

Comments on results for the nine months ended September 30, 2016

Slide 3: Key messages

Zurich's underlying results improved in the third quarter driven by a combination of growth in Global Life (GL) and Farmers, as well as underlying improvement in General insurance (GI).

Expenses on an absolute basis have continued to fall reflecting actions taken earlier in the year, and are on track to achieve expected reduction of USD 300m in 2016.

The Group BOPAT ROE has reached 11.9% for the year to date, moving towards the 12-14% target range.

General Insurance continues to show underlying improvement across much of the portfolio but has not yet achieved the expected levels of profitability.

Global Life has delivered strong results including some benefit from favorable experience relative to assumptions.

The Farmers Exchanges, which are owned by their policyholders, have delivered further growth driven by rate increases. This is reflected in higher fee income at Farmers Management Services. At quarter end surplus was above the upper end of the target range.

The Group's capital position is strong, with the estimated Z-ECM ratio above the mid-point of the target range at 113% as of the end of the third quarter.

In summary, this result shows the continuing turnaround in operating performance. The focus remains on General Insurance and ensuring further improvements over coming quarters.

The Group will provide an update on the strategic direction, technical excellence, financial targets and dividend policy at the Investor Day on November 17 in London.

Slide 4: Key financials

Q3-16 Business operating profit (BOP) for the Group was USD 1.2bn and net income attributable to shareholders (NIAS) was USD 0.9bn, with BOP at the highest quarterly level of the year.

The Group BOPAT ROE has reached 11.9% for the year to date, moving towards the 12-14% target range.

The capital position of the Group is strong, with the Z-ECM ratio at the end of September estimated to be around 113%. Additionally S&P recently upgraded their view of the economic capital modeling and the enterprise risk management placing the Group among the best of its peers.

The Group remains on track to exceed USD 10bn cumulative net remittances for 2014-2016 and expect cash remittances in 2016 to exceed the cost of dividend, assuming an unchanged payout of CHF 17 per share.

Slide 5: Group – BOP and NIAS

Q3-16 BOP is up 372% compared to Q3-15 with all segments contributing to growth and with General Insurance showing the largest improvement following the adverse developments of Q3-15. This improvement is also reflected within NIAS which is up 342% in the discrete third quarter.

Year to date BOP and NIAS are up 36% and 11% respectively, with the lower increase in NIAS driven by higher restructuring and other charges and lower realized capital gains.

Restructuring and other accounting charges of USD 138m in the third quarter remain in line with expectations, with FY-16 charges overall expected to remain within the previously communicated USD 500m guidance.

The shareholders' effective tax rate for the discrete third quarter was 27.1%. The full year tax rate is expected to be around the level for the nine months of 29%.

The previously announced disposals in South Africa, Morocco and the Middle East are expected to close in Q4-16, which will result in an one-time impact of roughly USD 100m on fourth quarter NIAS.

Slide 6: General Insurance – Topline

Gross written premium (GWP) in local currency declined by 7% in Q3-16. For 9m-16 GWP was flat in local currency and down 5% if adjusted for the acquisition of RCIS. This reduction is in line with expectations and driven by the ongoing focus on profitability against the backdrop of a competitive market. Overall rate increases on renewed business were 2%, with increases achieved across all but one region.

Global Corporate's GWP was down 11% in local currency for Q3-16 as well as for 9m-16. This decline reflects the Group's focus on actions to improve performance together with lower new business volumes. This trend is expected to continue for the remainder of the year.

NAC GWP decreased 4% in local currency in Q3-16 as a result of tiering actions, market conditions and some timing effects. Due to seasonality of GWP the contribution from RCIS in Q3-16 is minor. On a 9m-16 basis, and excluding the impact of the RCIS acquisition, GWP declined by 1%.

GWP for EMEA declined 5% in local currency in Q3-16. This is a continuation of the decline seen in previous quarters, and was driven by the competitive environment mainly in the UK and Italy and further premium declines in Germany.

International Markets GWP for Q3-16 decreased 15% in local currency. Underlying growth in Latin America was more than offset by the previously announced exit of lines of business in Australia that did not meet required profitability levels.

Slide 7: General Insurance – Tiering results

Updated tiering results for the Group continue to be encouraging. Overall rate increases on renewal business were 2% for 9m-16, with substantial variation in the level of increases achieved across the various tiers of the portfolio. The focus on the lowest tier has produced double-digit rate increases, albeit slightly lower than in HY-16, and with a significant reduction in retention. Similar results are seen across most regions.

This demonstrates good progress has been made in terms of the actions taken last year and gives confidence for further combined ratio improvements in the upcoming quarters as these actions earn their way into the results.

Slide 8: General Insurance – Combined ratio over time

The reported combined ratio (CR) for Q3-16 was 98.5%, which is on a similar level as Q1 and Q2 and much lower than the levels seen in 2015.

The accident year (AY) loss ratio excluding catastrophes for 9m-16 improved to 65.9%, almost 2 percentage points lower than FY-15. This includes RCIS which runs at a higher loss ratio and a lower expense ratio.

The reduction has been driven by management actions, with a roughly 1.2 percentage point improvement in the attritional loss ratio and a 0.8 percentage point reduction in the large loss ratio.

In Q3-16 the reported AY loss ratio excluding catastrophes was 66.6%. This includes a 0.5 percentage point upward impact from the RCIS acquisition.

After a very benign Q2-16 in terms of large losses Q3-16 has seen a higher impact from large losses with two events in Germany and the UK adding nearly USD 60m in losses or approximately 1 percentage point to the combined ratio.

Slide 9: General Insurance – Combined ratio details

Looking at the AY loss ratio in more detail, large man-made losses in Q3-16 were 0.8 percentage points lower than in Q3-15 and 0.6 percentage points higher than at HY-16. The 9m-16 position is similar to HY-16 and 0.8 percentage points lower than FY-15 excluding the port explosions in Tianjin in Q3-15.

Actions implemented towards the end of last year delivered a 0.8 percentage point improvement in the attritional loss ratio compared to FY-15, with reductions in most regions. The Q3-16 discrete attritional loss ratio was 0.6 percentage points higher than for HY-16. Adjusting for the inclusion of RCIS, the ratio would have been on a similar level as for the HY-16 and 1 percentage point better than in FY-15.

Natural catastrophes and other weather events were benign in all regions, contributing 1.9 percentage points to the combined ratio for Q3-16. Prior year reserves developed favorably in all major regions, with the 1.8 percentage point reduction in the combined ratio in line with the expected range of 1-2%.

The expense ratio of 31.7% for Q3-16, and 32.3% excluding the benefit from RCIS, is higher than the HY-16 position of 30.9%. This is mainly driven by shifts in business mix and the lower level of premium earned. On an absolute basis, other technical expenses continue to be lower compared to the previous year.

For the final quarter in 2016 the combined ratio is expected to be in the indicated 97 – 98% range. This, combined with the YTD results, means that the FY-16 combined ratio will likely be slightly above 98%.

Slide 10: General Insurance – Regional combined ratios

Looking at the performance by region:

Global Corporate's combined ratio of 105% for Q3-16 is significantly lower than for Q3-15 and FY-15. This is mainly driven by a favorable impact from prior year reserves, the absence of major catastrophes and the Tianjin port explosion in Q3-15. Global Corporate has not yet achieved a satisfactory level of profitability and the focus remains on further improvement.

NAC's combined ratio of 93.2% for Q3-16 is much lower than in Q3-15, driven by favorable prior year reserve releases and a lower AY LR ex-cat ratio mainly in property and motor.

EMEA's combined ratio in Q3-16 is on a similar level to last year. Improvements in the attritional loss ratio are partly offset by two significant large losses in Germany and the UK. Looking at 9m-16 the AY CR ex-cat is 3.7 percentage points lower than FY-15.

In International Markets, the significant reduction in the combined ratio is mainly driven by improved attritional loss ratios in Latin America and Asia Pacific, a higher level of favorable PYD, and lower expenses in Latin America which had some non-recurring items in 2015.

Slide 11: General Insurance – BOP components

The General Insurance BOP for the quarter was USD 618m, which is a sharp improvement compared to the material losses in Q3-15 and Q4-15.

Compared to Q3-15, the increase in the General Insurance underwriting result is reflected in the decrease of the combined ratio by more than 10 percentage points. The result includes an improvement in the hedge fund portfolio, which generated a gain of USD 55m in Q3-16 versus a loss of USD 60m in the prior year quarter.

Investment income is flat on a reported basis and up 3% in local currency compared to the prior year. As in the second quarter, this results from higher dividend income on equities and higher yields on inflation linked bonds in Latin America.

The non-technical loss of USD 21m includes a FX loss of USD 3m.

Slide 12: Global Life – New business & net inflows

Q3-16 Global Life new business APE volumes increased 20% in local currency compared to the prior year quarter, with strong growth in LatAm driven by a large corporate protection contract in Zurich Chile, and in Spain where increases in Banco Sabadell individual savings volumes more than offset declines in Germany.

New business value decreased 15% in local currency year on year, driven by a 6.7 percentage point decrease in the new business margin on a reported basis compared to the prior year quarter. This reflects a combination of lower yields at the start of the quarter as well as overall business mix.

In EMEA local currency new business value decreased by 25% year on year. This is most prominent in Switzerland due to the impact of lower yields, although Germany and Italy also saw related decreases. In Spain, a change in business mix with an increase in lower margin individual savings business more than outweighed the value generated by the high margin protection business.

Latin America new business value increased 22% in local currency, driven by a large increase in corporate protection volumes in Zurich Chile.

In North America positive assumption changes and a mix shift to sales of higher margin products resulted in new business value increasing 30% for the region, despite a decrease in volumes.

Analyzed by pillar and in local currency, Corporate Life and Pensions new business value was down 7% compared to the prior year, while Bank Distribution values decreased 18% year on year and Retail new business value decreased 21%.

Net inflows were positive for the quarter, driven by sales through Bank Distribution partners and UK Corporate Life & Pensions.

Slide 13: Global Life – BOP by region

Global Life BOP increased 16% in local currency, or 11% compared to the prior year quarter in US dollars, to USD 365m.

In EMEA, local currency BOP earnings increased by 12%, growing 7% in USD, where favorable experience relative to assumptions in the UK and positive market movements contributed to the result. Adjusting for a one-off prior year quarter reserve methodology update in Switzerland the local currency increase was 19%.

In Latin America Zurich Santander earnings increased by 43% in local currency, while the Zurich branded business also saw improved performance against a prior year quarter impacted by balance sheet adjustments in Brazil.

Asia Pacific BOP increased to USD 31m, compared to 4m in the prior year quarter, driven mainly by positive market development and the transfer of the loss-making Singapore life portfolio to Non Core Businesses.

In North America earnings were down 68% compared to the prior year quarter due to assumption updates and higher than expected lapse experience in the Zurich branded business.

Slide 14: Farmers Exchanges – Growth and profitability

Growth momentum at the Farmers Exchanges, which are owned by their policyholders, continued at the same pace as in previous quarters with continuing operations growing at 5.5%, both over the quarter and year-to-date.

Growth continues to be largely driven by rate increases in the auto book. While retention and new business held up well in the first half, Q3-16 shows some initial indications that ongoing rate increases in the auto book are having a modest impact on retention. During the quarter the auto book vehicles-in-force declined by 0.6% driven largely by non-standard auto, which compares to a 1.4% increase in the first half.

After significant catastrophe losses due to Texas storms in the first half, the third quarter was benign in terms of cat losses. Expenses also trended favorably due to lower marketing spend. However, the combined ratio of the auto book remained at unprofitable levels indicating the need for continued rate and underwriting action. Homeowners, specialty and business insurance on the other hand, which account for more than half of the Farmers Exchanges gross written premiums from continuing operations, achieved combined ratios in the low nineties.

The Farmers Exchanges surplus in third quarter increased by approximately USD 120m, resulting in a surplus ratio of 37% above the near-term target range of 33 to 36%.

Slide 15: Farmers Exchanges – Customer KPIs

Price continues to be an important factor influencing customer satisfaction and retention. Not unexpectedly, rate and underwriting actions taken to restore the profitability of the auto books had some impact on those metrics.

Slide 16: Farmers – Financials

Farmers Management Services BOP increased 1.7% to USD 352m reflecting higher management fees partially offset by higher costs.

After a loss in the first half Farmers Re BOP turned positive in the third quarter, driven by lower catastrophe losses and a favorable accounting adjustment of USD 25m.

While catastrophe losses were benign in the third quarter, at 9m-16 they amounted to USD 94m or USD 6m below the USD 100m loss limit of the All Lines Quota reinsurance treaty.

Slide 17: Other Operating and Non Core Businesses BOP

Other Operating Businesses BOP was a loss of USD 177m in Q3-16. This is mainly due to FX gains in Holding & Finance and is below the expected run-rate. For Q4 higher headquarter costs are expected, with the full year loss expected to be in line with the guidance of around USD 800m.

In Non Core Businesses, the Q3-16 BOP result of USD 9m was driven by a combination of smaller transactions and loan recoveries, partially offset by some adverse PYD on closed books and lower investment returns.

Slide 18: Group Investments – Investment income yield

Annualized new money yields for debt securities were around 1.7% for General Insurance and around 1.5% for Life. Compared to Q2-16 the gap to the annualized accounting yield has widened slightly reflecting general trend in yields and the drop in credit spreads in Q3-16.

Slide 19: Group – Balance sheet and capital

Shareholders' equity increased by USD 0.8 billion to USD 32.5 billion in the quarter largely due to retained earnings, while unrealized capital gains and FX movements were offset by an increase in defined benefit pension liabilities.

Z-ECM at end of June was 107% as estimated. Given positive performance of equity markets and tightening credit spreads, as well as net new issuance of debt, Z-ECM is estimated to have increased to 113% at the end of September. SST is estimated at 167% at the end of September.

Slide 20: Key messages

In summary, this result builds on the good start to the year and the improvement in underlying results.

The General Insurance underlying combined ratio is improving and the business will continue to work to further improve the result over coming quarters, particularly within the Global Corporate portfolio. Prior year development is in line with expectations of 1-2ppts.

Global Life has delivered solid underlying growth, while growth in premium income at the Farmers Exchanges continues to support growth in Farmers.

The Group has made further progress on simplifying the Group structure and has begun work on operating efficiency, while also strengthening the Group Executive Committee (ExCo).

The Group's capital position is strong, with the estimated Z-ECM ratio comfortably within the target range at the end of the third quarter.

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.

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

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

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.