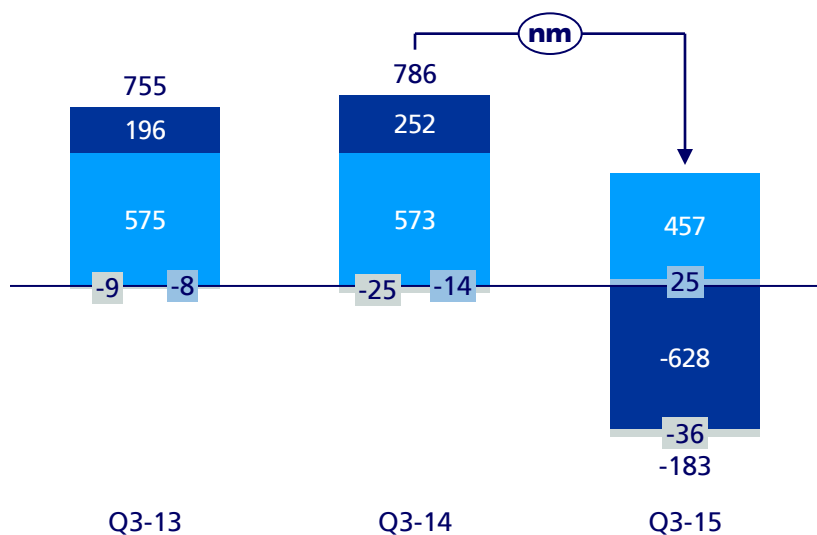
- North America and the impact of Tianjin are main drivers of poor results
- Actions under way to fix US business:
  - Exiting underperforming portfolios
  - Further rate tiering
  - Optimize reinsurance coverage to reduce large loss volatility
  - Expense actions
- Global Corporate remains a priority business for the Group, with best-in-class customer proposition

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

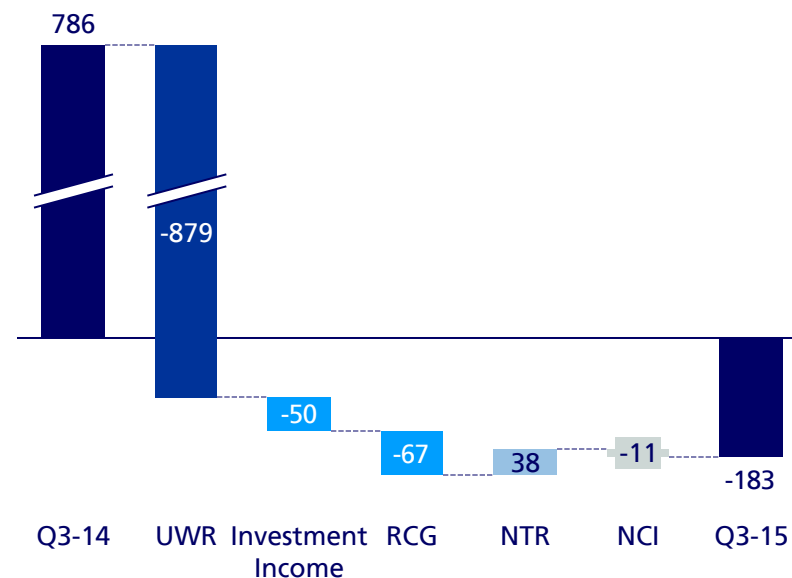
# General Insurance – BOP components

Negative BOP in Q3 due to underwriting loss

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



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



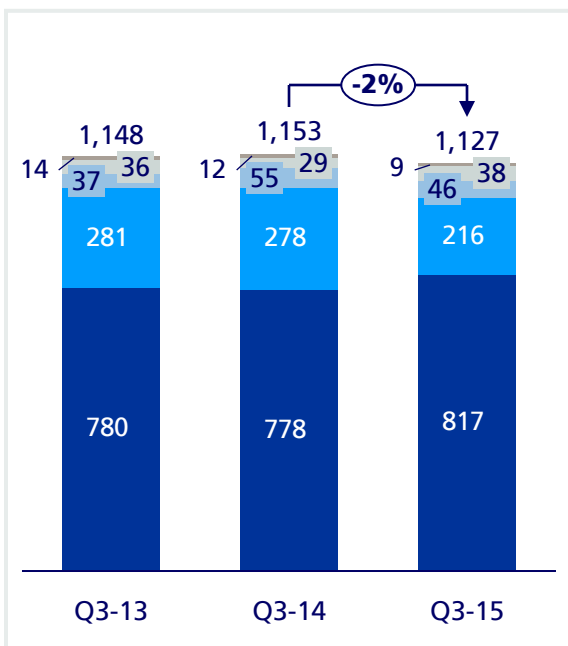
■ Underwriting result 
 ■ Investment inc. / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

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

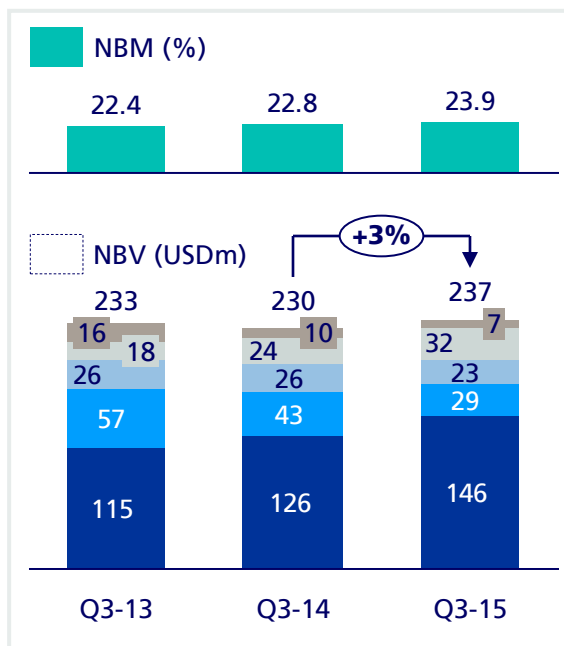
# Global Life – New business

APE growth in EMEA offset by currency impacts with overall higher margin

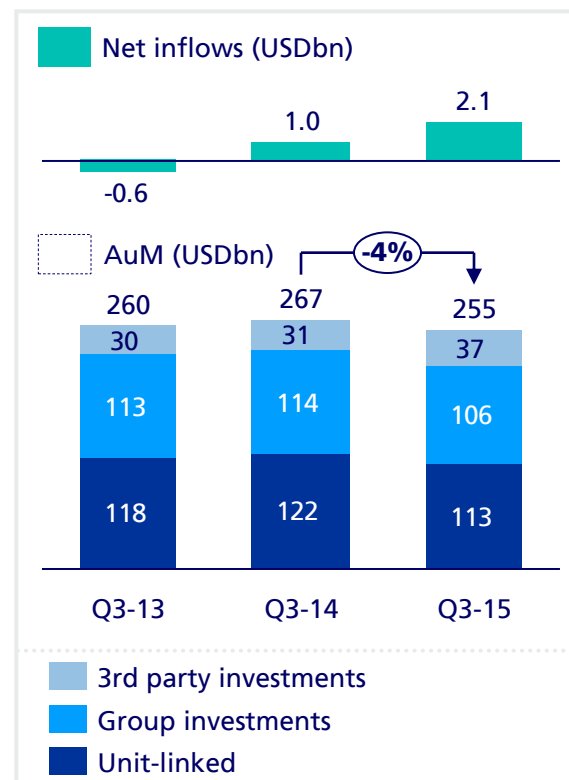
## APE (USDm)<sup>1,4</sup>



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



## NET INFLOWS<sup>3</sup> & AUM<sup>5</sup>



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.

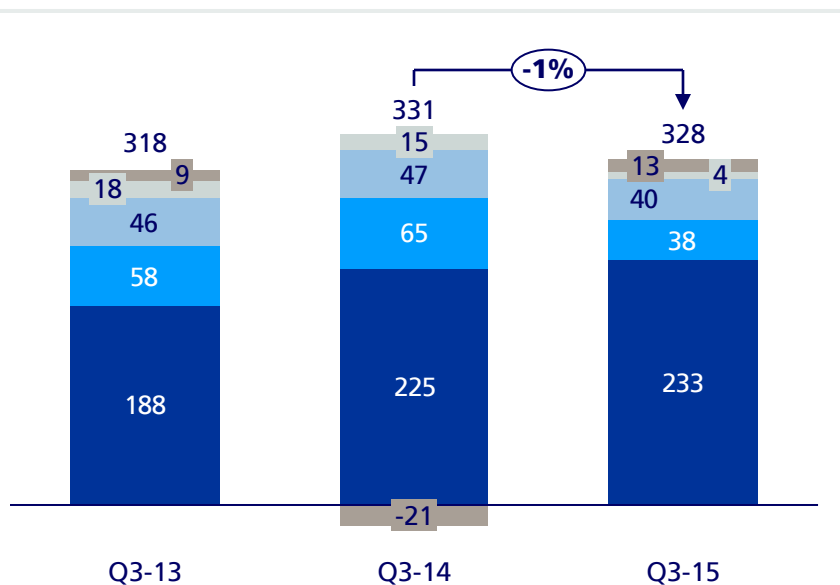
<sup>5</sup> AuM is reported as at the respective quarter end.

# Global Life – BOP by region

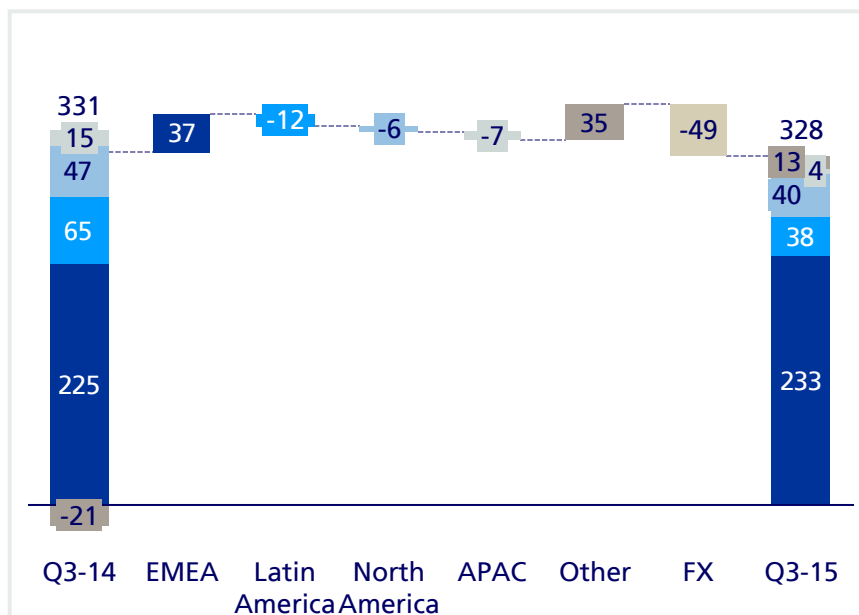
EMEA drives a BOP increase, offset by currency impacts



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



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



Other APAC North America Latin America EMEA

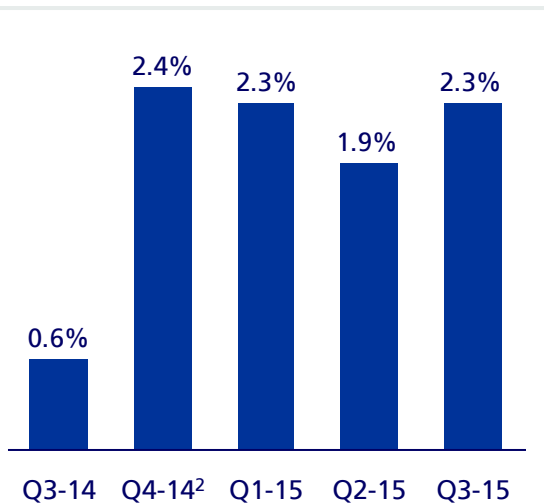
<sup>1</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

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

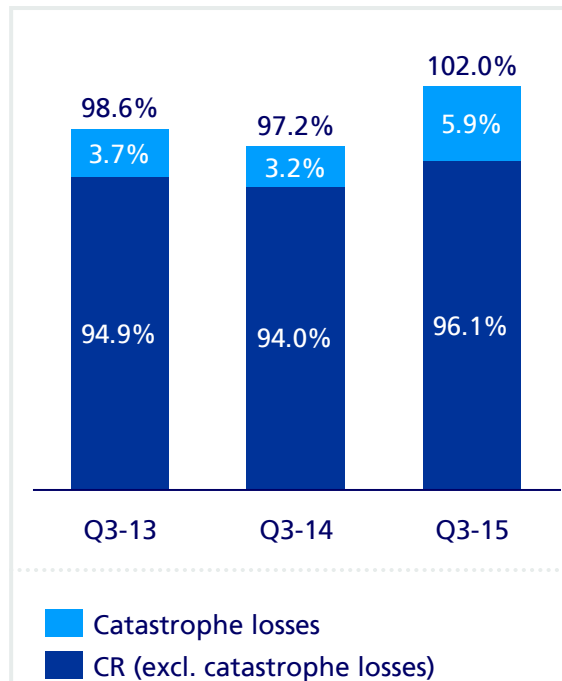
Top-line recovery continues, CR impacted by auto claims trends



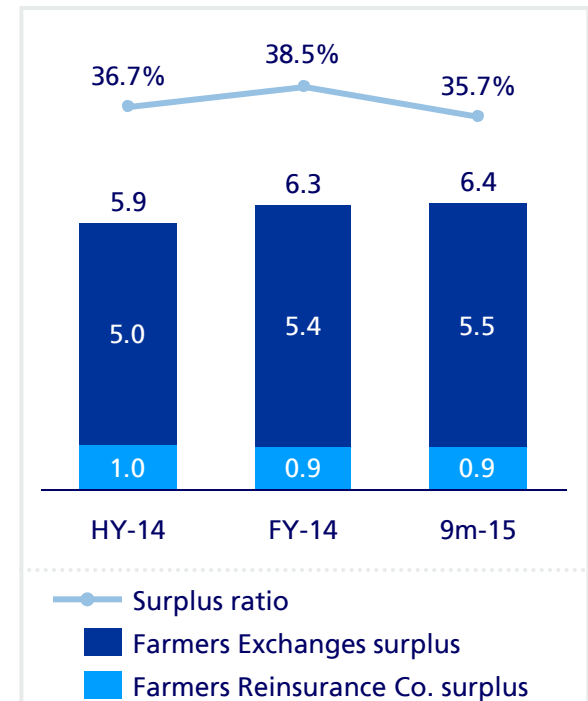
## GWP GROWTH (%)



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



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



<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.

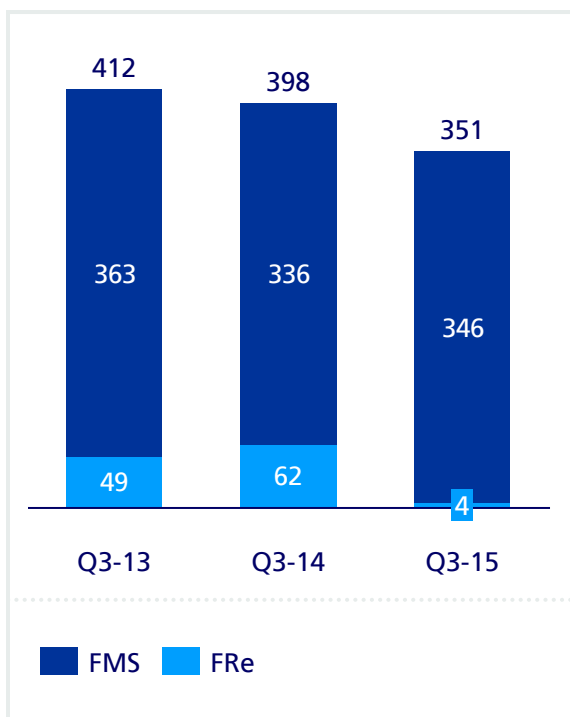
<sup>4</sup> Surplus ratio excludes surplus of Farmers Reinsurance Company.



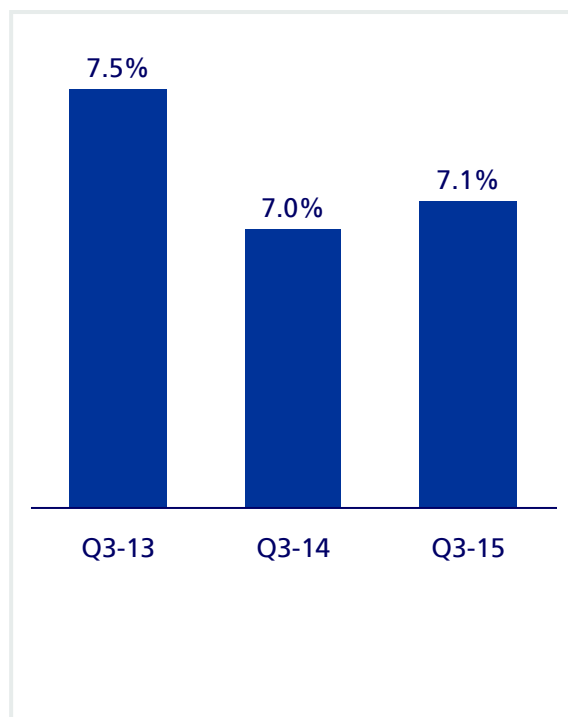
# Farmers – KPIs

Good FMS results, Farmers Re impacted by higher CR

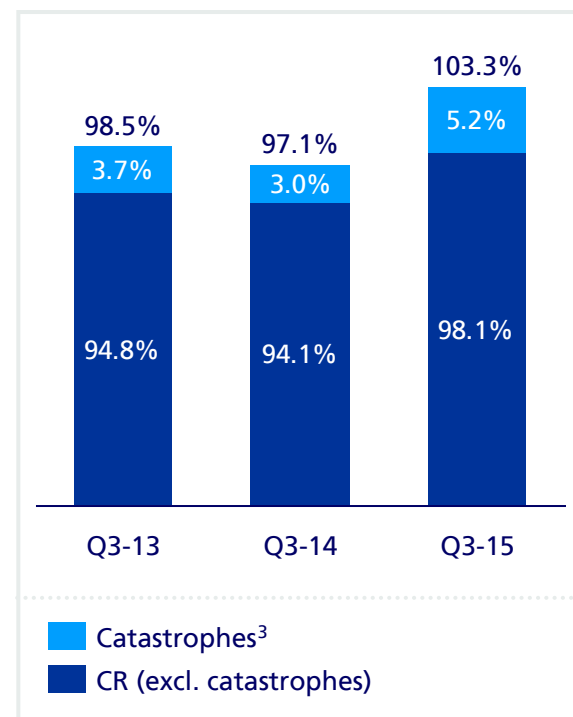
## BOP (USDm)



## 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).

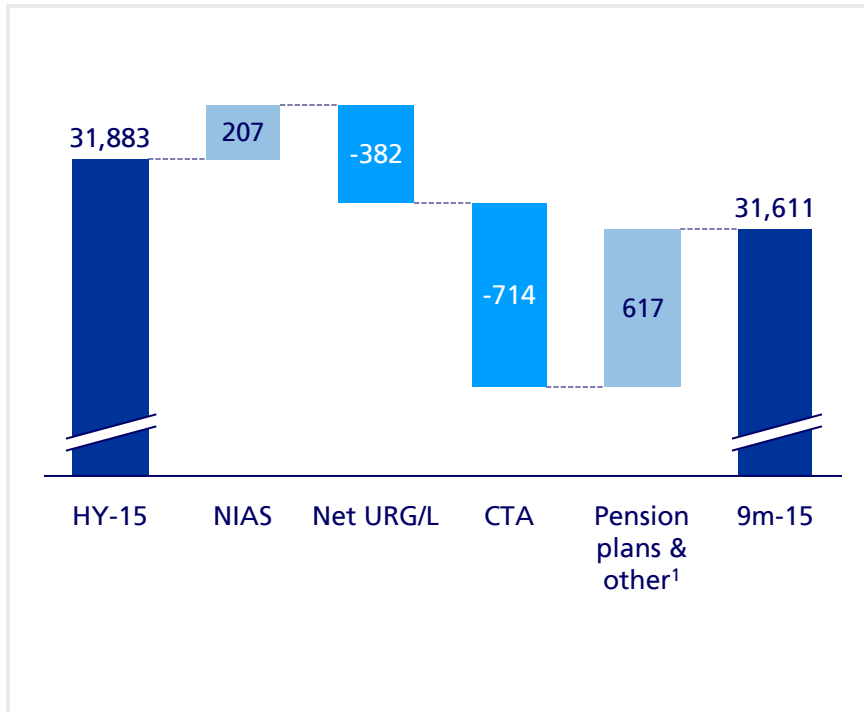
<sup>3</sup> As defined by the Quota Share reinsurance treaties.

# Group – Balance sheet and capital

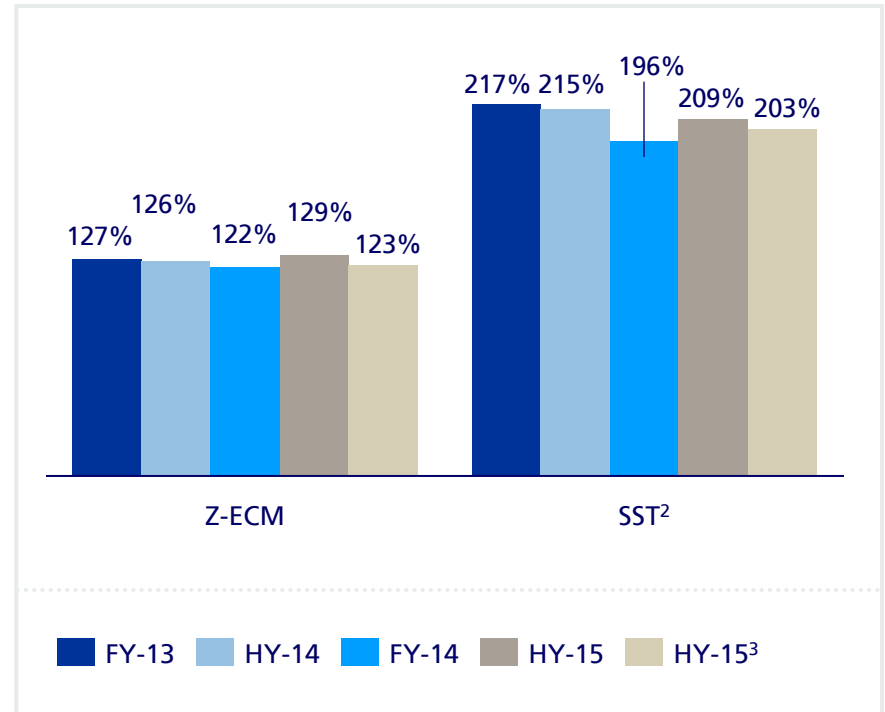
Z-ECM above top end of target range at June 30



## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<sup>1</sup> Includes share-based payments transactions, issuance of share capital and other.

<sup>2</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA at the full year and is subject to its approval.

<sup>3</sup> Excluding macro equity hedge.

# Key messages

## Q3 GI results

General Insurance operating loss of USD 0.2bn and combined ratio of ~109% for Q3, in-line with preliminary indications

## GI review

Operational review of General Insurance has identified clear action plan, first steps taken

## Life and Farmers

Global Life and Farmers are on track

## Capital

Z-ECM ratio above target range at 30 June, plans for capital deployment to be communicated with FY results

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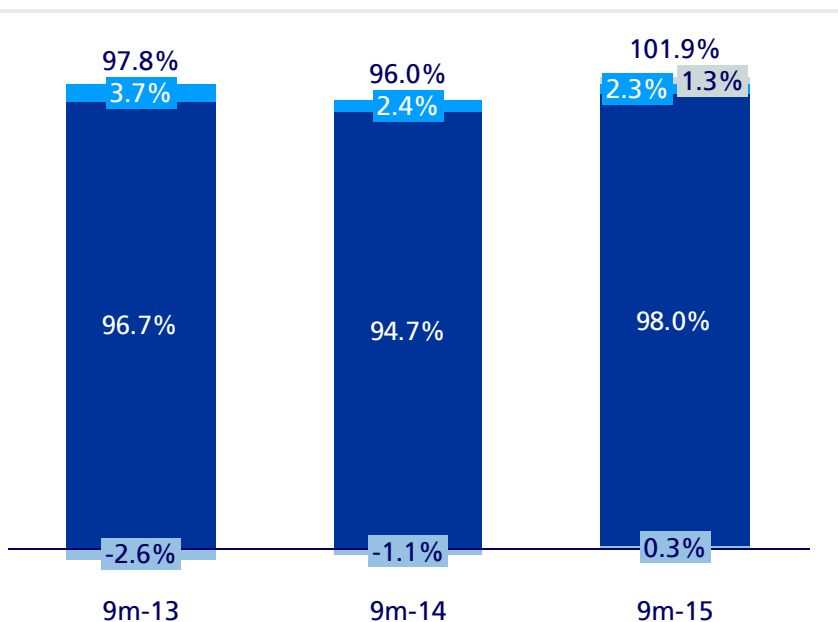
# Appendix



# GI – 9m-15 Combined ratio

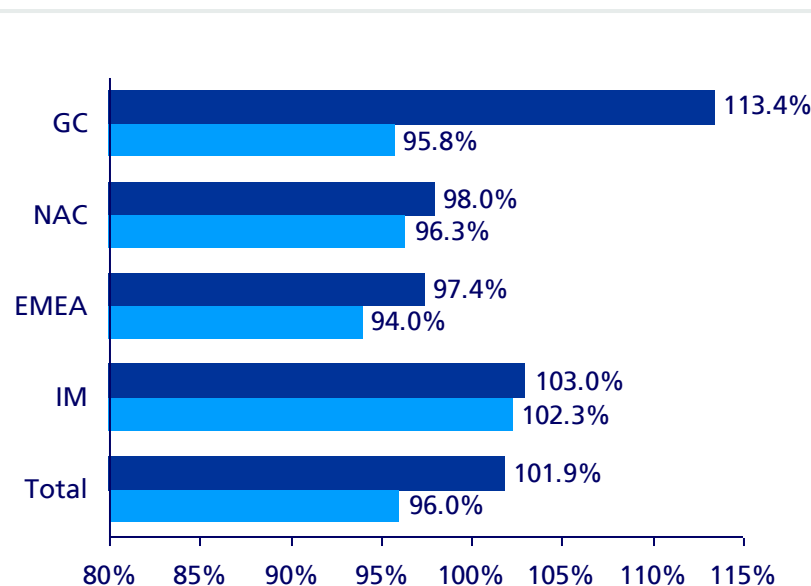
Large losses, adverse PYD and Tianjin lead to higher CR

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



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

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



■ 9m-15    ■ 9m-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.

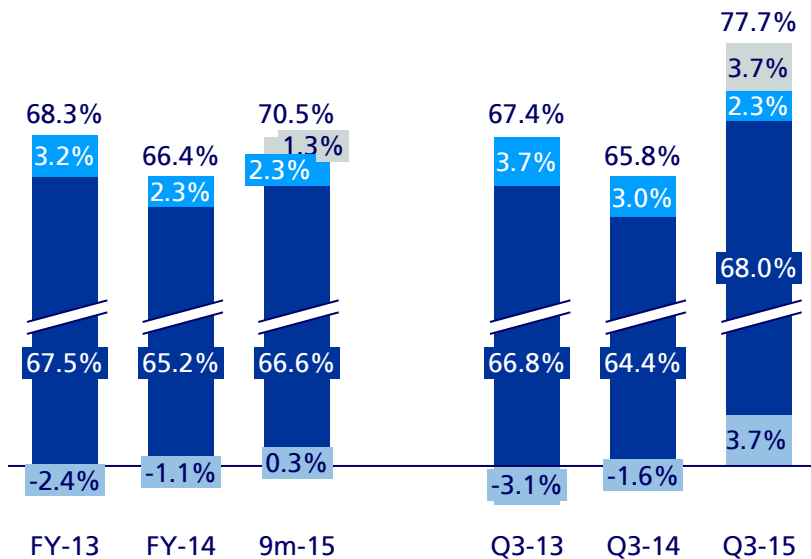
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes, including significant weather related events.

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

# GI – Combined ratio details

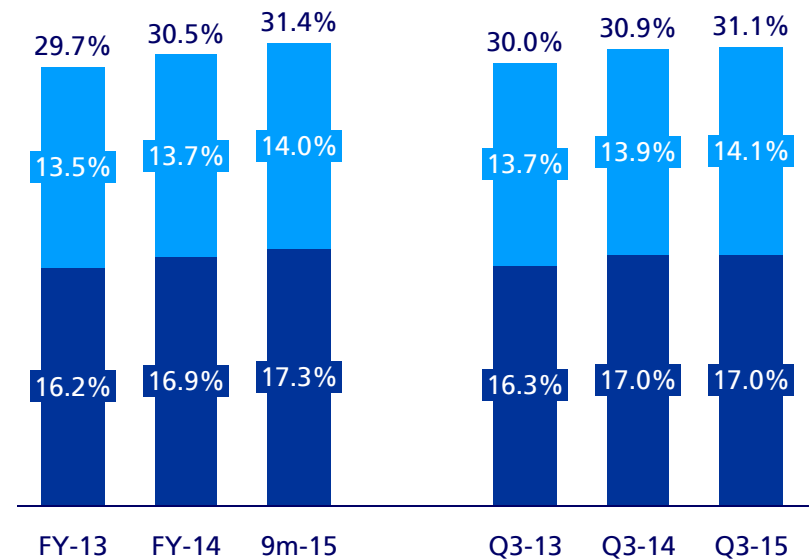
Higher AY loss ratio mainly due to large losses

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



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

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



■ 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.

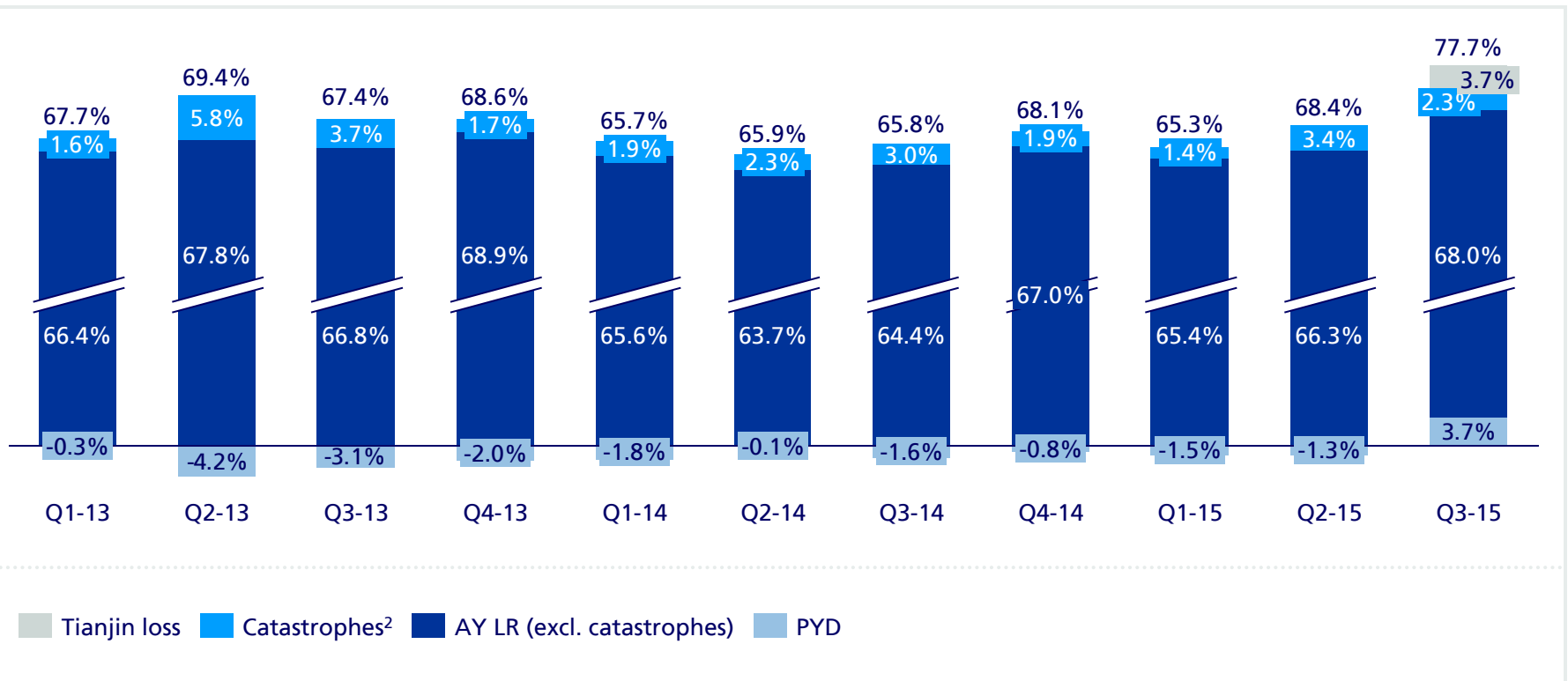
<sup>2</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

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

# GI – Loss ratio details

LR impacted by higher attritional losses and Tianjin

## 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.

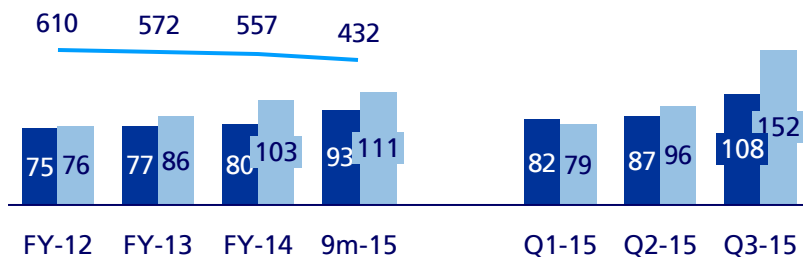


# GI – North America auto liability

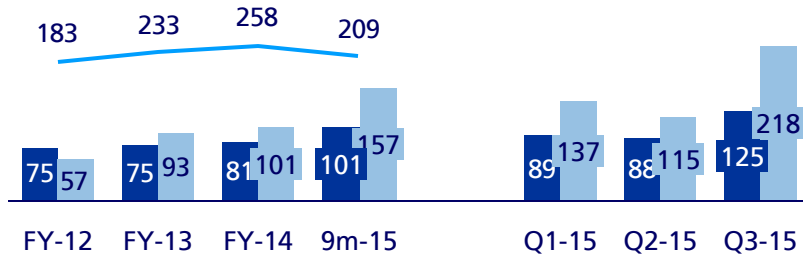
Increases in claims frequency driving adverse results

## NORTH AMERICA AUTO LIABILITY LOSS RATIO AND NEP HISTORY

### North America Commercial (NAC)



### Global Corporate in North America (GCiNA)



- Net Earned Premium (USDm)
- Accident Year (AY) Loss Ratio (%)<sup>1</sup>
- Calendar Year (CY) Loss Ratio (%)

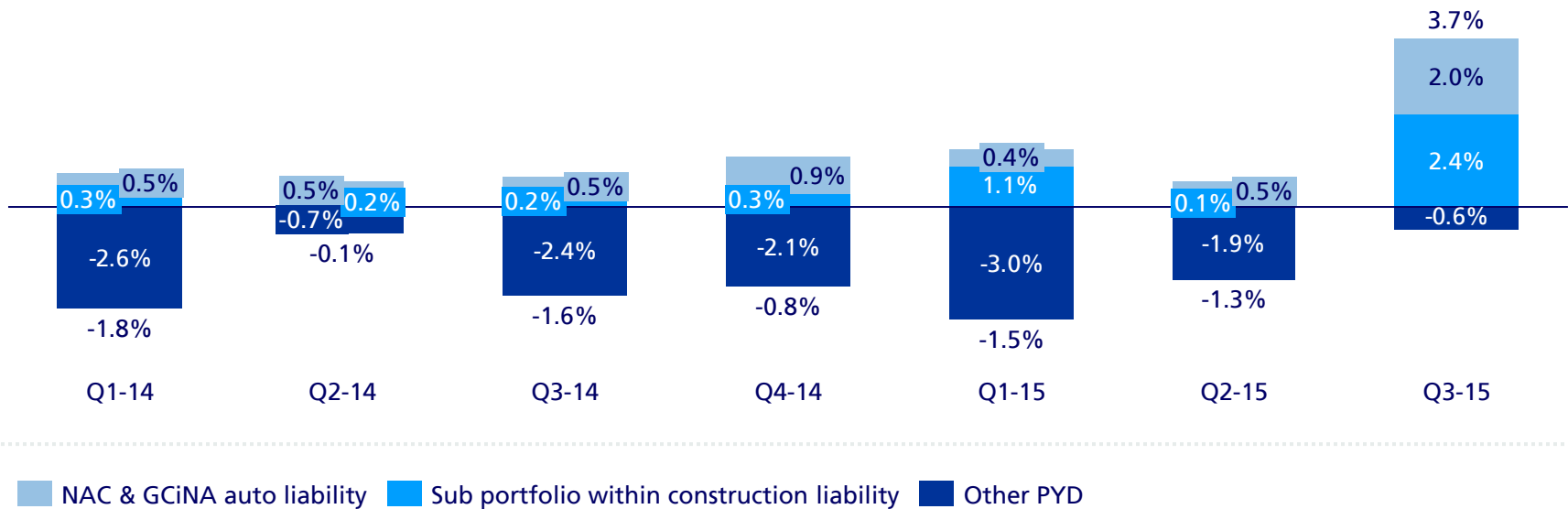
- AY LR estimates have increased over time as PYD has impacted CY results
- Reserves set on prudent basis, fully reflecting all recent claims trends
- Issue is frequency-driven, with increases stemming from:
  - Improving economy in the US with more people working and driving
  - Cheaper fuel prices
  - Strong commercial truck sales
- Rate (>4% YTD) and portfolio reshaping actions are underway:
  - Re-underwriting of problem portfolios
  - Exit of GCiNA transportation book
  - Potential for targeted reinsurance placements to limit volatility

<sup>1</sup> Initial Accident Year Loss Ratio estimated as of the respective period-end.

# GI – Prior year development (PYD)

Recent quarters PYD heavily impacted by two books

## GI PYD (%)



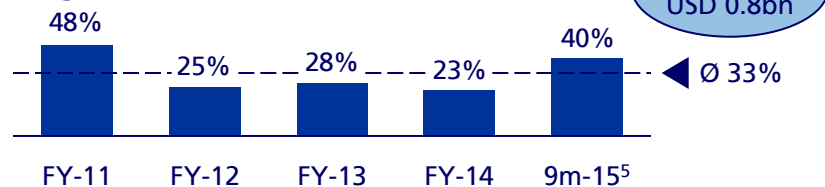
- From Q1-14 to Q3-15, NA Commercial Auto has accounted for USD 382m in adverse development, while a sub portfolio within construction liability accounted for USD 331m.
- After removing adverse experience from these two books, remaining prior year reserve movements are within the expected 1-2% range over the medium term.

# GI Global Corporate – Large losses

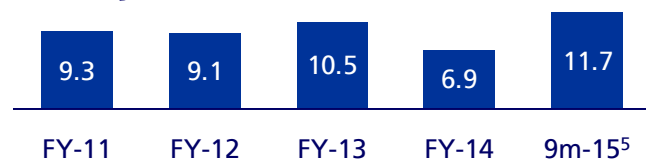
Study on property large losses completed and actions underway

## PROPERTY LARGE LOSSES<sup>1</sup>

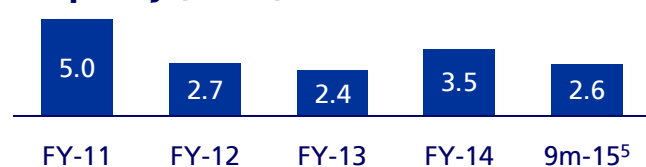
### Large loss ratio (%)



### Severity (USDm)<sup>3</sup>



### Frequency (count)<sup>4</sup>



## COMMENTS

- Significant large property loss experience in 2015, well above recent years and expectations, mainly driven by an increase in severity
- Study on property losses completed with the following actions under way:
  - Reduction of exposure to risks with high hazard grades
  - Explore reinsurance program to limit volatility
  - Adjust and implement risk engineering rules of engagement
  - Launched project to reduce contract leakage
  - Extension of review to other lines

<sup>1</sup> Property non-engineering only (excluding Energy). Net ultimate large losses (in excess of USD 2.5m threshold) by accident year.

<sup>2</sup> Size of reviewed GC property portfolio in net earned premium, as of 9m-15.

<sup>3</sup> Average incurred losses, inflation adjusted.

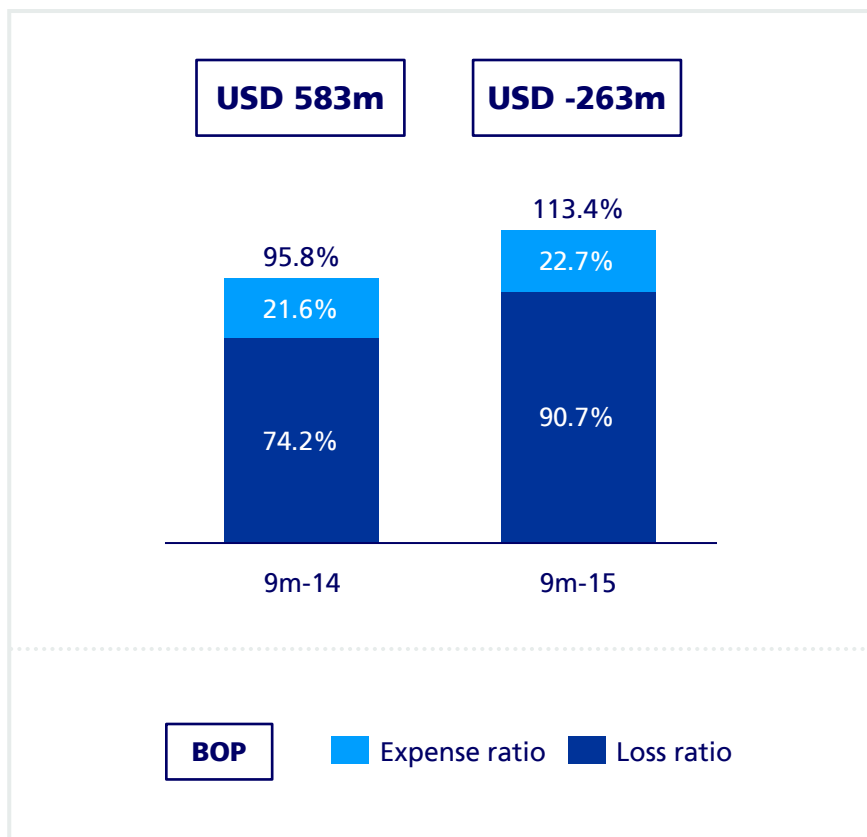
<sup>4</sup> Number of large losses, per USD 100m premium net of facultative and captive reinsurances.

<sup>5</sup> 9m-15 severity and frequency numbers do not include IBNR (large loss ratio does include IBNR). Tianjin loss not included in 9m-15 numbers.

# GI Global Corporate – KPIs

Clear set of actions identified to address performance issues

## 9m-15 KEY FINANCIALS<sup>1</sup>



GWP Growth <sup>2</sup>	Zurich rate change <sup>3</sup>	Combined Ratio
1%	0%	113%

## KEY DRIVERS

- Modest growth reflecting continued market pressure, and underwriting actions triggered to improve profitability
- Flat rate increase, with main pressure in property lines and across all lines in APAC
- CR impacted by the Tianjin loss, higher severity of large losses and Auto / General Liability in North America

<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.

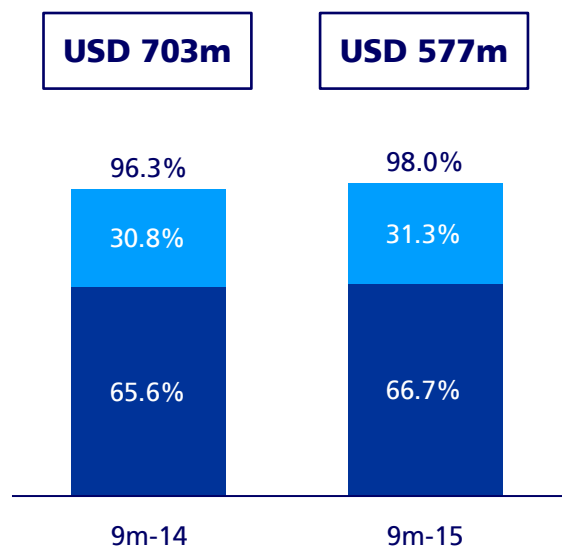
<sup>3</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

# GI North America Commercial – KPIs



Continued growth, uptick in combined ratio

## 9m-15 KEY FINANCIALS



**BOP**    Expense ratio    Loss ratio

GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined Ratio
6%	1%	98%

## KEY DRIVERS

- Modest growth with continued execution of strategic growth initiatives (incl. captives) and increase in retentions
- Market pressure on rates, especially in property lines and workers' comp
- Combined ratio increased mainly due to a higher attritional loss ratio and slightly higher commissions, unfavorable PYD is offset by lower catastrophes

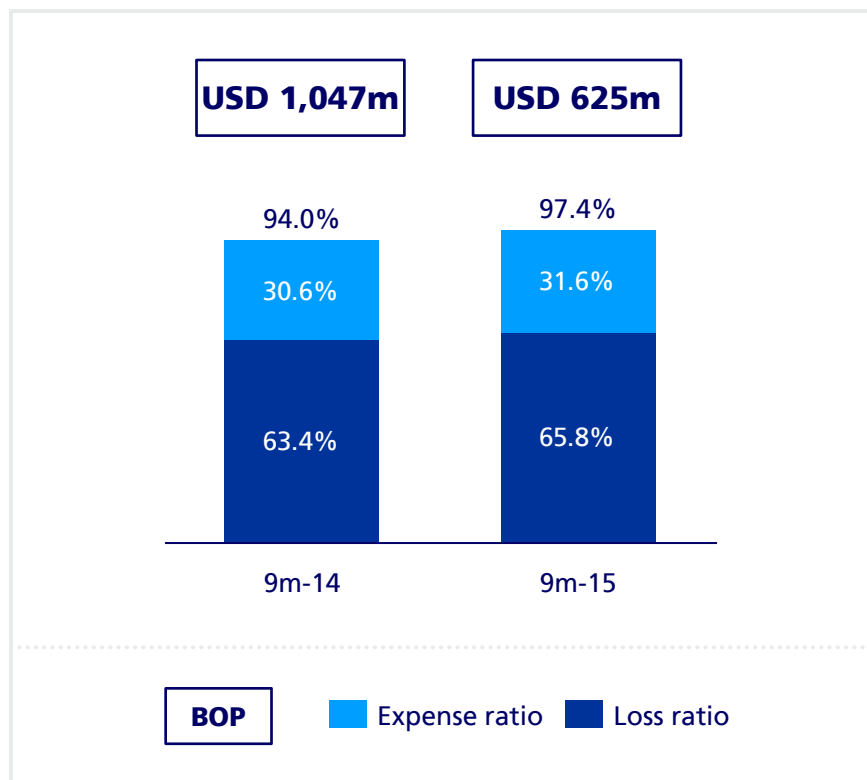
<sup>1</sup> In local currency.

<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, mainly in UK

## 9m-15 KEY FINANCIALS<sup>1</sup>



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
- Higher combined ratio mainly due to increased large losses, mainly UK

<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.

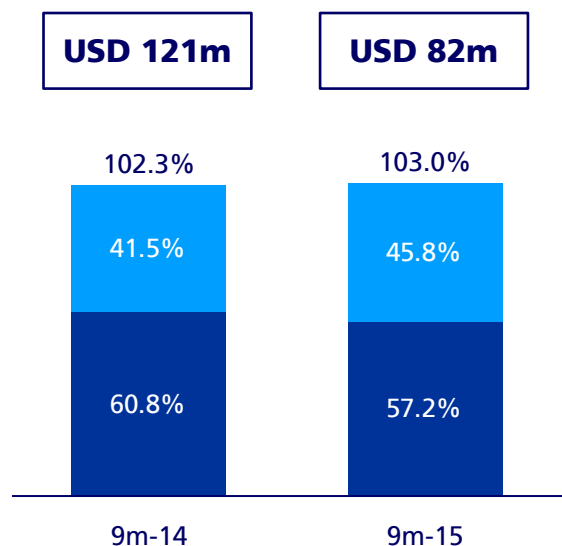
<sup>3</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

# GI International Markets – KPIs

Lower AY loss ratio offset by turnaround actions

## 9m-15 KEY FINANCIALS



**BOP**

Expense ratio Loss ratio

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

**15%**

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

**5%**

**Combined Ratio**

**103%**

## 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 turnaround actions and the amortization of the upfront payment for the new distribution agreement in Brazil; some improvement in the AY LR, 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 in most regions



## Q3-15 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	Flat rates, lower than prior year, negative rates in property lines.
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.

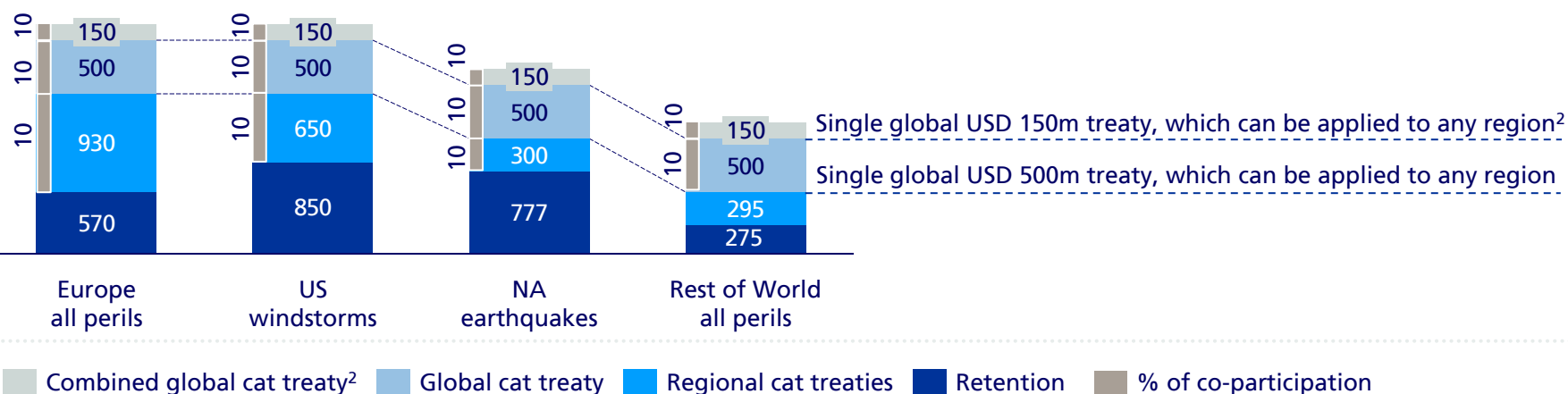


# GI – Natural catastrophe reinsurance

Program further benefitted from lower reinsurance prices



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



## GLOBAL AGGREGATE CAT TREATY



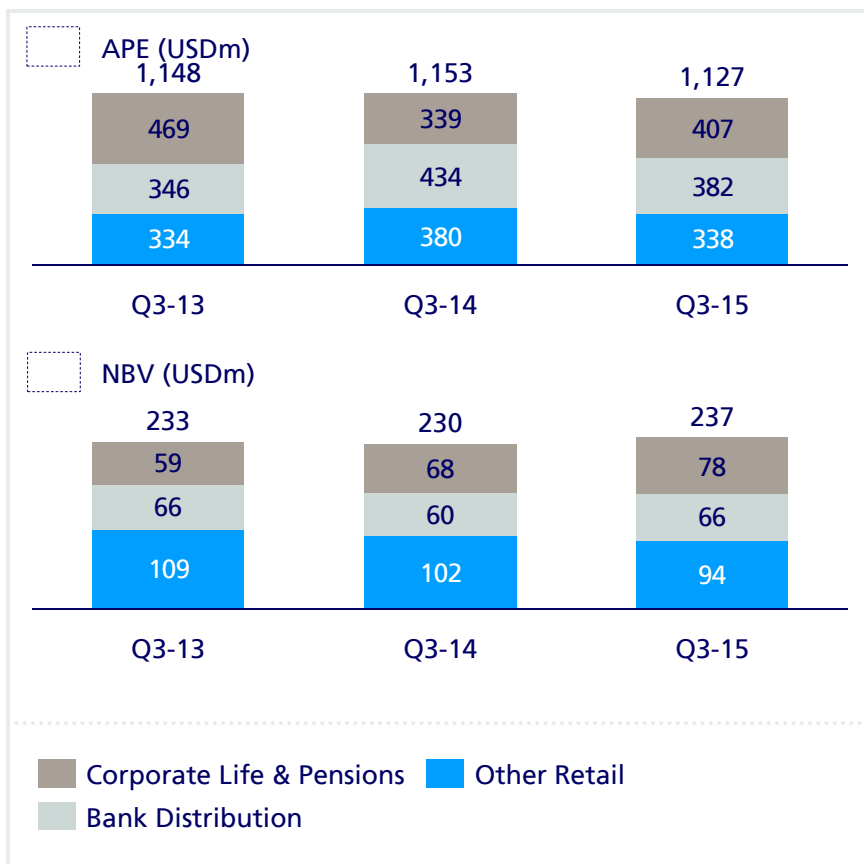
<sup>1</sup> US Cat Treaty and Global Aggregate Cat Treaty renewed on January 1, 2015; Europe Cat Treaty and Global Cat Treaty renewed on April 1, 2015; and International Cat Treaty renewed on July 1, 2015.

<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

Q3 NBV benefitting from higher swap rates and mix

## Q3-15 KEY FINANCIALS<sup>1,2</sup>



NBM	PVNB	CLP single premium
23.9%	USD 12.5bn	USD 1.4bn

## KEY DRIVERS

- CLP protection and pensions APE increased, particularly in Germany and Switzerland, with overall stable 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 Europe mainly from Germany and Zurich International Life partially offset by Japan
- NBV increased from higher volumes and improved business mix towards lower guaranteed products (particularly in Europe), and higher swap rates in comparison to H1

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

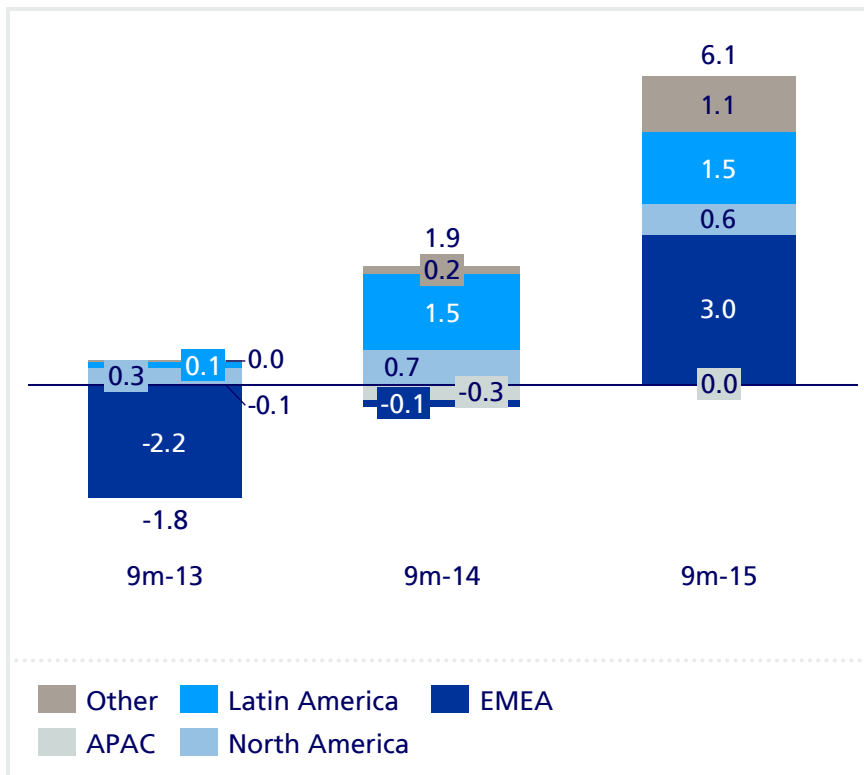
<sup>2</sup> 2013 and 2014 NBV figures have been restated to reflect a change in the MCEV CRNHR methodology.

# GL – Net inflows & Assets under management

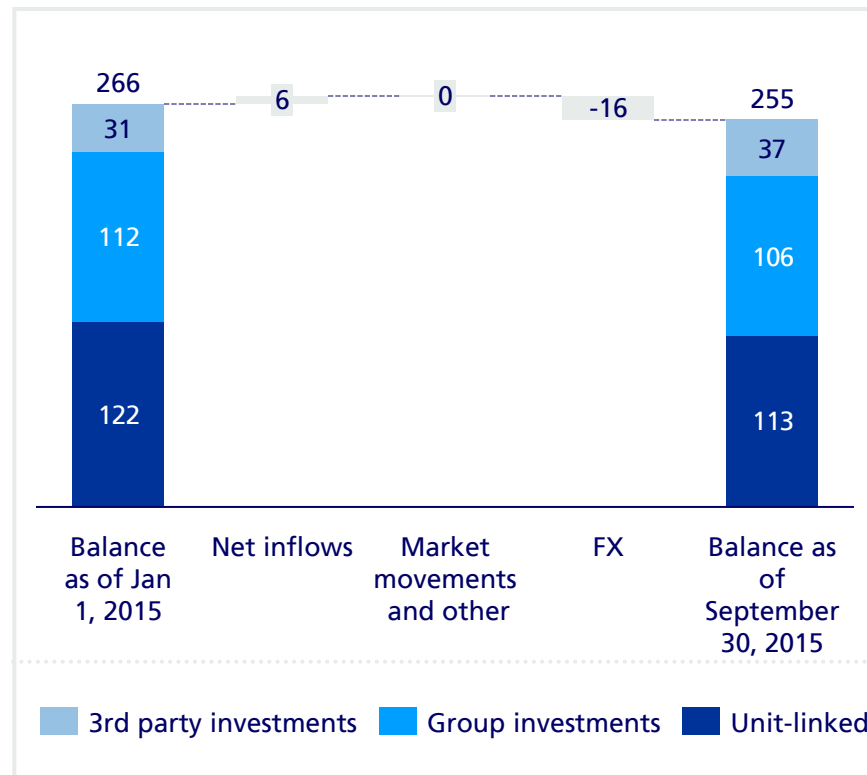


Higher net inflows and asset growth offset by currency impacts

## 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.

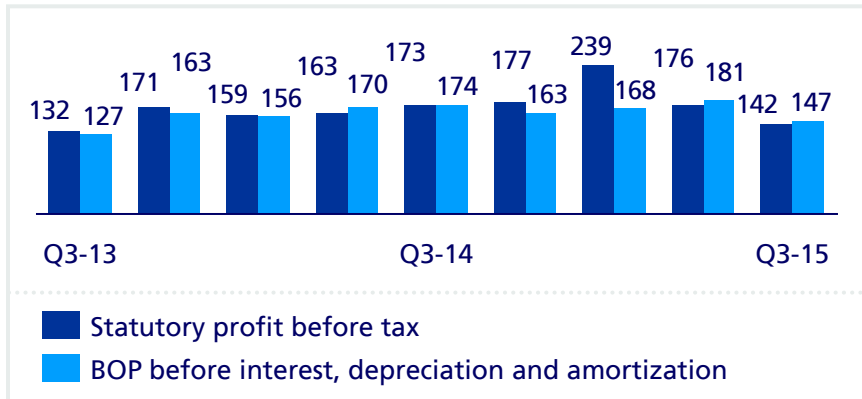
<sup>2</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

# Zurich Santander – Quarterly results

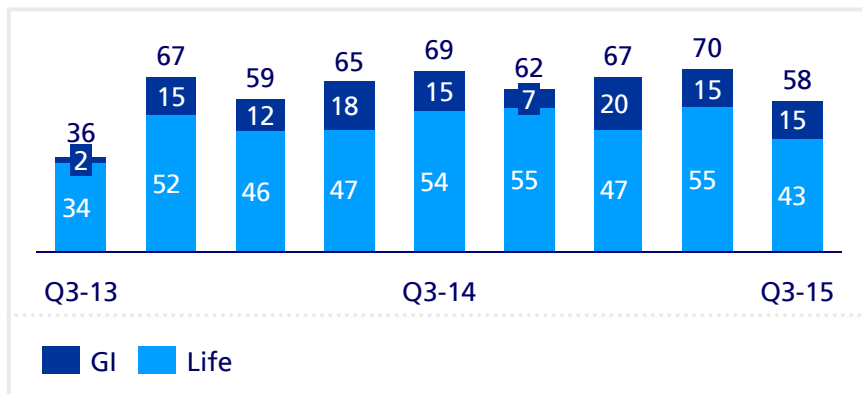


Continued growth offset in USD by adverse FX development

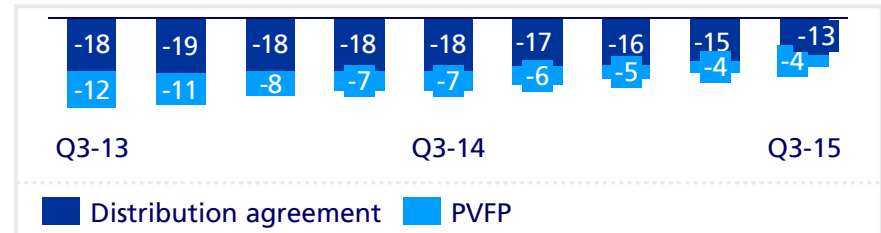
## PROFIT BEFORE TAX GI & LIFE (100%)



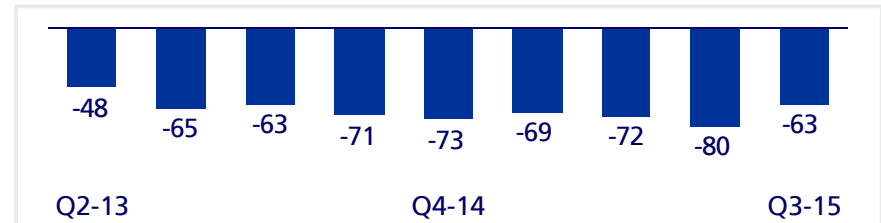
## CORE SEGMENT BOP GI & LIFE (51%)



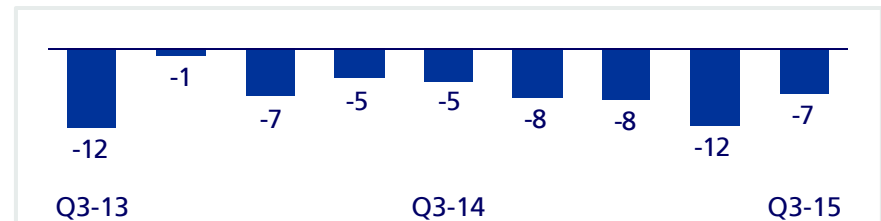
## INTANGIBLES AMORTIZATION (100%)



## MINORITY ADJUSTMENT (-49%)



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

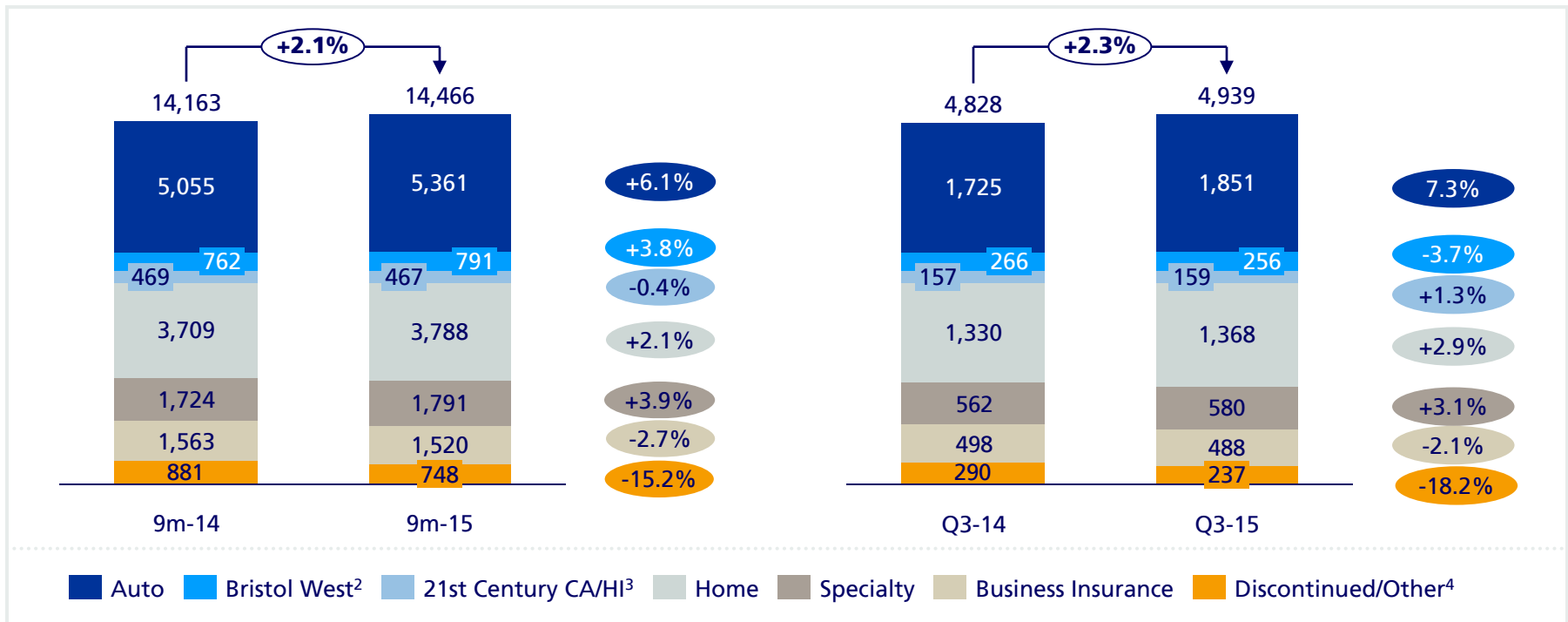


# Farmers Exchanges<sup>1</sup> – GWP

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> 21<sup>st</sup> Century continuing operations in California and Hawaii.

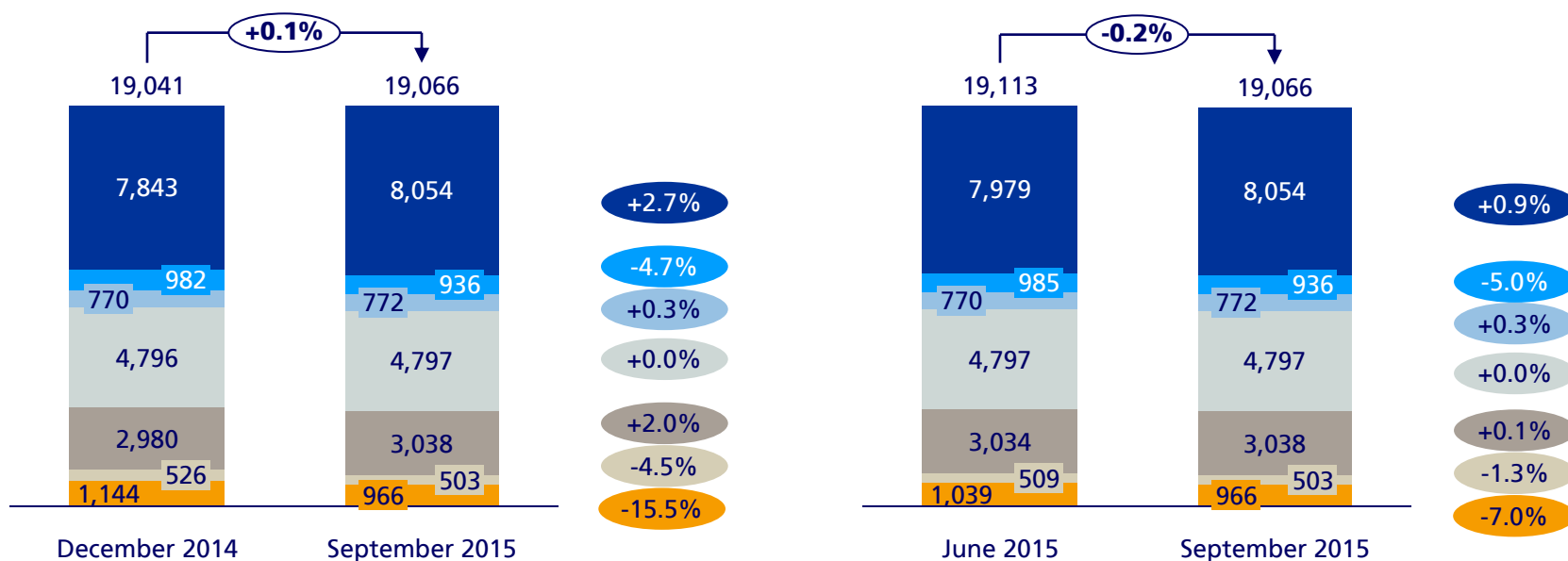
<sup>4</sup> Discontinued /Other includes 21<sup>st</sup> Century and other discontinued operations and miscellaneous pools.

# Farmers Exchanges – PIF/VIF



Policies-in-force slightly up for continuing operations

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



■ Auto 
 ■ Bristol West<sup>2</sup>
■ 21st Century cont.<sup>3</sup>
■ Home 
 ■ Specialty 
 ■ Business Insurance 
 ■ Discontinued/Other<sup>4</sup>

<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> 21<sup>st</sup> Century continuing operations in California and Hawaii.

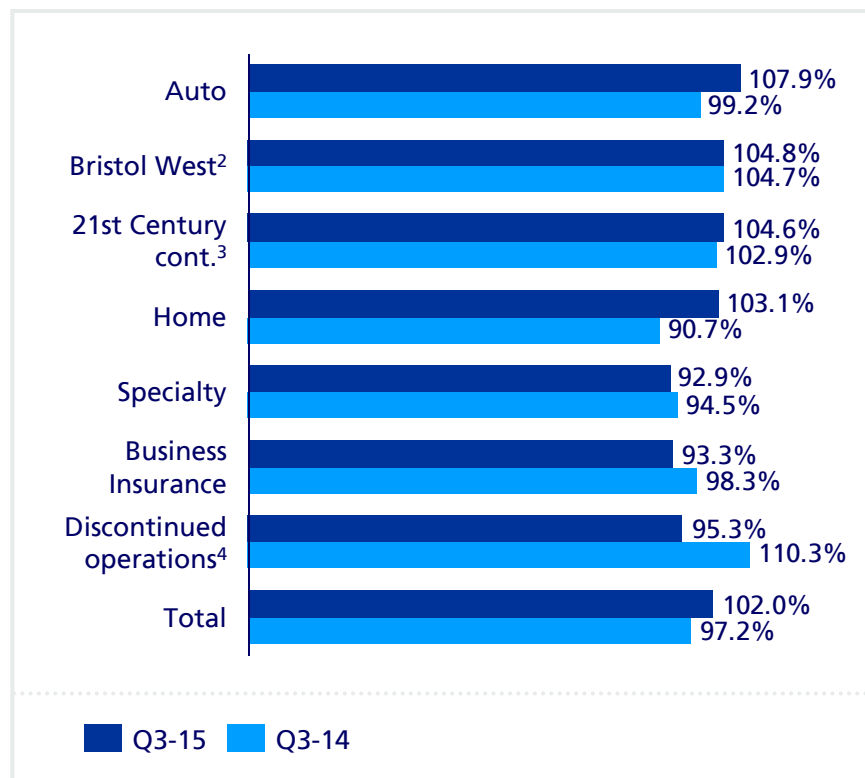
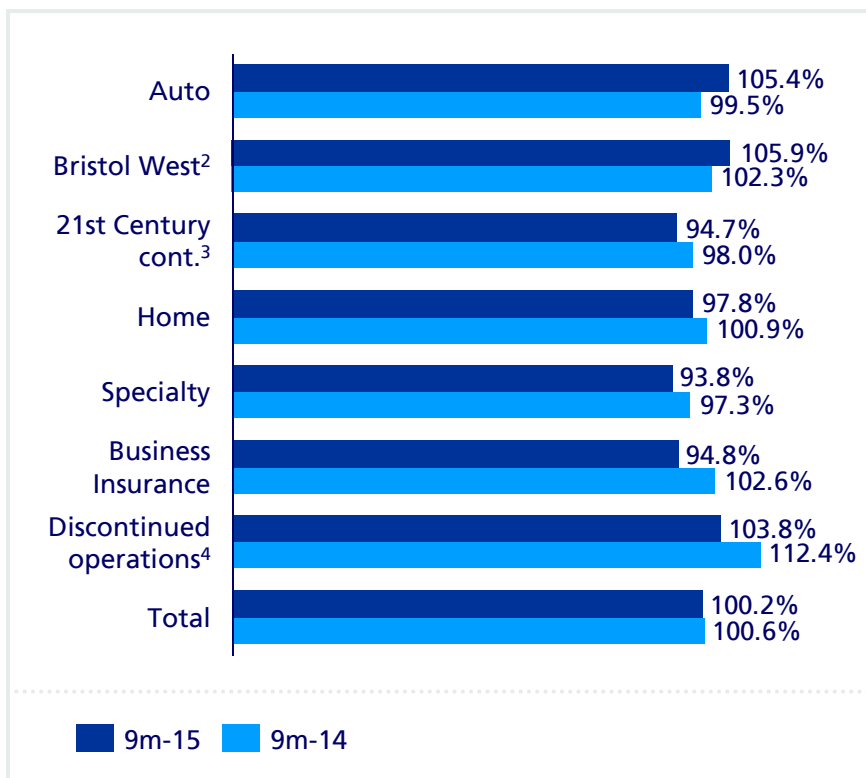
<sup>4</sup> Discontinued/Other includes 21<sup>st</sup> Century and other discontinued operations and miscellaneous pools.

# 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> 21<sup>st</sup> Century continuing operations in California and Hawaii.

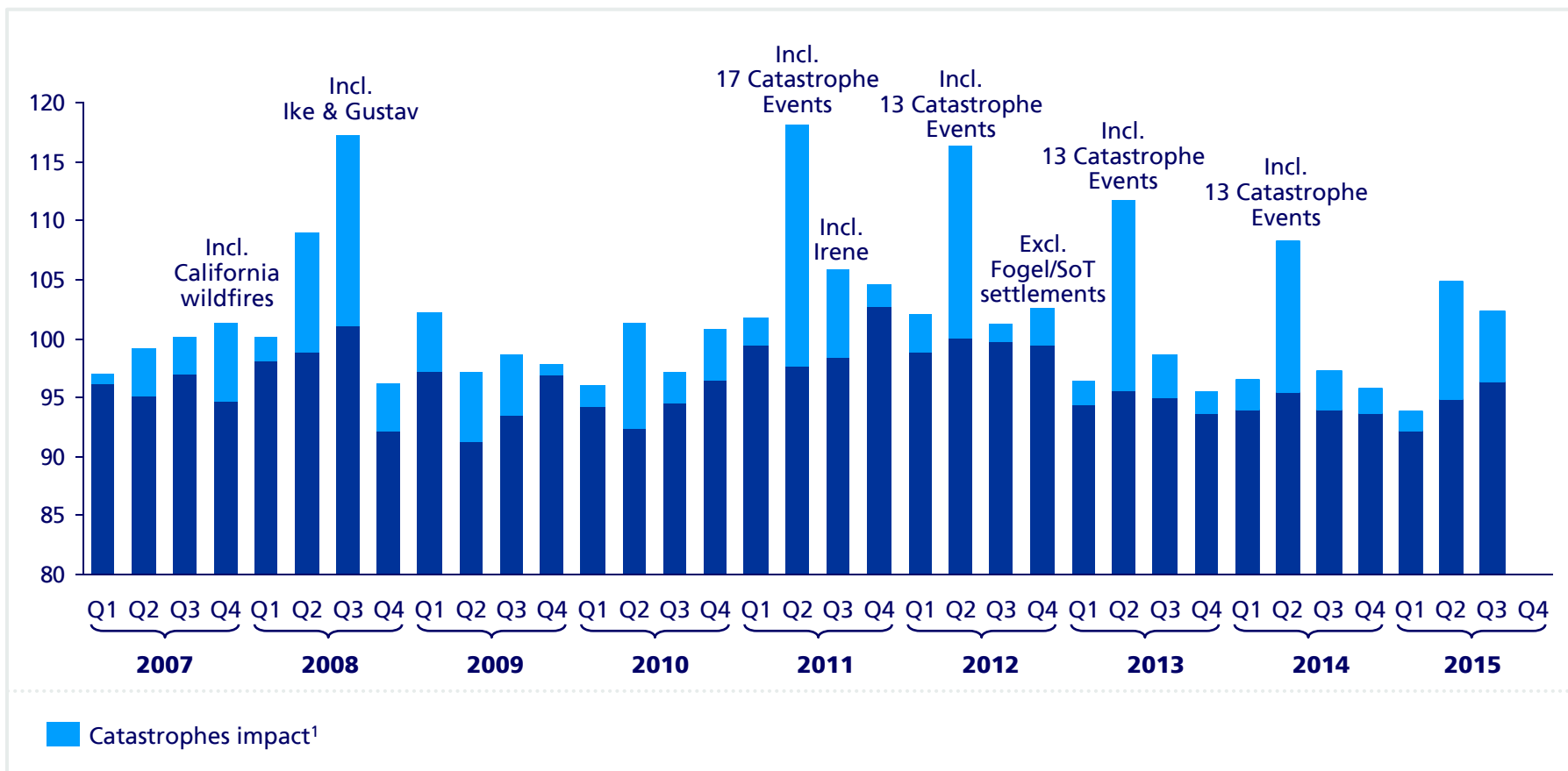
<sup>4</sup> Discontinued/Other includes 21<sup>st</sup> Century and other discontinued operations and miscellaneous pools.

# Farmers Exchanges – Combined ratio history

Q3-15 impacted by California wildfires and auto claims trends



## QUARTERLY COMBINED RATIO (%)



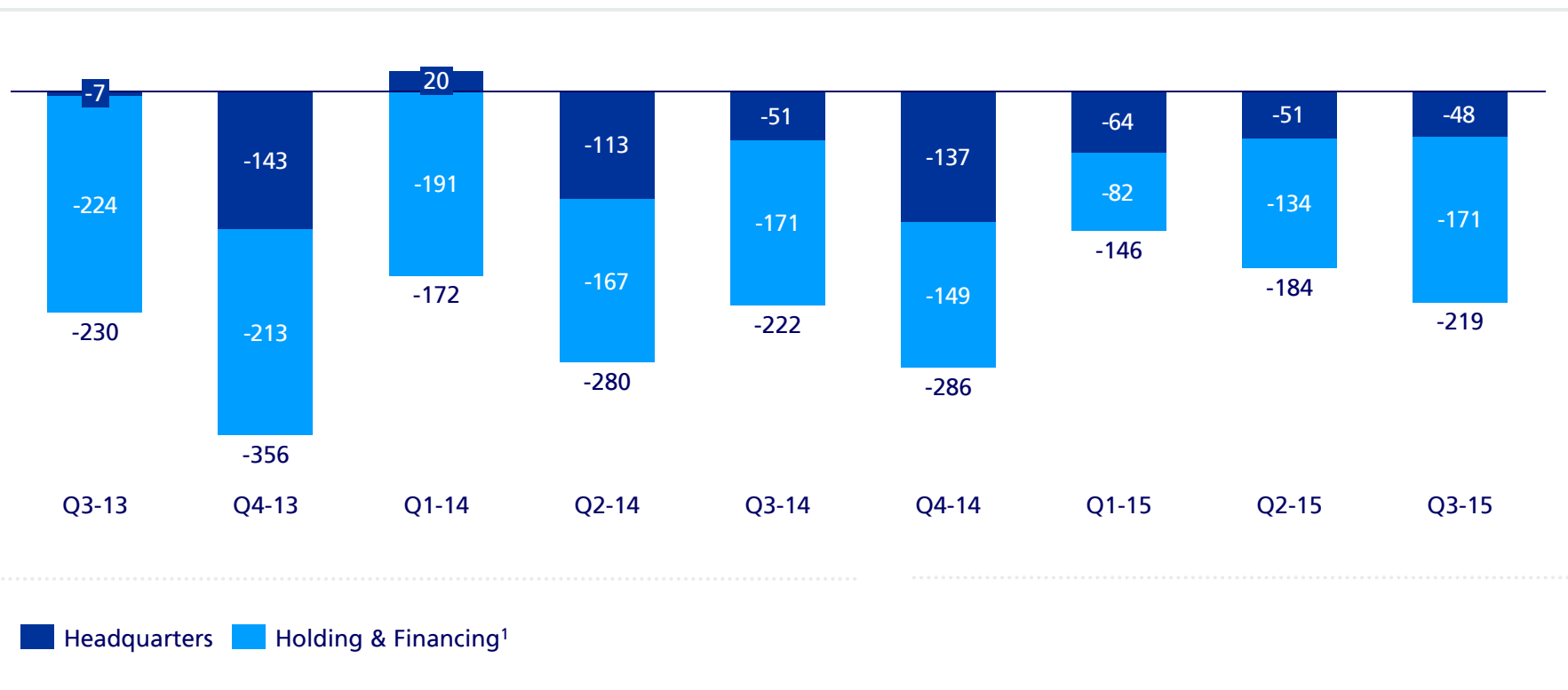
<sup>1</sup> Farmers Exchanges adopted industry standard ISO defined catastrophes as per July 2011.



# Other Operating Businesses

Some catch-up in Headquarters expenses expected for Q4-15

## QUARTERLY BOP SPLIT (USDm)



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

# Group Investments – Asset allocation

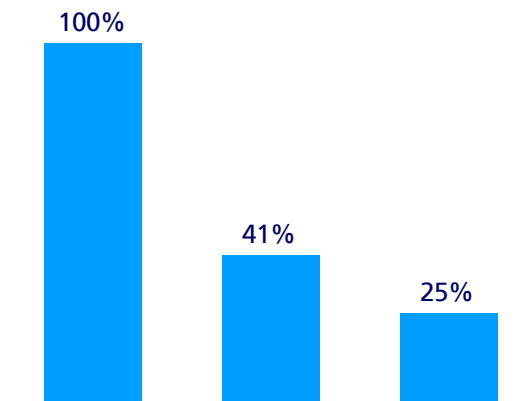
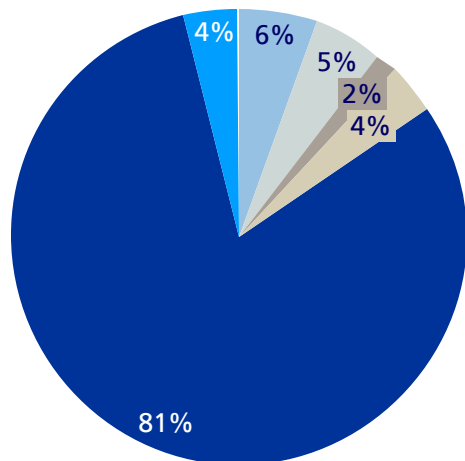
Zurich's sources of investment risk and return are balanced

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

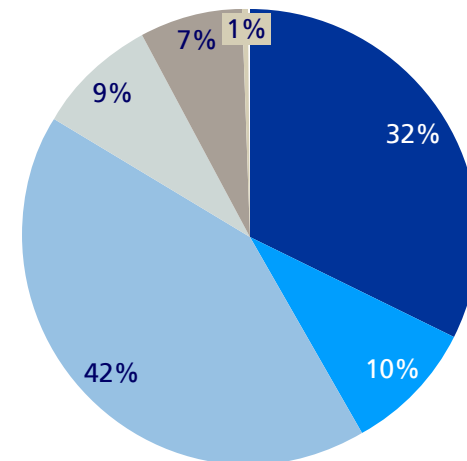
## RISK DIVERSIFICATION<sup>2</sup>

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

Total Group Investments: USD 196bn



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



<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.

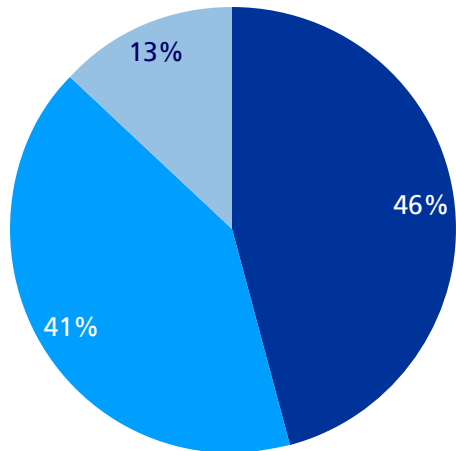
<sup>5</sup> Credit risk consists of swap spread risk, credit spread risk and credit default risk.

# Group Investments – Debt securities portfolio

Debt securities portfolio is of a high quality

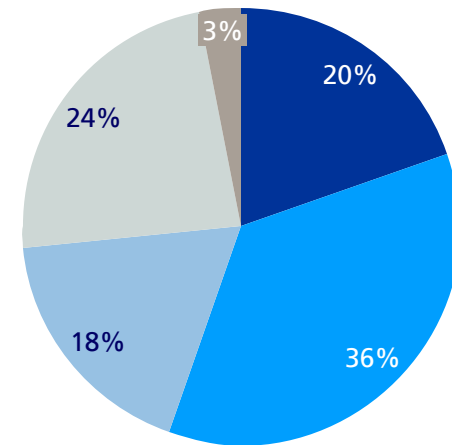
## BY CATEGORY

Total debt securities: USD 142bn



■ Government and government related bonds ■ MBS/ABS<sup>1</sup>  
■ Corporate bonds

## BY RATING



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

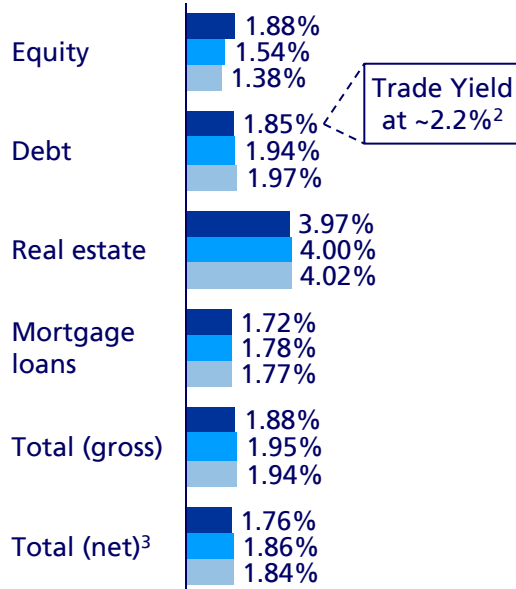
<sup>1</sup> MBS = Mortgage backed securities, ABS = Asset backed securities

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

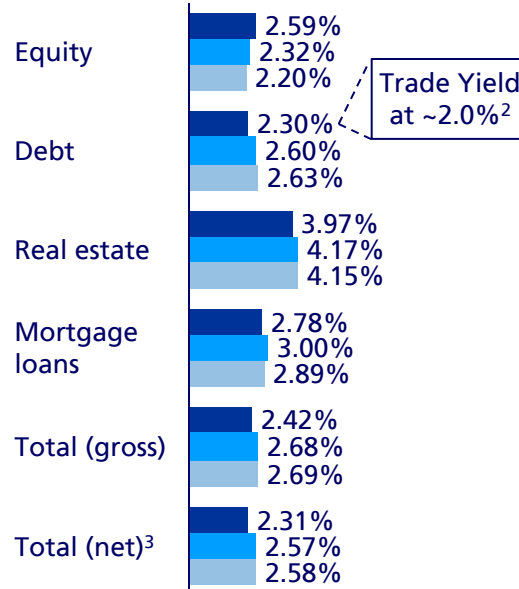


Higher risk premium offset by lower yields and USD appreciation

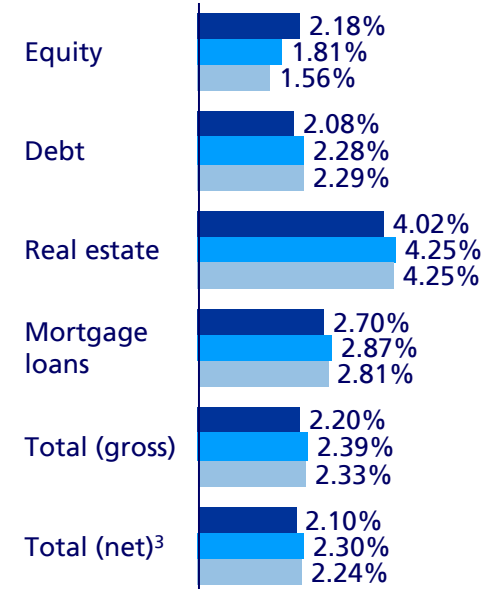
## GENERAL INSURANCE



## GLOBAL LIFE



## GROUP



■ 9m-15 ■ 9m-14 ■ 9m-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.

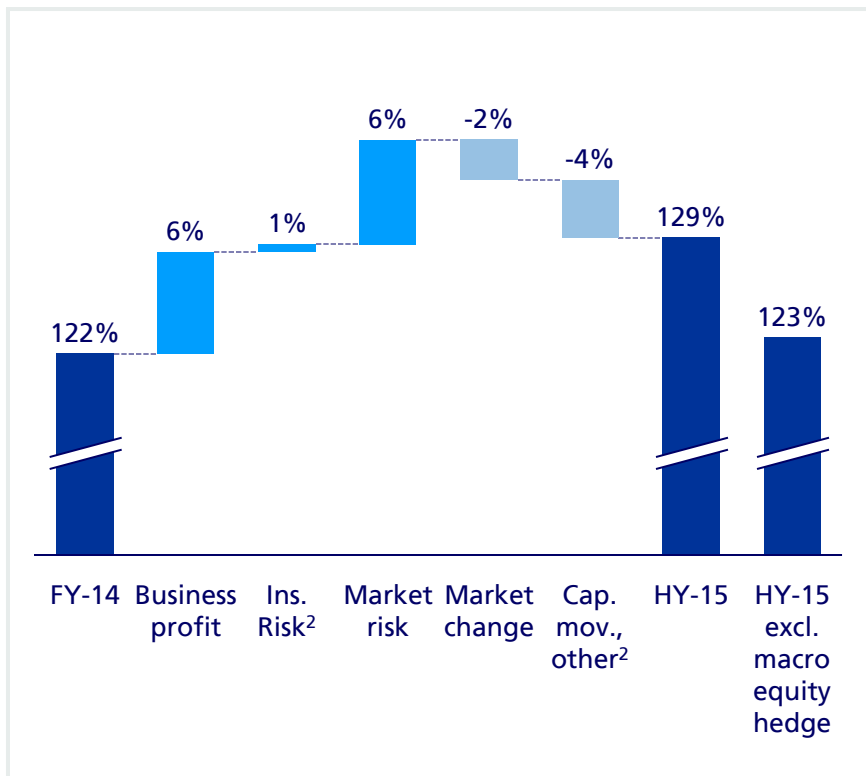
<sup>3</sup> Net of investment expenses.

# Group – Economic capital models

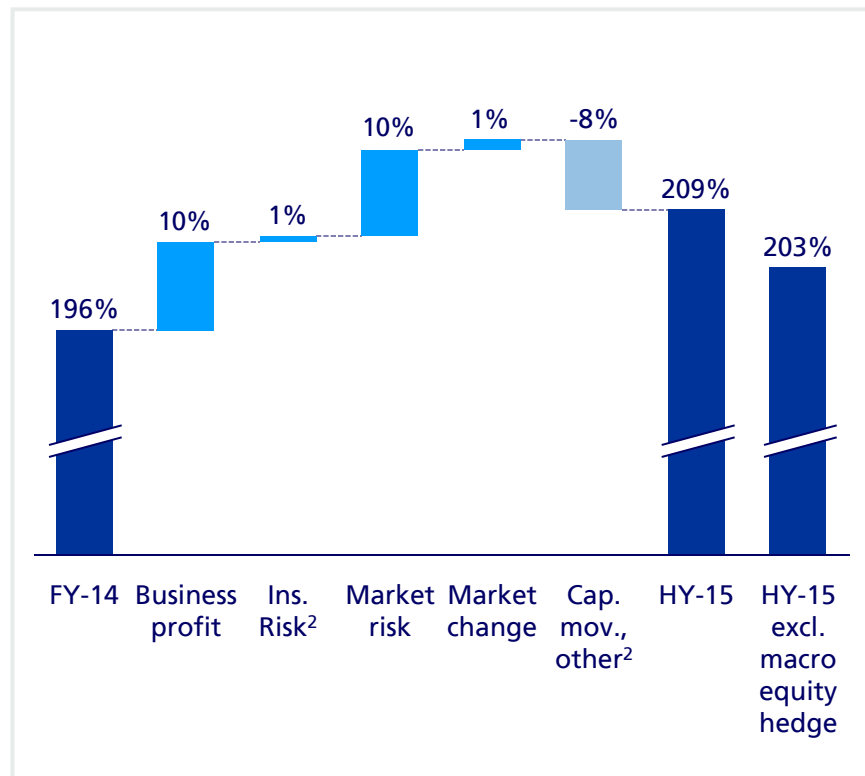
Continued strong solvency position



## Z-ECM RATIO DEVELOPMENT (%)



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



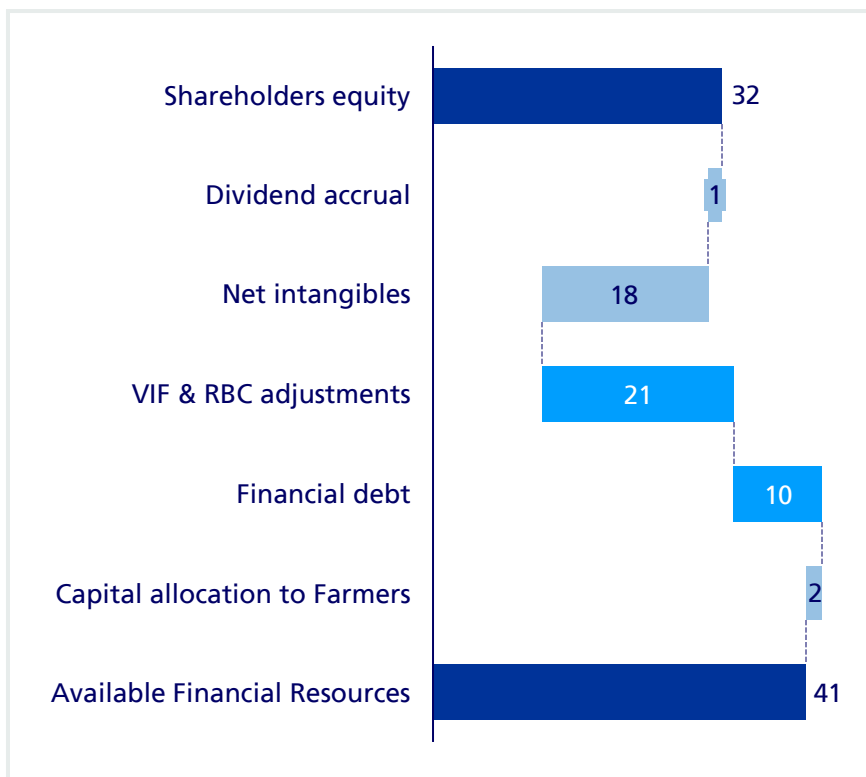
<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA at the full year and is subject to its approval.

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

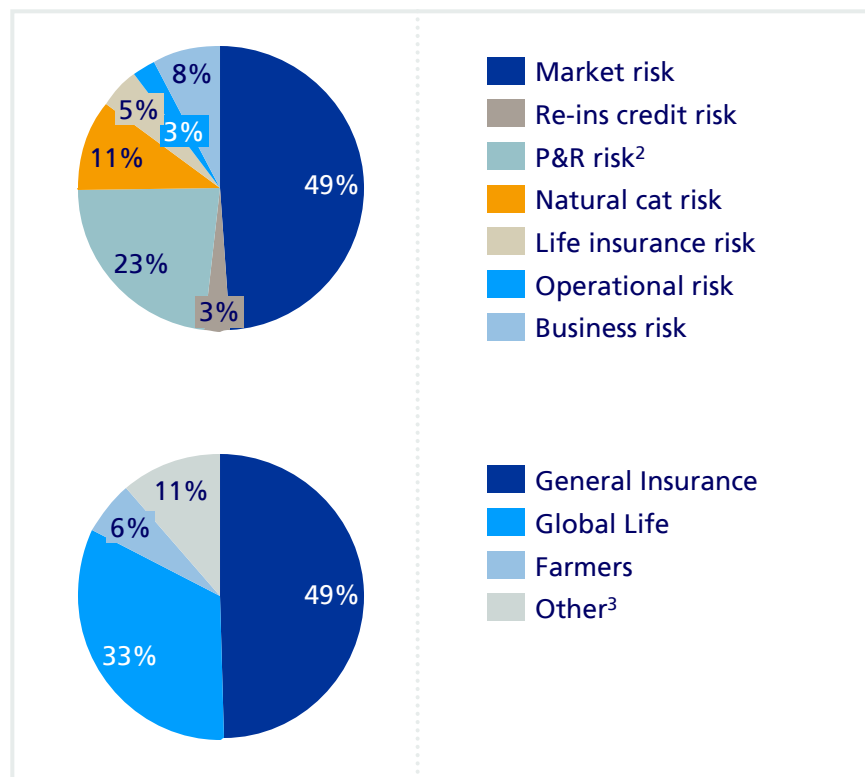
# Group – Z-ECM components

Well diversified capital base by risk type

## HY-15 AFR COMPOSITION (USDbn)



## RBC BY RISK TYPE AND BUSINESS<sup>1</sup>



<sup>1</sup> RBC figures are shown excluding the macro equity hedge. Diversification benefit changes are allocated on a pro-rata basis.

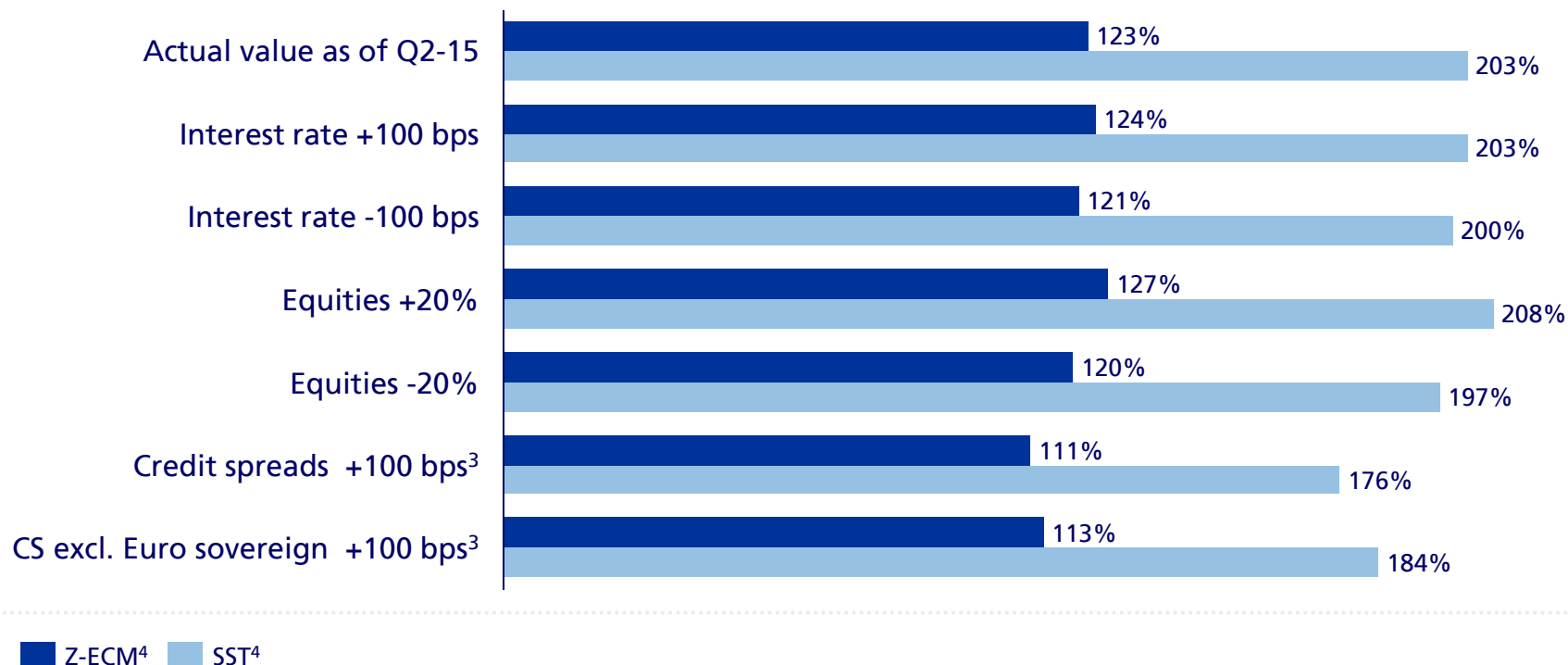
<sup>2</sup> Premium & reserving risk.

<sup>3</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 shown excluding the macro equity hedge. They are best estimate and non-linear, i.e. will vary depending on prevailing market conditions at the time.

<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	9m-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	148.89m
Dilution impact	1.32m	0.65m
WAvG diluted EPS	149.35m	149.54m
<b>NIAS (USDm)</b>	<b>3,949</b>	<b>2,266</b>
Avg USD/CHF rate	1.094	1.050
<b>Basic EPS</b>	<b>24.39</b>	<b>14.49</b>
<b>Diluted EPS</b>	<b>24.17</b>	<b>14.43</b>
<b>BVPS<sup>3</sup></b>	<b>232.65</b>	<b>206.99</b>

## BOPAT ROE AND ROE (%)

USDm, %	FY-14	9m-15
<b>SHE</b>	<b>34,735</b>	<b>31,611</b>
Net URGL / CF hedges	4,374	3,022
Adj. SHE	30,362	28,589
Avg. adj. SHE <sup>2</sup>	30,320	28,894
<b>BOP</b>	<b>4,638</b>	<b>2,494</b>
SH effective income tax rate	27.0%	28.9%
<b>BOP after tax</b>	<b>3,386</b>	<b>1,773</b>
NIAS	3,949	2,266
<b>BOPAT ROE<sup>2</sup></b>	<b>11.2%</b>	<b>8.2%</b>
NIAS ROE <sup>2</sup>	13.0%	10.5%

<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. 9m-15 ROE calculations are annualized.

<sup>3</sup> Based on common shares outstanding and end-period USD/CHF rates of 1.006 and 1.024.



# Group – Currency impact

Move in currency is mainly translational

## 9m-15 KEY RESULTS

	KPI	USDm	reported	at constant currency
<b>Group</b>	BOP	2,494	-35%	-32%
	NIAS	2,266	-27%	-24%
<b>General Insurance</b>	GWP	26,634	-6%	+3%
	NEP	20,995	-7%	+2%
	Net underwriting result	-398	nm	nm
	Investment income	1'503	-9%	-1%
	BOP	983	-60%	-59%
<b>Global Life</b>	APE	3,570	+1%	+18%
	NBV	649	-9%	+3%
	BOP	1,001	+4%	+18%
<b>OOB</b>	BOP	-549	+19%	+13%

# For further information

## CALL US

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Gianni Vitale	+41 44 625 48 26

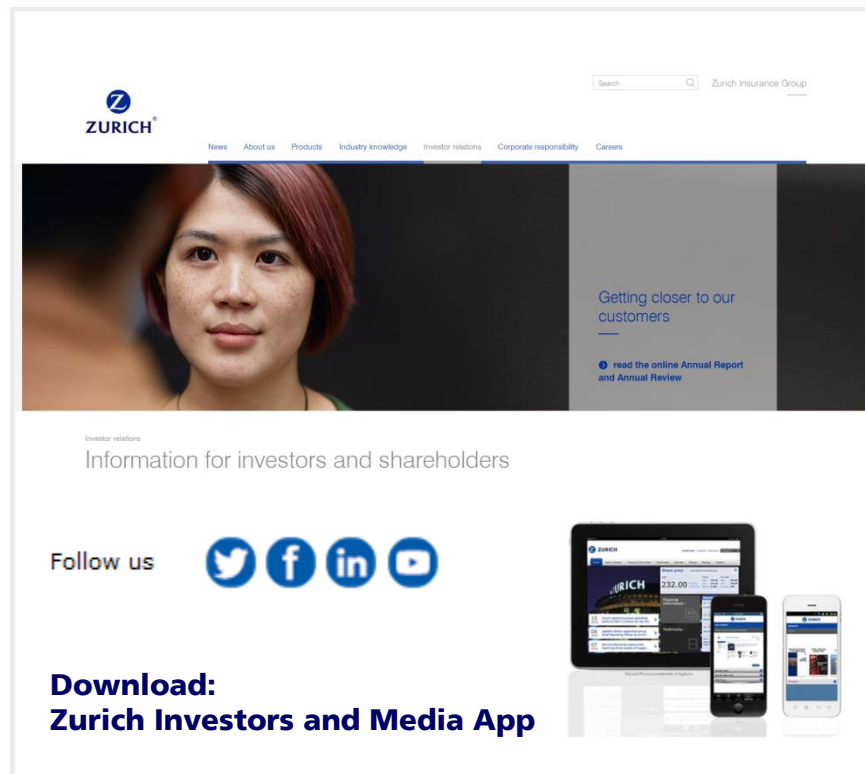
### Rating Agency Management

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### Events

Patricia Heina	+41 44 625 38 44
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## VISIT OR FOLLOW US



The screenshot shows the Zurich Investor Relations website. At the top left is the Zurich logo. To the right is a search bar and the text 'Zurich Insurance Group'. Below this is a navigation menu with links for '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 grey box on the right with the text 'Getting closer to our customers' and a link to 'read the online Annual Report and Annual Review'. Below this is a section titled 'Investor relations' with the subtitle 'Information for investors and shareholders'. Further down, there is a 'Follow us' section with icons for Twitter, Facebook, LinkedIn, and YouTube. At the bottom right, 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:**

- February 11, 2016, Annual Results 2015
- March 30, 2016, Annual General Meeting 2016
- May 12, 2016, Results for the three months to March 31, 2016
- August 11, 2016, Half year results 2016
- November 10, 2016, Results for the nine months to September 30, 2016
- December 1, 2016, Investor Day

