

# Results for the three months to March 31, 2016

Investor & Media presentation  
May 12, 2016

Zurich Insurance Group





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## MAIN SECTION

-  Key highlights
-  Group BOP
-  General Insurance
-  Global Life
-  Farmers
-  Group Balance sheet and capital
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## APPENDIX

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-  Other Operating Businesses
-  Group Investments
-  Group Z-ECM and SST
-  Group EPS, BVPS and ROE
-  Currency impact
-  Commentary
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 Print slides with Commentary

 Print slides without Commentary

# Key messages

## General Insurance

Improved in line with expectations, further progress anticipated throughout the year

## Global Life

Underlying improvement continues, masked by strong USD

## Farmers

Growth in continuing operations of the Farmers Exchanges reflected in fee income

## Capital

Very strong capital position

# Key financials

Good BOP result, but more remains to be done

## Q1-16 KEY RESULTS

**BOP**

**USD 1.1bn (-16%)**

**NIAS**

**USD 0.9bn (-28%)**

## TARGET METRICS OVER STRATEGIC PERIOD

<b>BOPAT ROE<sup>1</sup></b>	<b>Q1-16</b>	<b>Target</b>
	10.9%	12 - 14%
<b>Z-ECM<sup>2</sup></b>	<b>Q1-16 estimate<sup>3</sup></b>	<b>Target</b>
	~110%	100 - 120%
<b>Net cash remittances</b>	<b>FY-14 &amp; FY-15</b>	<b>Cumulative 3-year target</b>
	USD 7.6bn	> USD 9bn

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

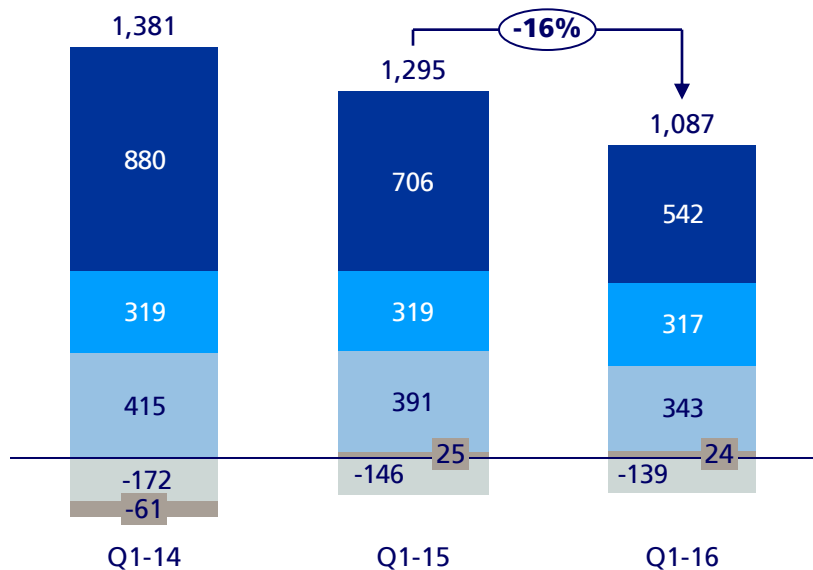
<sup>2</sup> Zurich Economic Capital Model (Z-ECM).

<sup>3</sup> Estimated to be at the middle of the target range. In general Q1/Q3 estimates are subject to greater uncertainty. FY-15 Z-ECM ratio at 121%.

# Group – Business Operating Profit

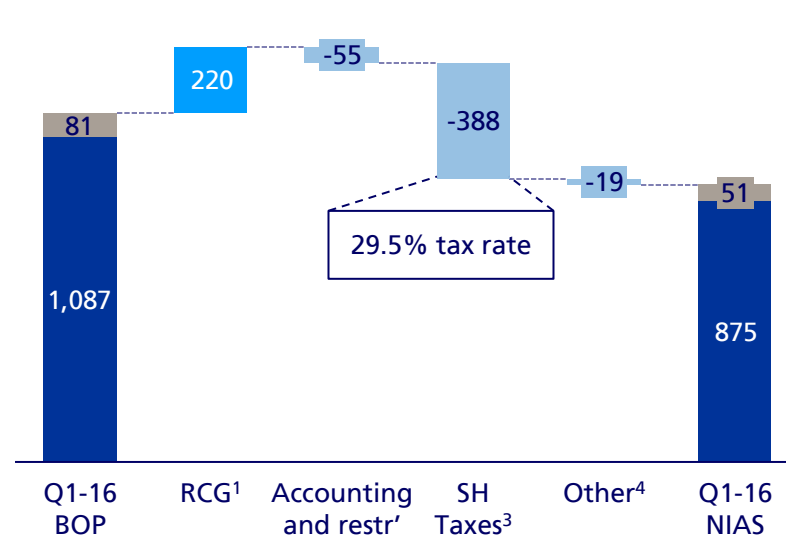
GI improving, other businesses on track

## BOP BY SEGMENT (USDm)



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

## BOP TO NIAS WALK (USDm)



■ Non-controlling interests

<sup>1</sup> Realized capital gains/losses.

<sup>2</sup> Includes restructuring provisions and other restructuring charges.

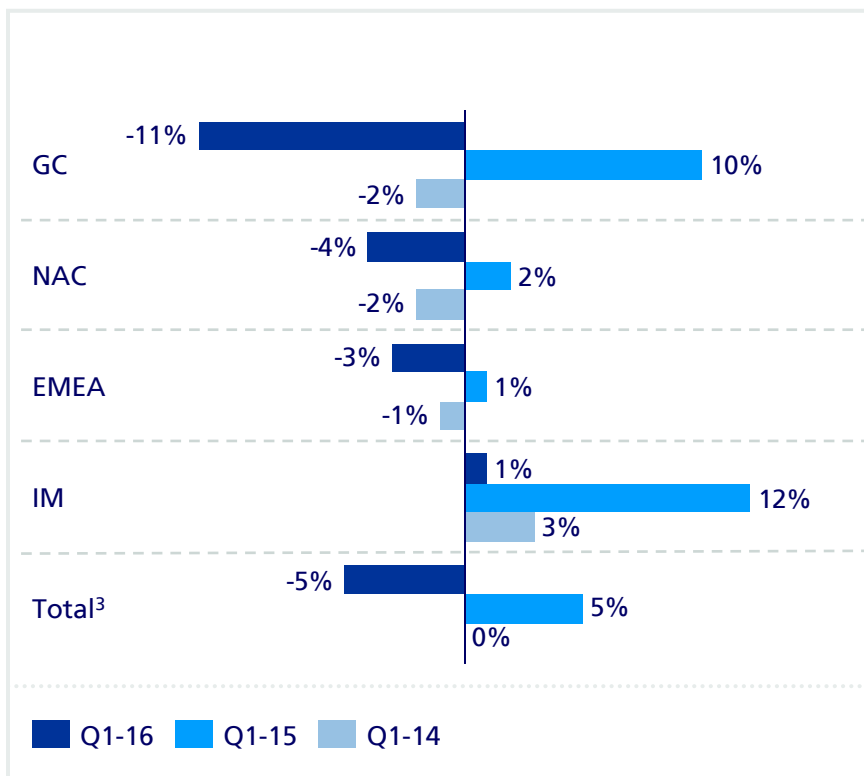
<sup>3</sup> Shareholder taxes (income tax expense attributable to shareholders).

<sup>4</sup> Includes change in estimate of earn-out liabilities.

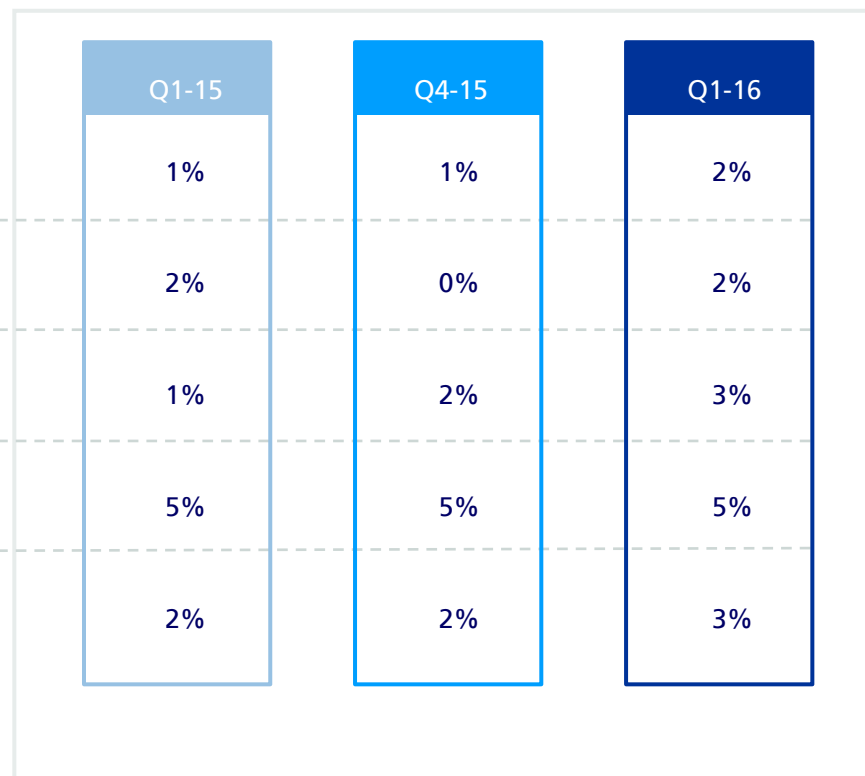
# General Insurance – Topline

Premium decline mainly driven by focus on profitability

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



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



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

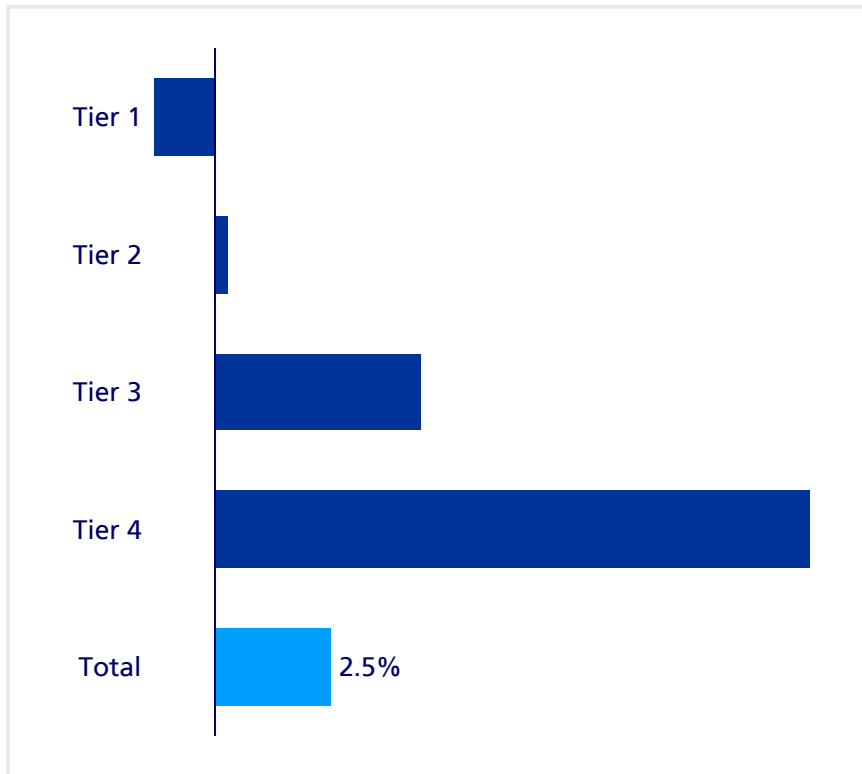
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

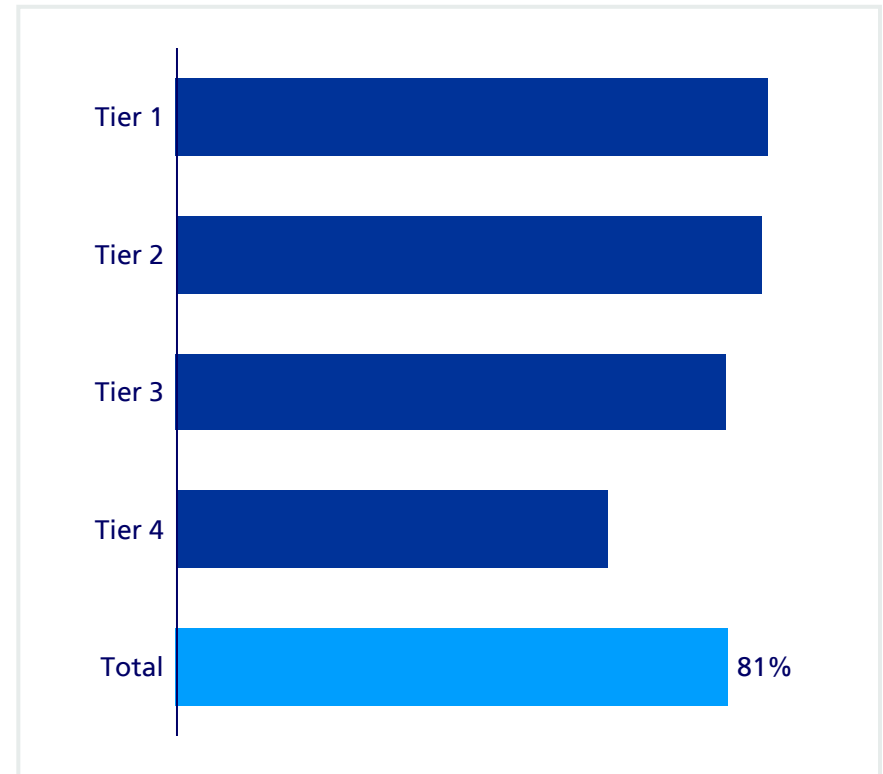
# General Insurance – Tiering results<sup>1</sup>

Results encouraging, line of sight to further CR improvement

## Q1-16 RATE INCREASES BY TIER<sup>2</sup> (%)



## Q1-16 RETENTION BY TIER<sup>2</sup> (%)



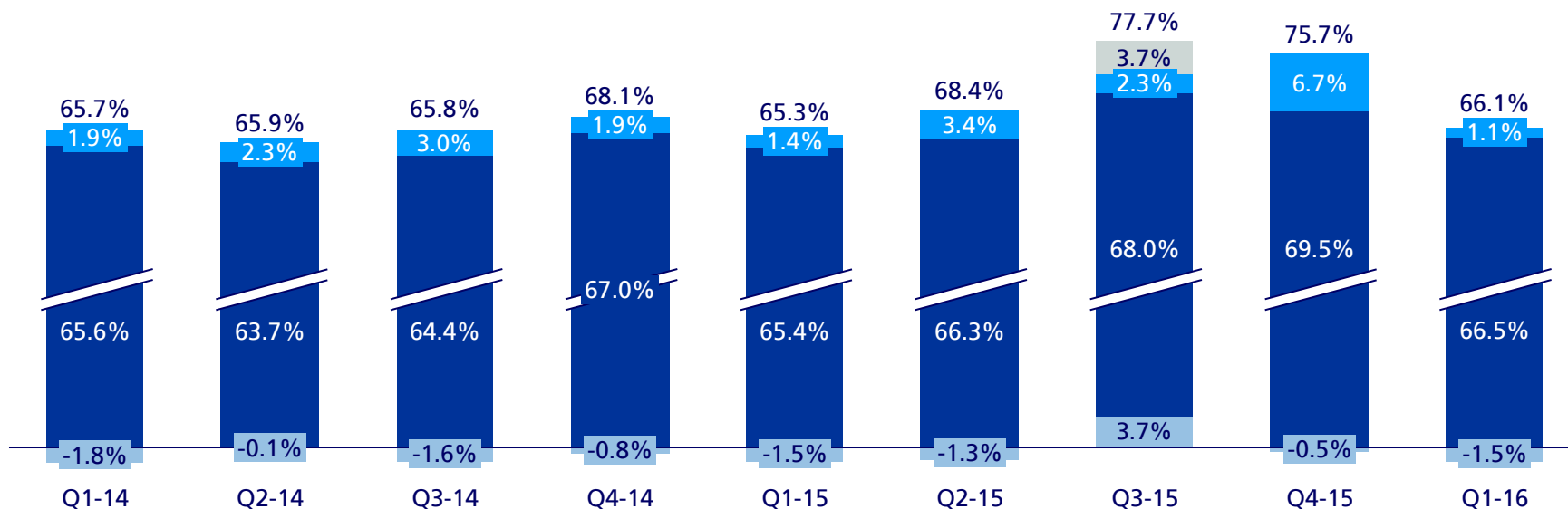
<sup>1</sup> GI overall results based on tiered business for Global Corporate, NAC and three major EMEA markets.

<sup>2</sup> Tier 1 represents most profitable accounts.

# General Insurance – Loss ratio details

AY Loss ratio improving in Q1-16

## LOSS RATIO (%)



■ Tianjin loss 
 ■ Catastrophes<sup>1</sup>
■ AY LR (excl. catastrophes)<sup>2</sup>
■ PYD

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

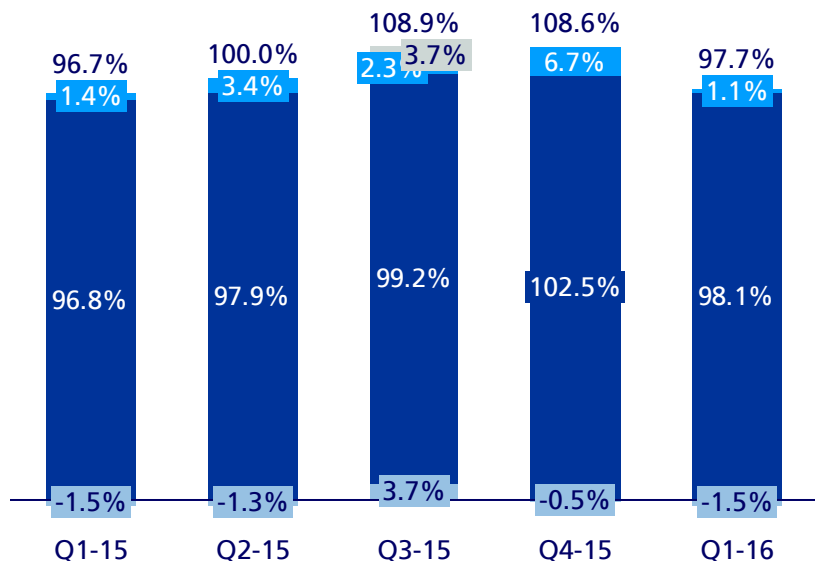
<sup>2</sup> Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).



# General Insurance – Combined ratio

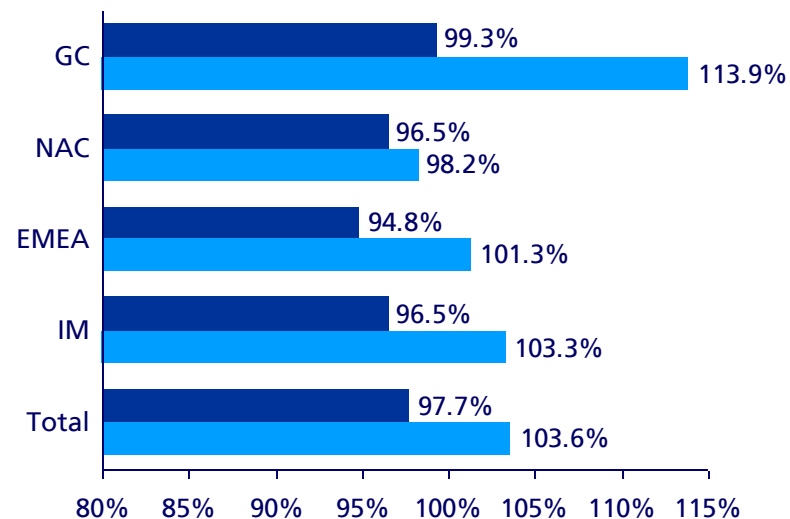
Combined ratio in line with expectations

## COMBINED RATIO SPLIT (%)



■ Tianjin loss    ■ AY CR (excl. catastrophes)<sup>2</sup>  
■ Catastrophes<sup>1</sup>    ■ PYD

## COMBINED RATIO BY REGION (%)



■ Q1-16    ■ FY-15

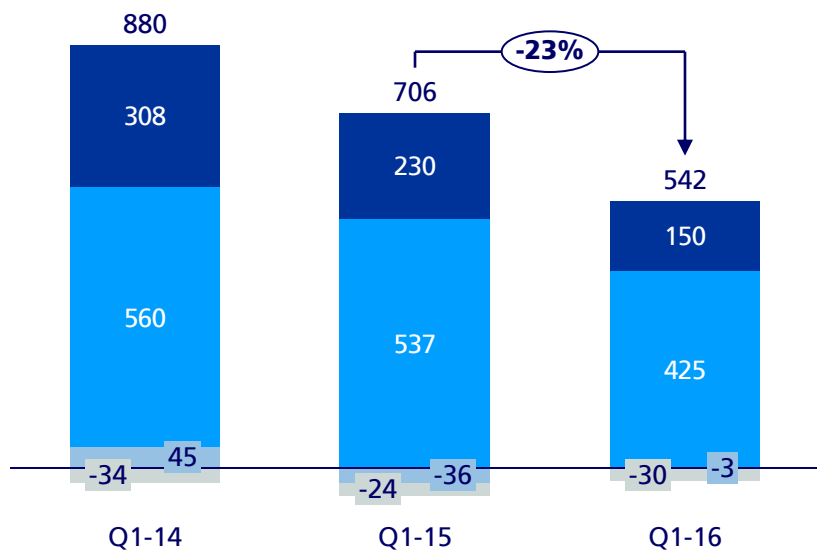
<sup>1</sup> Catastrophes include major and mid-sized catastrophes, including significant weather related events.

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

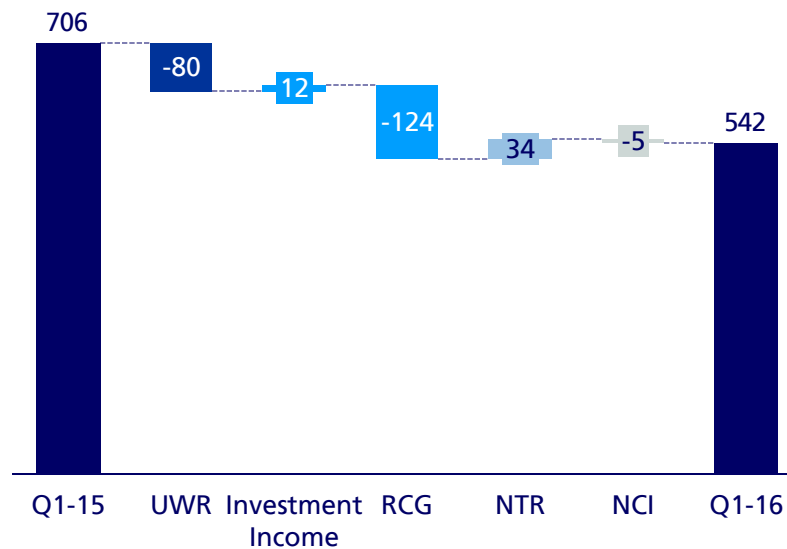
# General Insurance – BOP components

Reduction in BOP also driven by market volatility

## BOP BREAK DOWN (USDm)



## KEY DRIVERS (USDm)

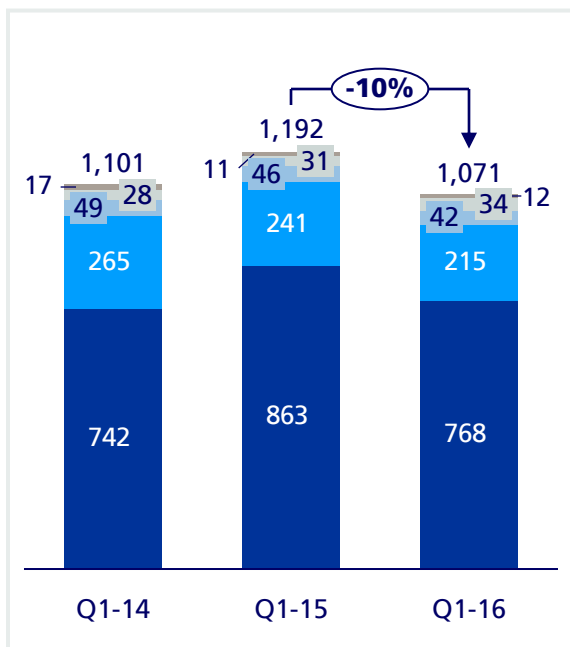


■ Underwriting result 
 ■ Investment inc. / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

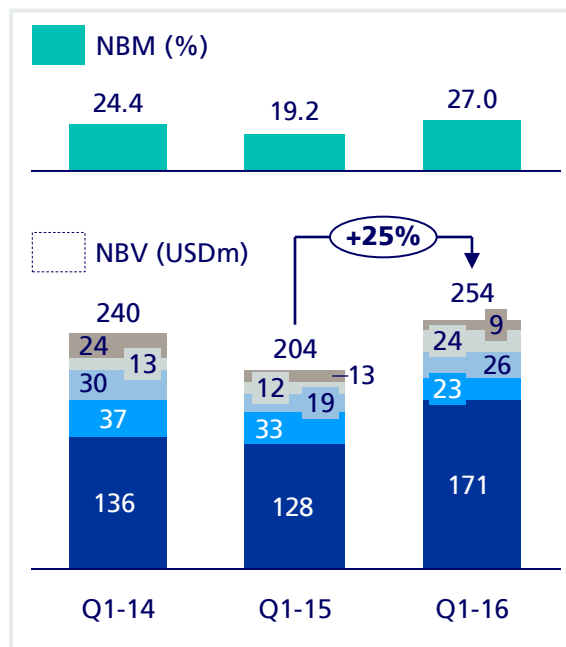
# Global Life – New business & Net Inflows

Strong new business value growth offsets decrease in APE

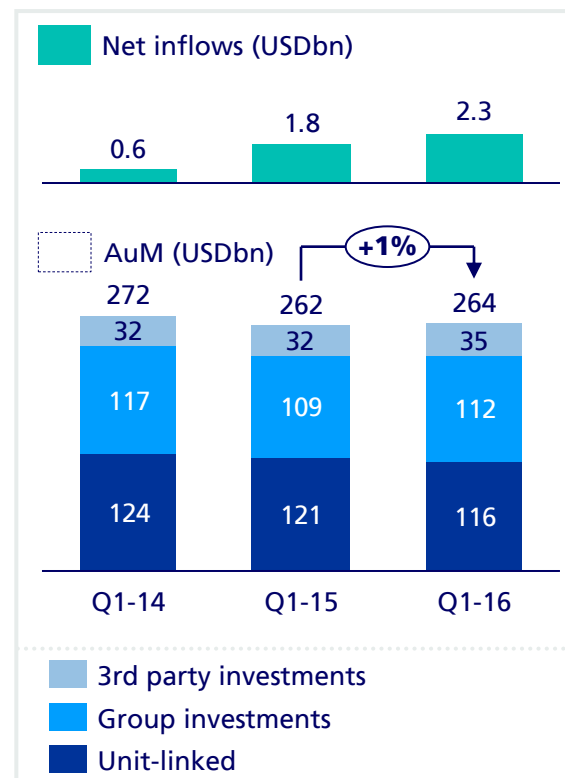
## APE (USDm)<sup>1,2</sup>



## NBM & NBV<sup>1,2,3</sup>



## NET INFLOWS & AUM<sup>4</sup>



Other APAC North America Latin America EMEA

3rd party investments  
Group investments  
Unit-linked

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

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

<sup>3</sup> 2014 figures have been restated to reflect a change in the MCEV CRNHR methodology.

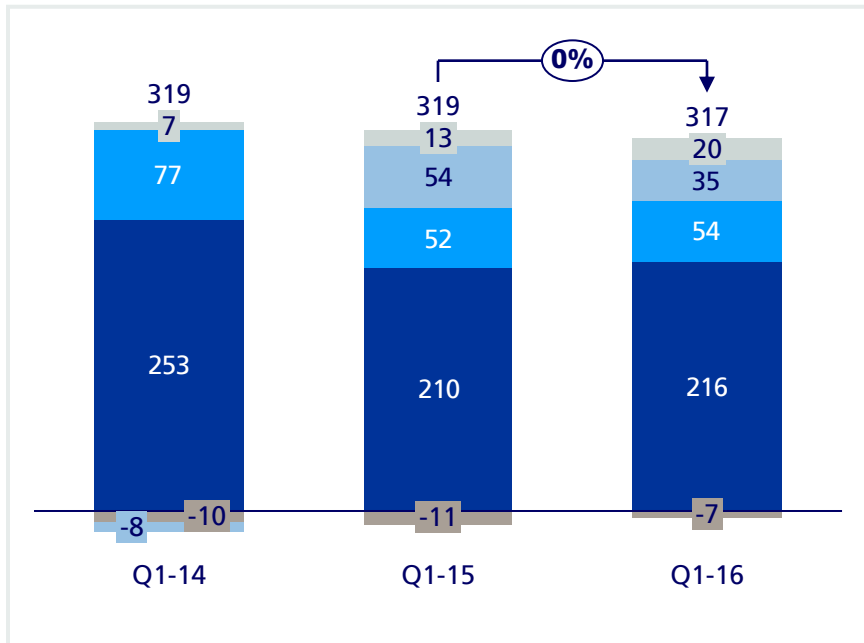
<sup>4</sup> AuM is reported as at the respective quarter end.

# Global Life – BOP by region

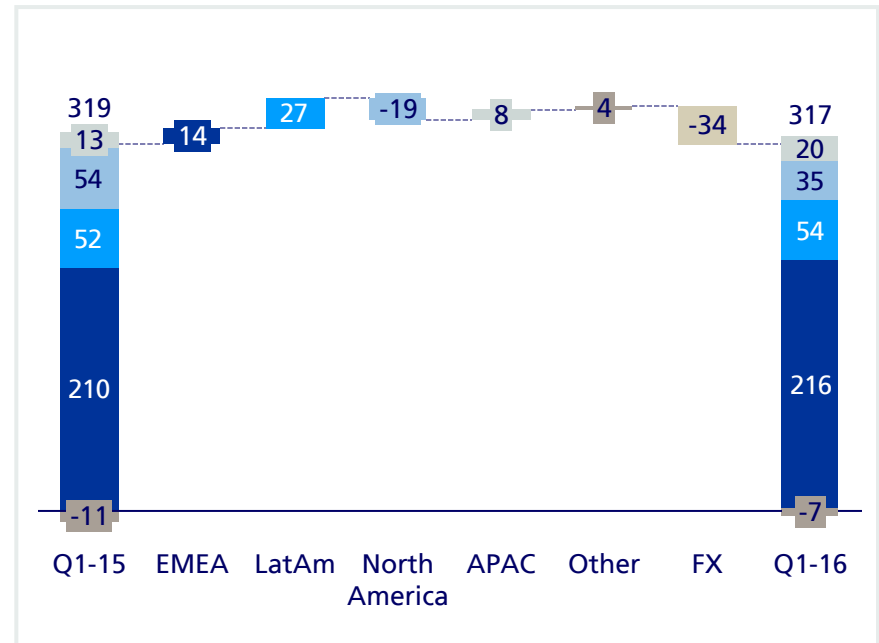
Local currency improvements in all regions except North America



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



## KEY DRIVERS (USDm)



Other APAC North America LatAm EMEA

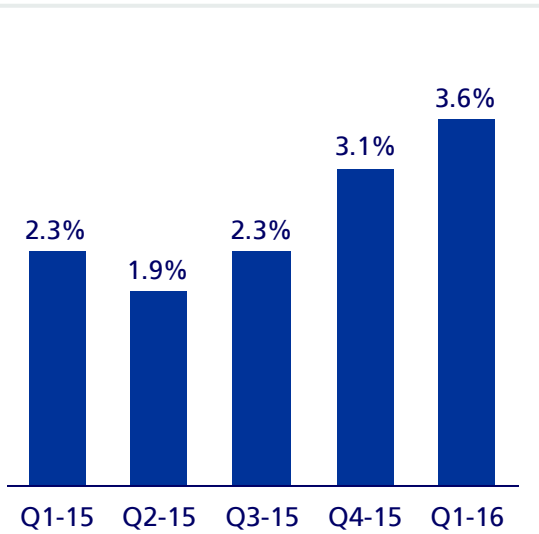
<sup>1</sup> 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

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

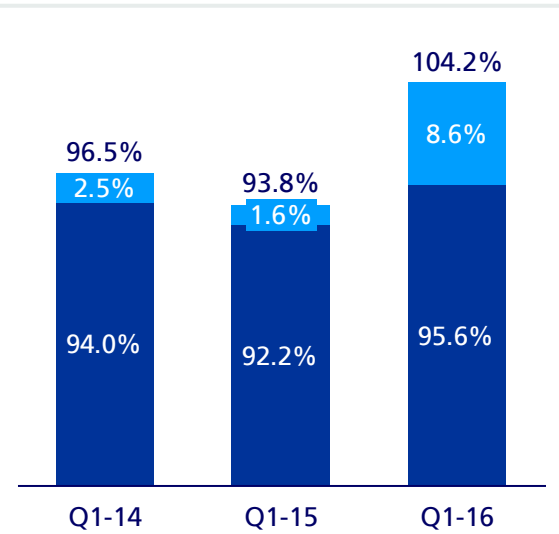


Continued growth, unusually high Q1 catastrophe losses

## GWP GROWTH (%)

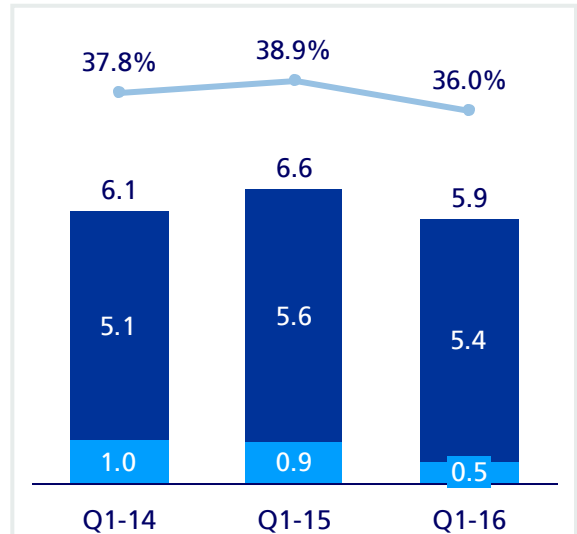


## COMBINED RATIO<sup>2</sup> (%)



■ Catastrophe losses  
■ CR (excl. catastrophe losses)

## SURPLUS<sup>2</sup> (USDbn)



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

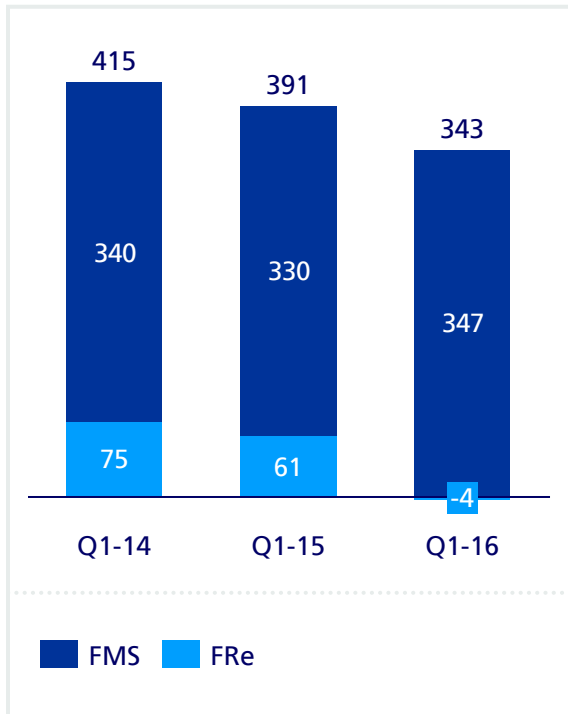
<sup>1</sup> Provided for informational purposes only. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives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

<sup>2</sup> Combined ratio before quota share reinsurance. Surplus ratio based on Farmers Exchanges surplus. Surplus estimated.

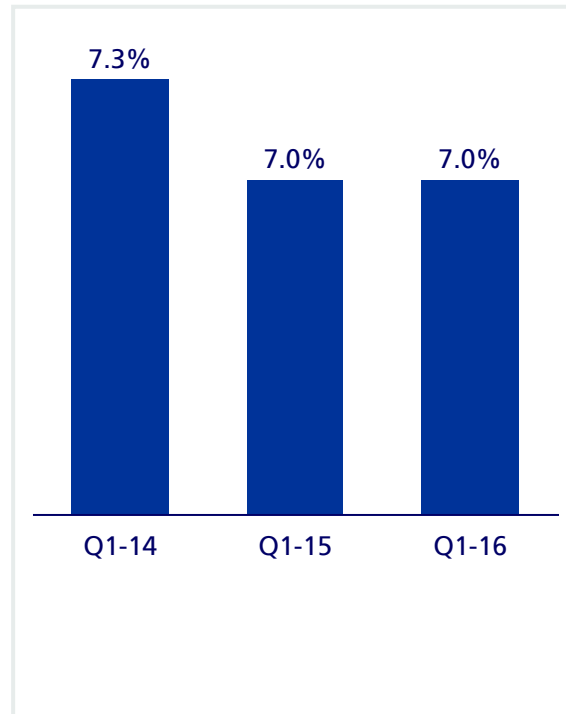
# Farmers – KPIs

Stable FMS results, underwriting loss at Farmers Re

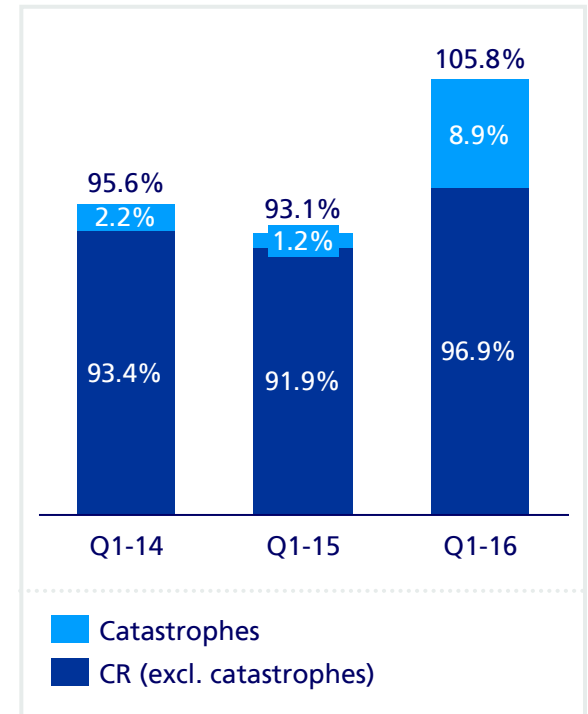
## BOP (USDm)



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



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



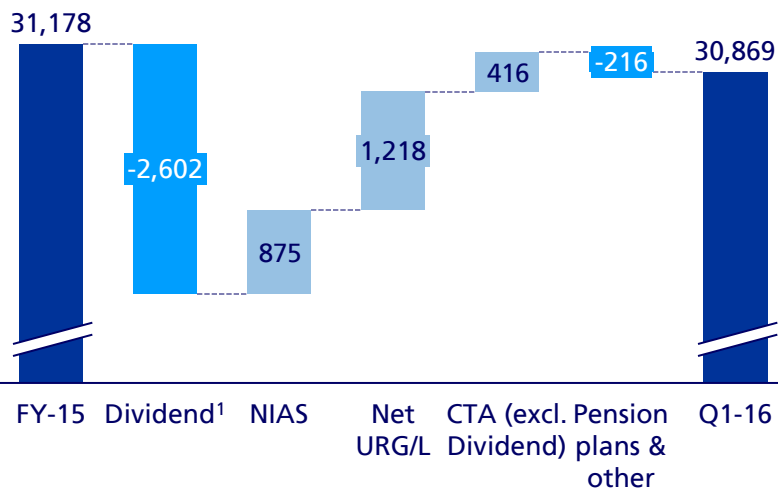
<sup>1</sup> Margin on gross earned premiums of the Farmers Exchanges. Regarding Farmers Exchanges see slide 13 footnote 1.

<sup>2</sup> Farmers Re (FRe) includes all reinsurance assumed from the Farmers Exchanges by Zurich Insurance Group.

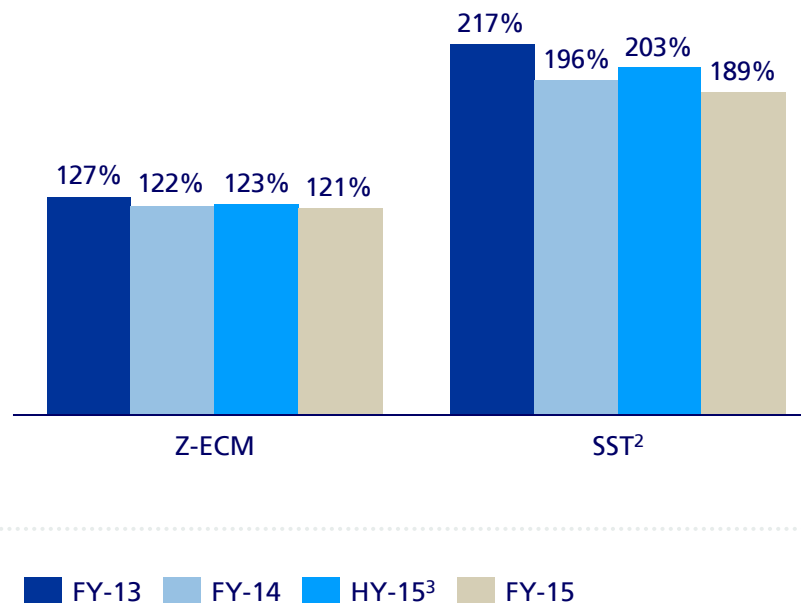
# Group – Balance sheet and capital

Strong capital position across all metrics

## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<sup>1</sup> Dividend as approved by the AGM on March 30, 2016, and at transaction day exchange rates.

<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

## General Insurance

Improved in line with expectations, further progress anticipated throughout the year

## Global Life

Underlying improvement continues, masked by strong USD

## Farmers

Growth in continuing operations of the Farmers Exchanges reflected in fee income

## Capital

Very strong capital position



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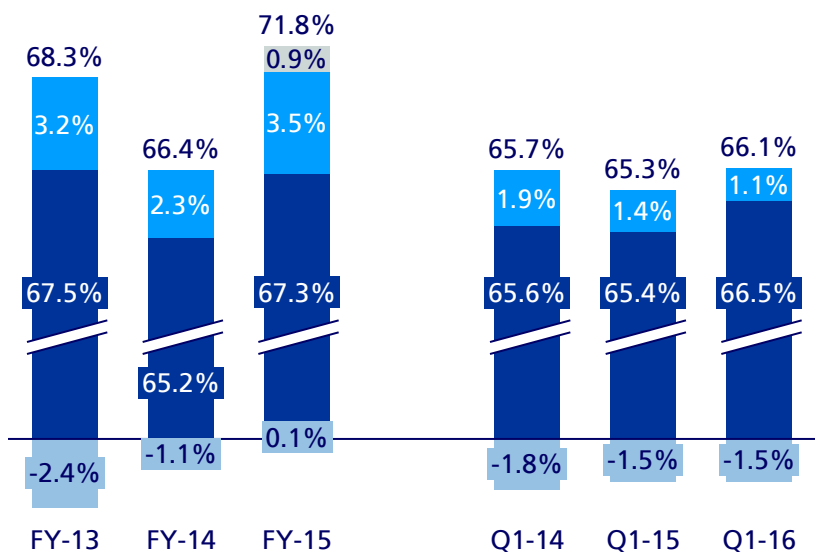
# Appendix



# GI – Combined ratio details

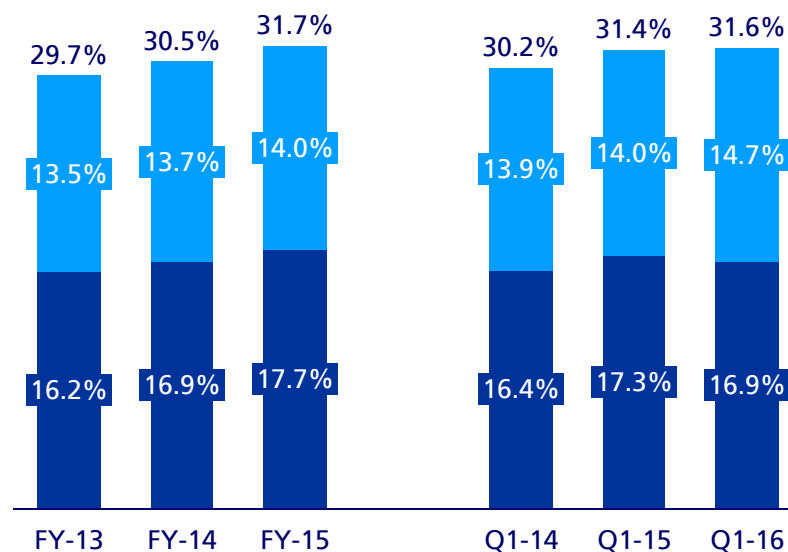
AY loss ratio lower than FY-15, expense ratio flat

## LOSS RATIO (%)



■ Tianjin loss    ■ AY LR (excl. catastrophes)  
■ Catastrophes<sup>1</sup>    ■ PYD

## EXPENSE RATIO (%)



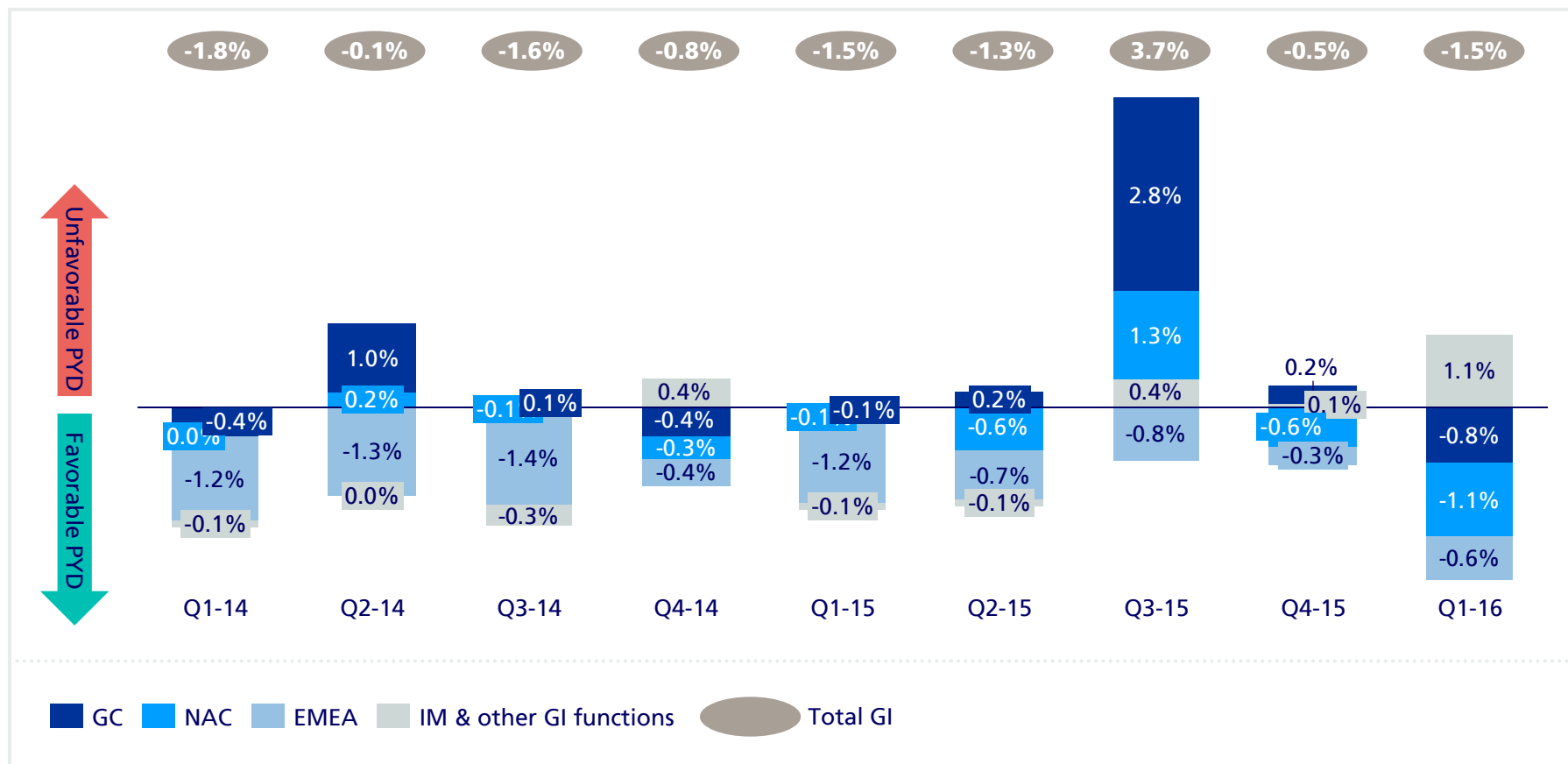
■ Commissions    ■ Other technical expenses

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

# GI – Prior year development (PYD) by region

Q1-16 PYD within expected range

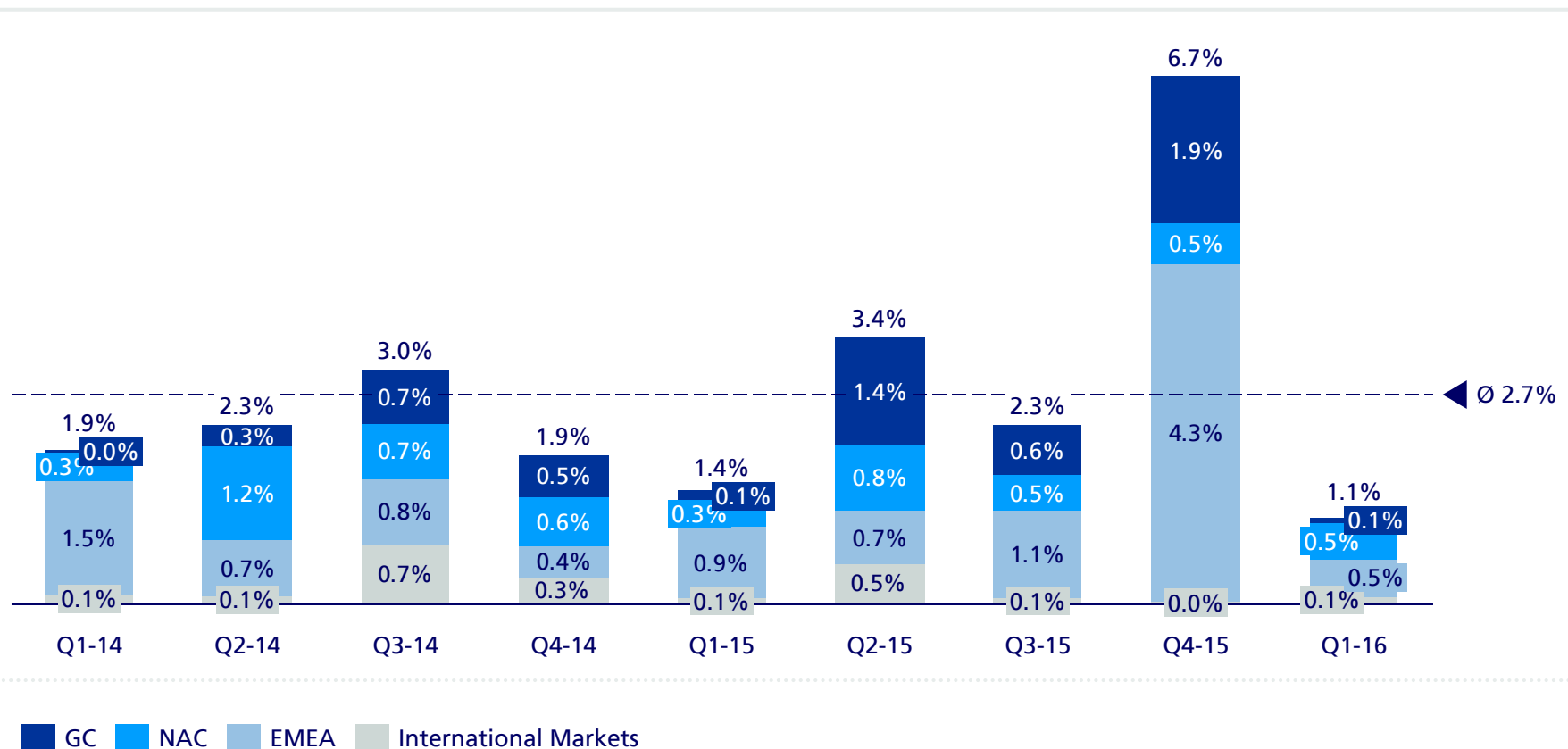
## PYD (% OF NET EARNED PREMIUM)



# GI – Catastrophes split by region

Last two years have been below our plan assumption

## CATASTROPHES (% OF NET EARNED PREMIUM)<sup>1</sup>

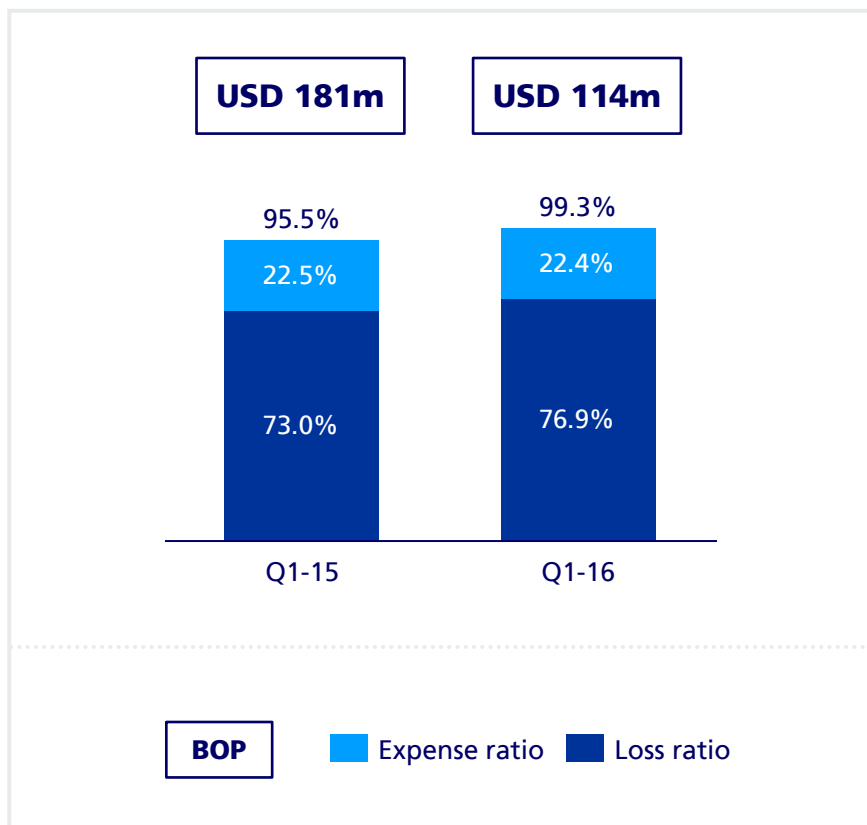


<sup>1</sup> Catastrophes include major and mid-sized catastrophes, including significant weather related events. Q3-15 excludes Tianjin loss.

# GI Global Corporate – KPIs

Some stabilization vs FY-15, further improvements expected

## Q1-16 KEY FINANCIALS



GWP Growth<sup>1</sup>

-11%

Zurich rate change<sup>2</sup>

2%

Combined Ratio

99%

## KEY DRIVERS

- GWP down mainly as a result of lower retention and new business volumes, also due to profitability actions
- Achieved higher rate increases through rigorous execution on tiering plans
- Significantly lower CR than FY-15, driven by the benign cat quarter and favorable impact from prior year reserves; actions are being taken to reduce CR further

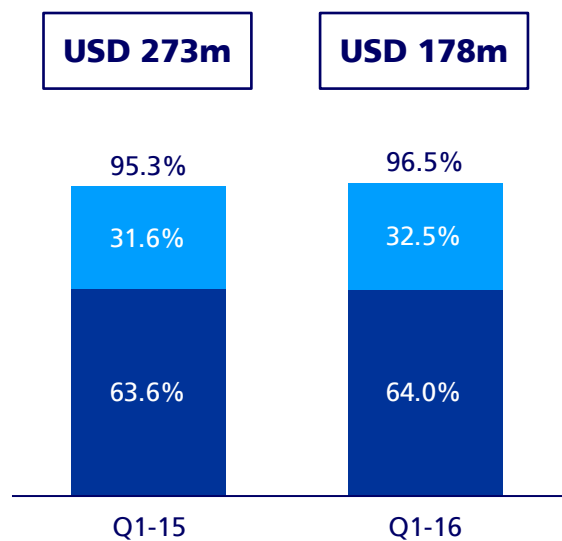
<sup>1</sup> In local currency.

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

# GI North America Commercial – KPIs

Attritional LR improving, AY CR impacted by large losses

## Q1-16 KEY FINANCIALS



**BOP** Expense ratio Loss ratio

GWP Growth<sup>1</sup>

-4%

Zurich rate change<sup>2</sup>

2%

Combined Ratio

97%

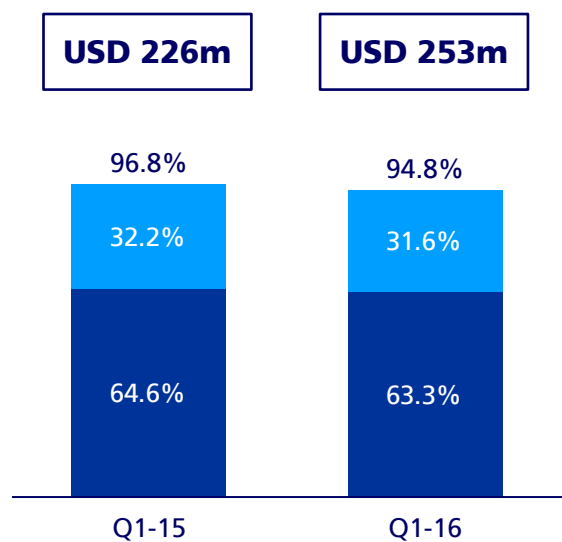
## KEY DRIVERS

- Decrease in GWP includes some timing and other one-off items but is mainly driven by broad market conditions and the effects of rate tiering actions
- Overall rate increases stable
- Favorable PYD and improvements in attritional LR are partly offset by two large surety losses and an uptick in commissions

<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.

### Q1-16 KEY FINANCIALS



**BOP**

Expense ratio    Loss ratio

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

**-3%**

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

**3%**

**Combined Ratio**

**95%**

### KEY DRIVERS

- GWP down mainly driven by lower new business in UK, Germany and Switzerland
- Slightly higher rate changes driven by focus on bottom line
- Combined ratio improvement driven by lower attritional losses and expenses; lower cat impact and lower PYD offset each other

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

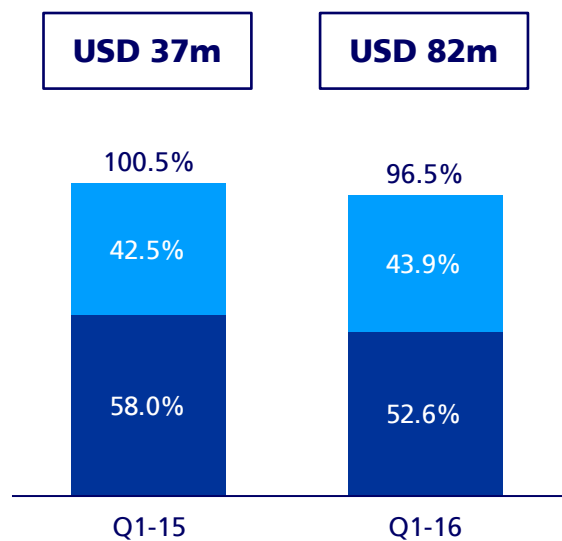
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.



# GI International Markets – KPIs

AY loss ratio continues to improve, growth impacted by exits

## Q1-16 KEY FINANCIALS



**BOP**

Expense ratio    Loss ratio

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

**1%**

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

**5%**

**Combined Ratio**

**97%**

## KEY DRIVERS

- Growth in Latin America is more than offset by the exit of lines of business in Australia that did not meet profitability requirements
- Lower combined ratio mainly driven by improved attritional loss ratios in Latin America and Asia Pacific, while lower levels of large losses are offset by higher commissions driven by business mix

<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

Strong rate increases driven by re-underwriting actions

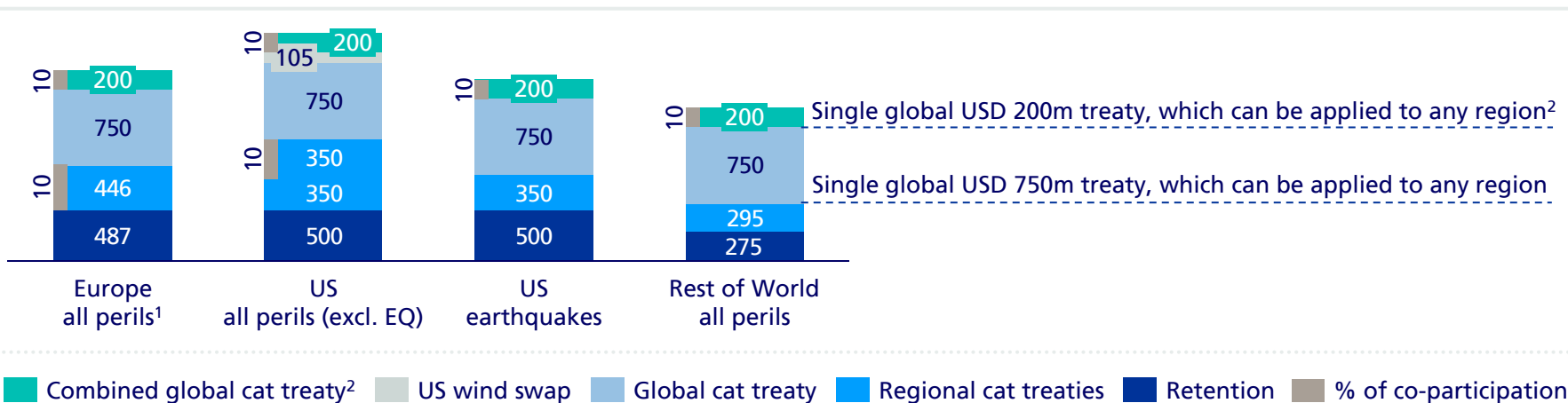
## Q1-16 ZURICH RATE CHANGE ASSESSMENT

Business	Assessment
Group	Solid rate increases above prior year levels reflecting focus on re-underwriting with lower levels in the US due to market pressures.
Global Corporate	Higher rates in the US and in EMEA reflecting focus on re-underwriting and de-risking.
North America Commercial	Continued rate increases, below prior year levels with challenging market conditions in property, liability and workers' compensation lines.
EMEA	Fairly stable rate increases, above prior year levels and slightly above our expectations and with different local market dynamics.
UK	Rate increases above prior year levels and in all lines.
Germany	Solid rate increases, above prior year levels, particularly in motor.
Switzerland	Solid rate increases, ahead of prior year, in line with our expectations.
Italy	Slightly positive rate increases, above prior year, with pressure on motor.
Spain	Strong rate increases above expectations and prior year mainly supported by Motor.
International Markets	Increases in APAC, particularly in Australia, but overall below prior year levels. Strong rate increases in Latin America above prior year.

# GI – Natural catastrophe reinsurance

Program further benefitted from lower reinsurance prices

## NATURAL CATASTROPHE REINSURANCE TREATIES (USDm)



## GLOBAL AGGREGATE CAT TREATY



<sup>1</sup> Europe Cat Treaty calculated with EUR/USD exchange rate as of April 30, 2016.

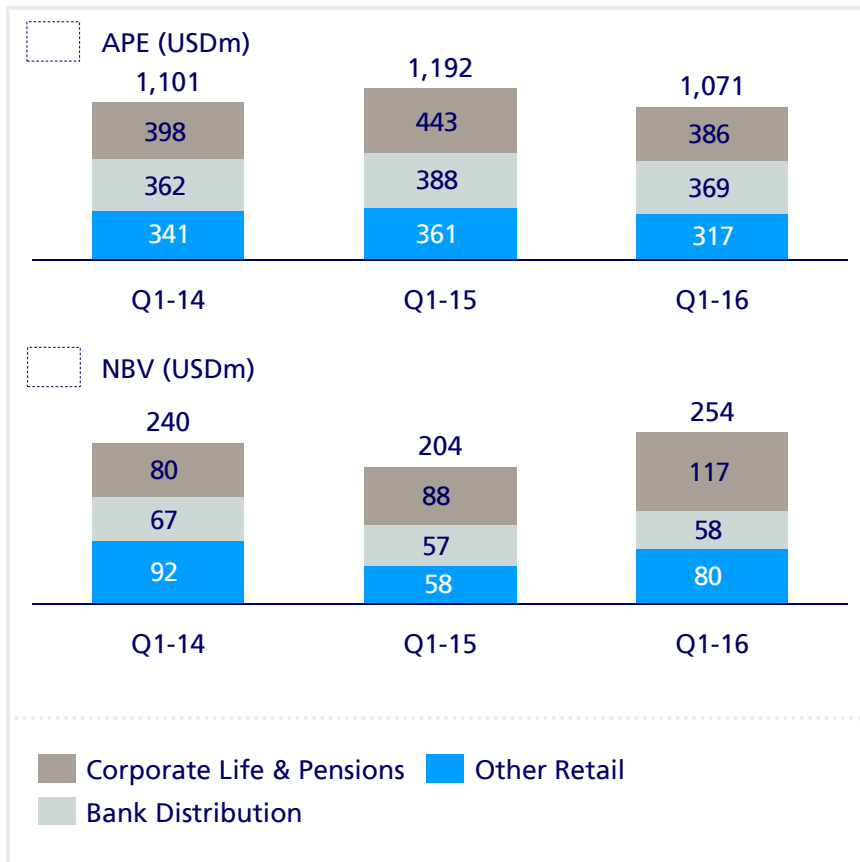
<sup>2</sup> This USD 200m cover is the same combined global occurrence / aggregate treaty presiding over the global catastrophe treaty. This cover can be used only once, either for aggregated losses or for an individual occurrence or event.

<sup>3</sup> For Canada earthquake losses the attachment point of the combined occurrence / aggregate treaty is USD 1,450m.

# GL – New business by pillar

Higher NBV in CLP and Retail

## Q1-16 KEY FINANCIALS<sup>1,2</sup>



NBM	PVNB	CLP single premium
27%	USD 12.5bn	USD 0.9bn

### KEY DRIVERS

NBV increase from general margin improvements more than offsets reduction in new business volume and FX impact, in particular:

- In Corporate Life & Pensions (CLP), from non-repeated sales of low margin schemes in the UK, and Switzerland benefiting from model enhancements.
- In Other retail from higher margins in individual protection in Japan and North America.
- In Bank Distribution, from generally lower guarantees and re-pricing actions in Germany and Italy. Offset by Zurich Santander due to devaluation effects, despite resilient sales in local currency.

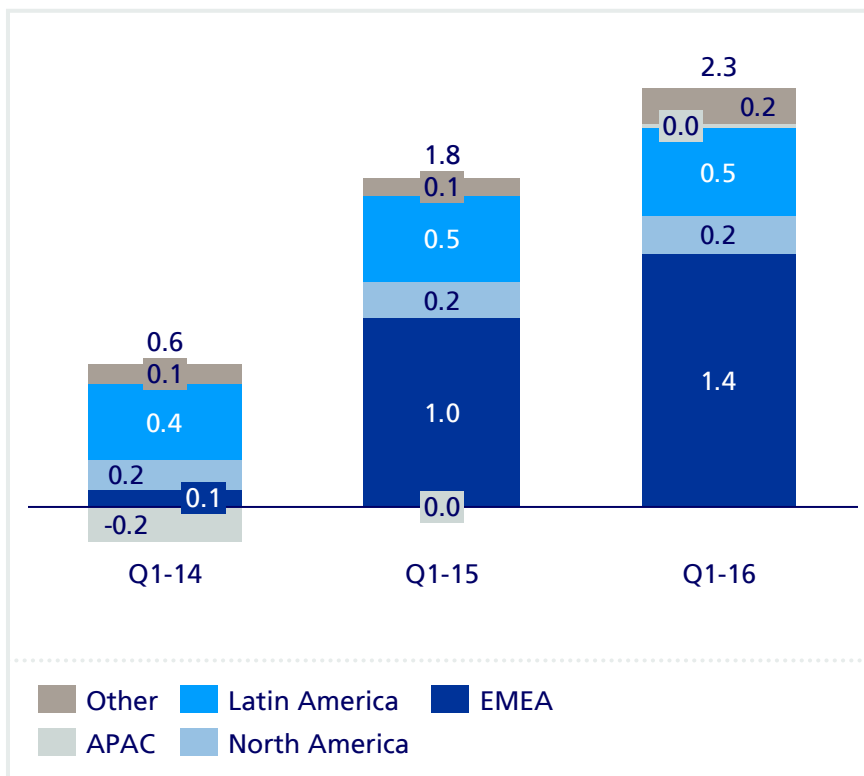
<sup>1</sup> APE is reported before non-controlling interests. NBM and NBV are reported net of non-controlling interests.

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

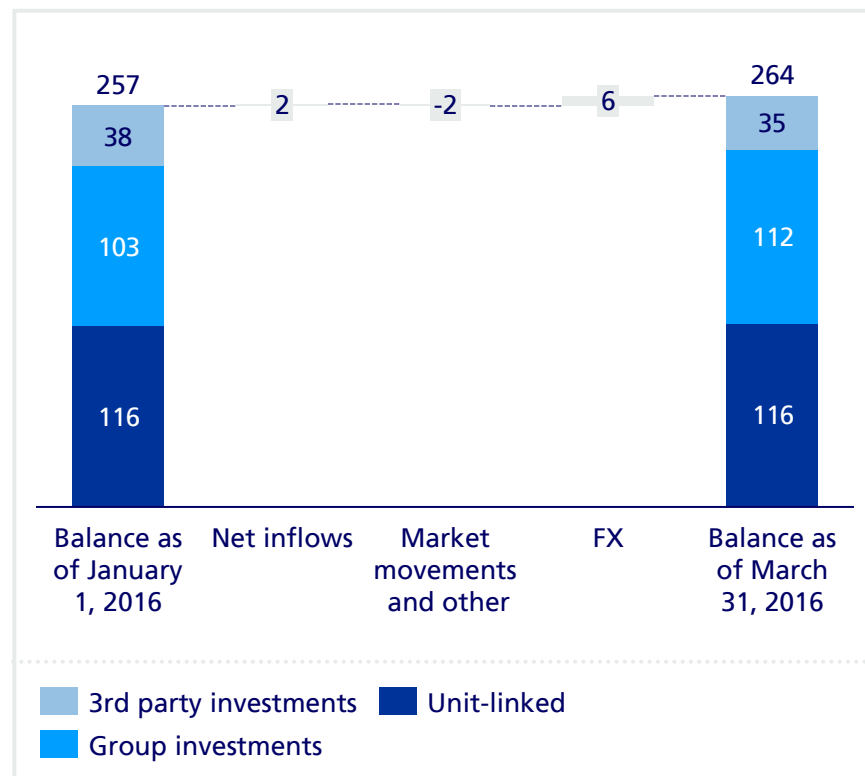
# GL – Net inflows & Assets under management

Positive net flows and growing local currency AuM excl. disposals

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



## AUM DEVELOPMENT (USDbn)<sup>2</sup>



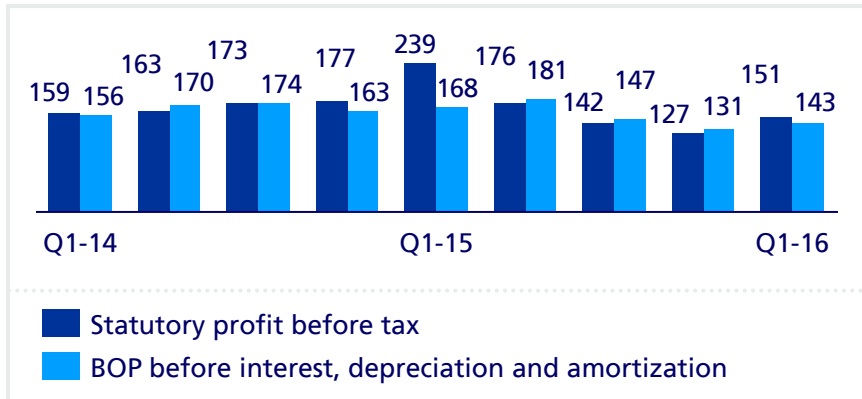
<sup>1</sup> 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

<sup>2</sup> Market movements and other include the de-consolidation of a UK based distributor of Global Life business.

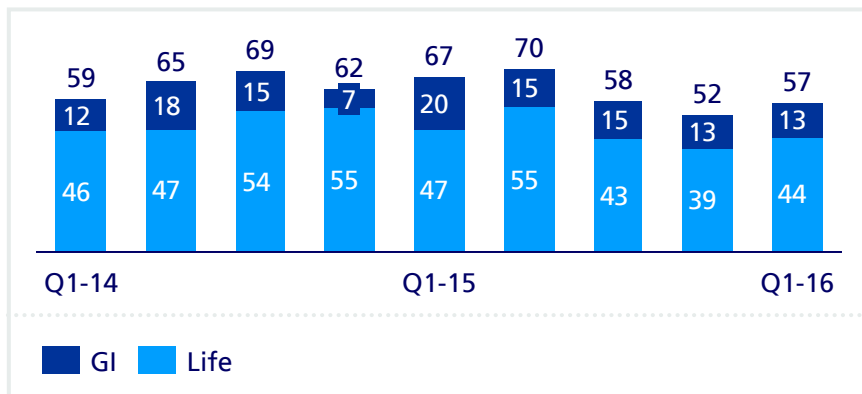
# Zurich Santander – Quarterly results

Continued growth in LC offset by adverse FX development

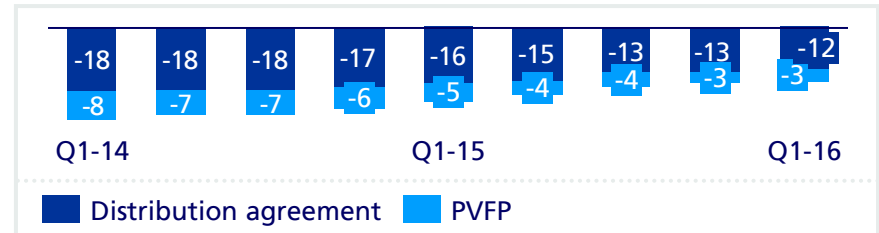
## PROFIT BEFORE TAX GI & LIFE (100%)



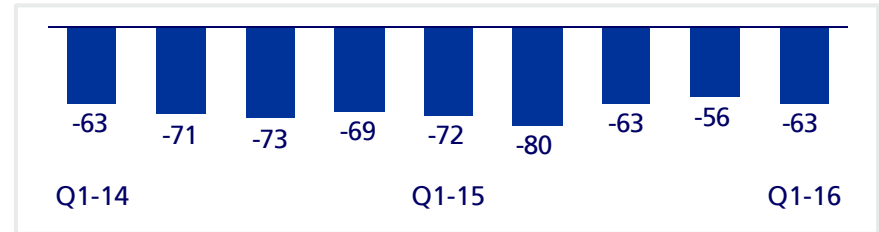
## CORE SEGMENT BOP GI & LIFE (51%)



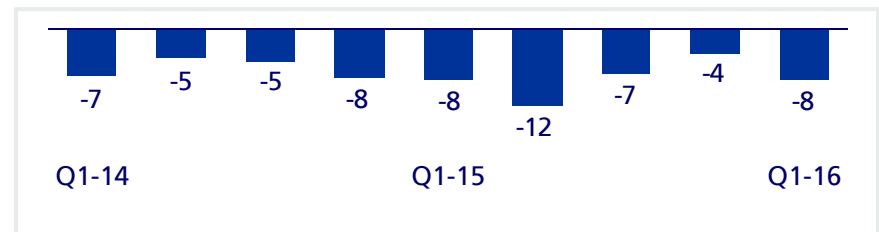
## INTANGIBLES AMORTIZATION (100%)



## MINORITY ADJUSTMENT (-49%)



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



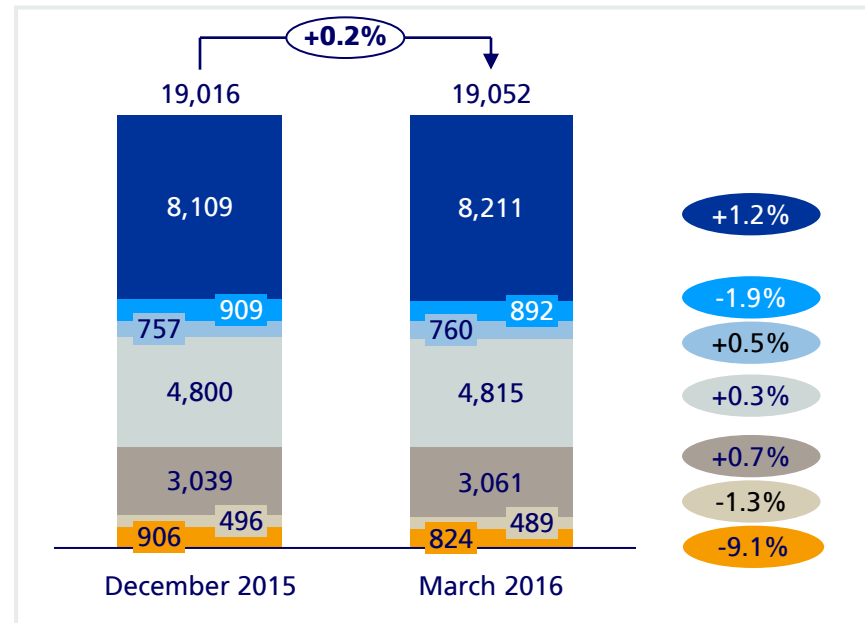
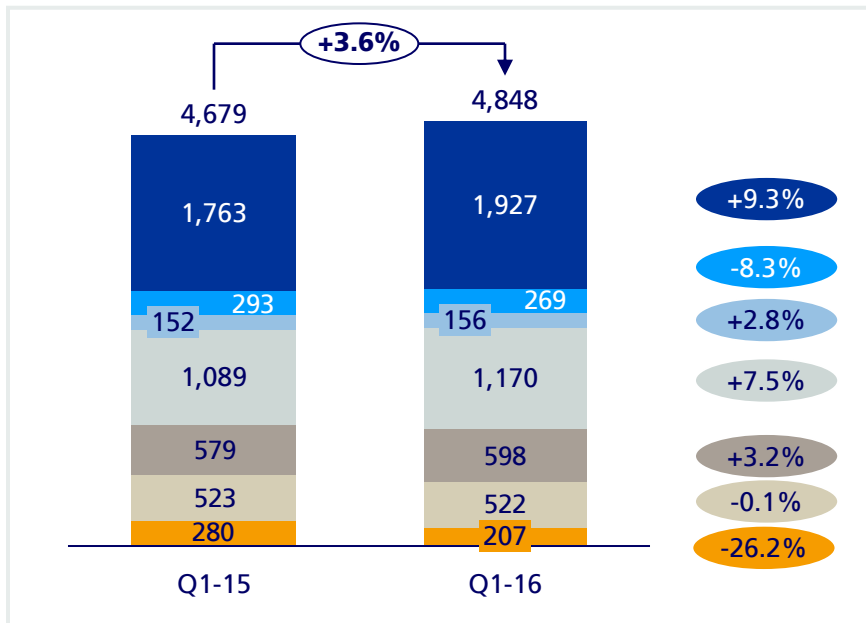
# Farmers Exchanges – GWP and PIF/VIF<sup>1</sup>

Growth primarily driven by rate



## DEVELOPMENT OF GWP (USDm)

## DEVELOPMENT OF PIF/VIF (000's)



■ Auto 
 ■ Bristol West<sup>2</sup>
■ 21st Century CA/HI<sup>2</sup>
■ Home 
 ■ Specialty 
 ■ Business Insurance 
 ■ Discontinued/Other

<sup>1</sup> Policies-in-force (PIF) or Vehicle-in-force (VIF) for Auto businesses. Regarding Farmers Exchanges see slide 13 footnote 1.

<sup>2</sup> Bristol West writes non-standard Auto business. 21<sup>st</sup> Century CA/HI are continuing operations in California and Hawaii.

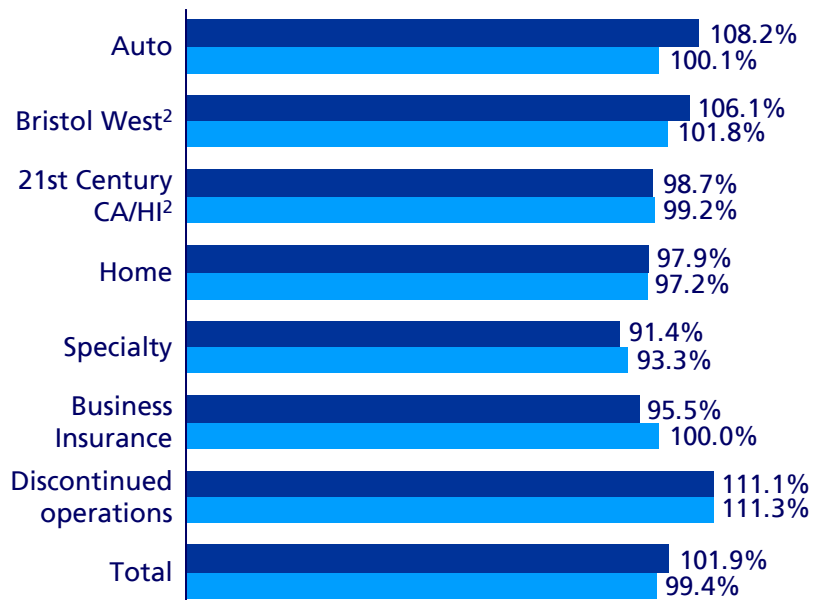


# Farmers Exchanges – Combined ratio

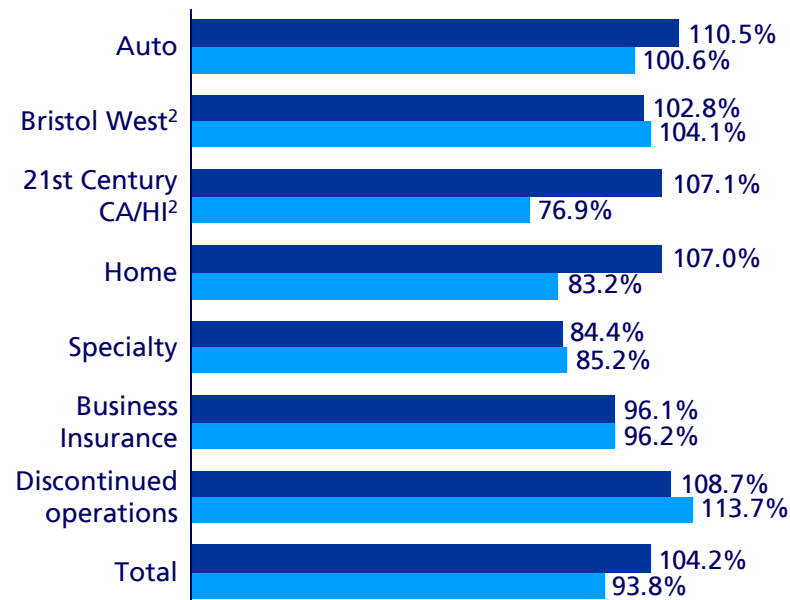
Continued impact of unfavorable claim trends in Auto business



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



■ FY-15 ■ FY-14



■ Q1-16 ■ Q1-15

<sup>1</sup> Combined ratio before quota share reinsurance.

<sup>2</sup> Bristol West writes non-standard Auto business. 21<sup>st</sup> Century CA/HI are continuing operations in California and Hawaii.



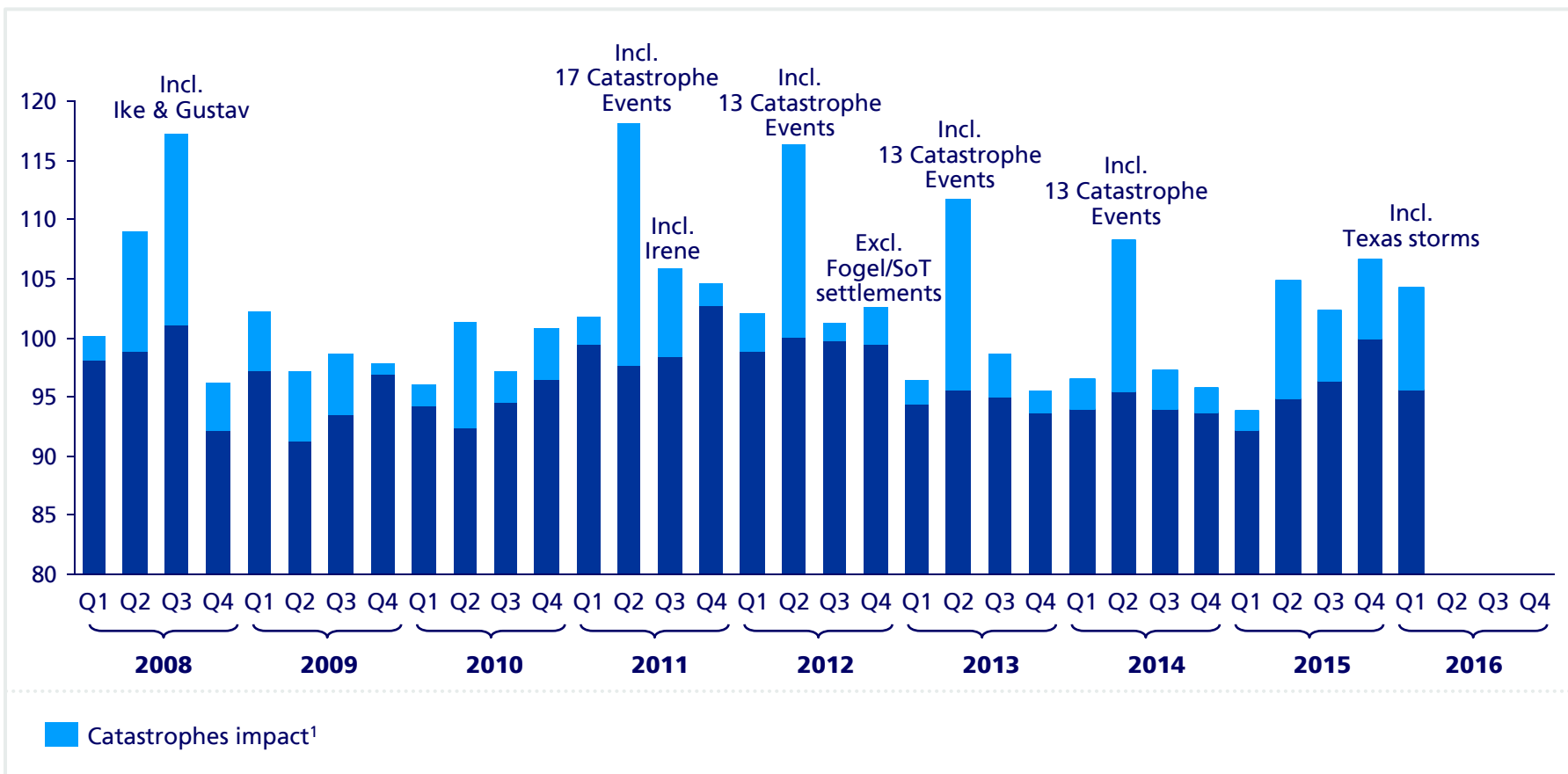


# Farmers Exchanges – Combined ratio history

Highest Q1 catastrophe losses in over 10 years



## QUARTERLY COMBINED RATIO (%)



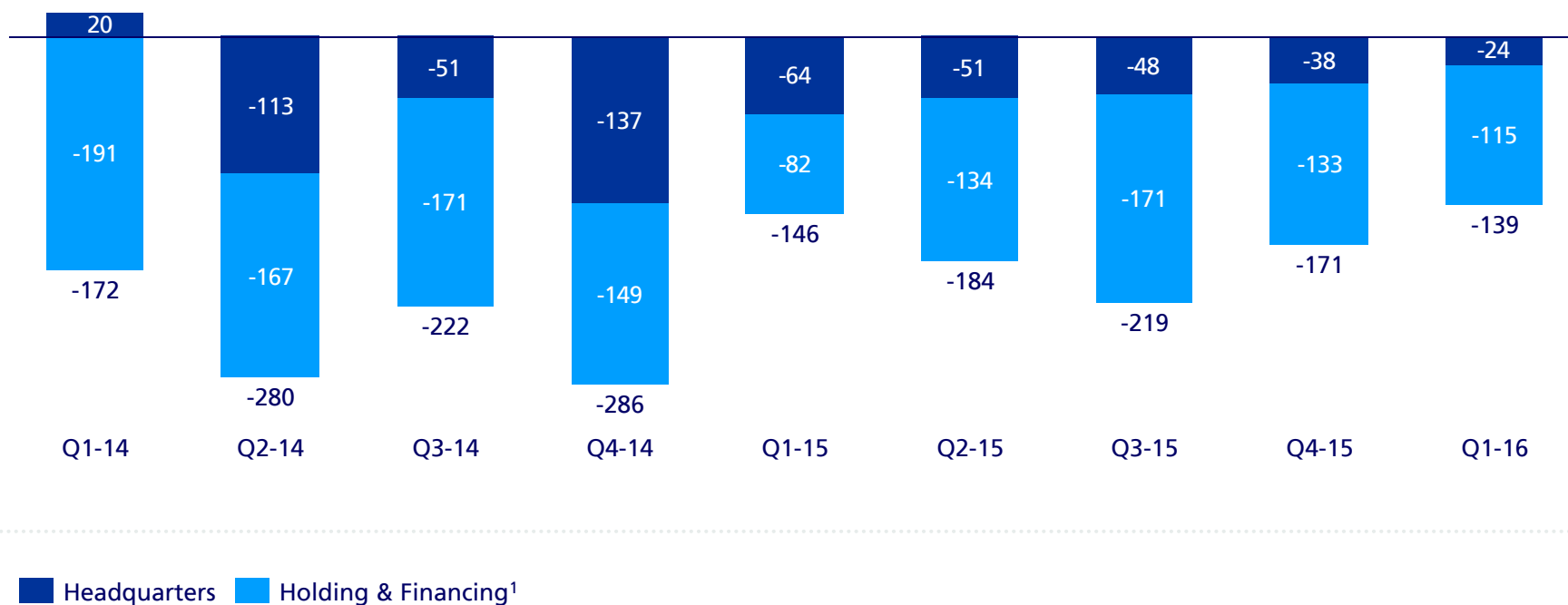
<sup>1</sup> Farmers Exchanges adopted industry standard ISO defined catastrophes as per July 2011.



# Other Operating Businesses

Q1-16 loss below the expected quarterly run-rate

## QUARTERLY BOP SPLIT (USDm)



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

# Group Investments – Asset allocation

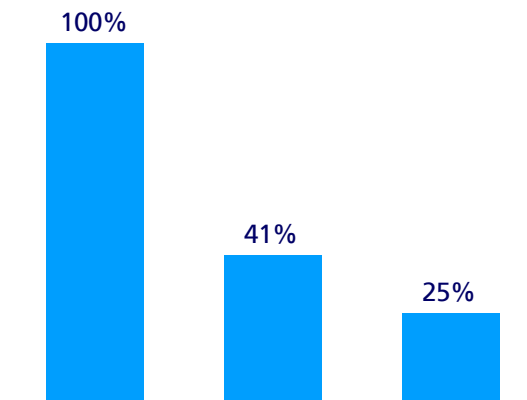
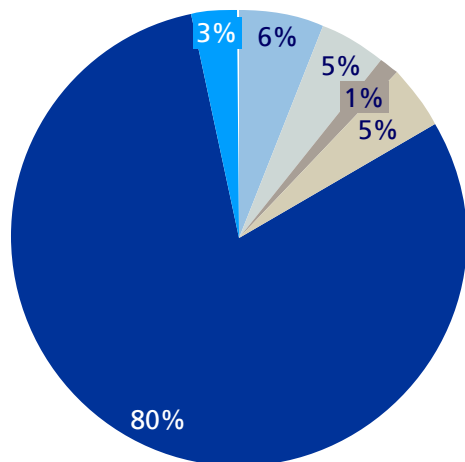
Sources of investment risk and return are balanced

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

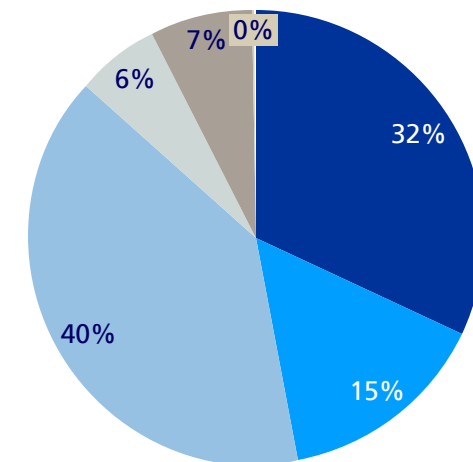
## RISK DIVERSIFICATION

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

Total Group Investments: USD 203bn



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



<sup>1</sup> Economic view.

<sup>2</sup> Risk drivers of Market risk (at Expected Shortfall 99% based on Monte Carlo simulation) show marginal contribution to the total Market risk.

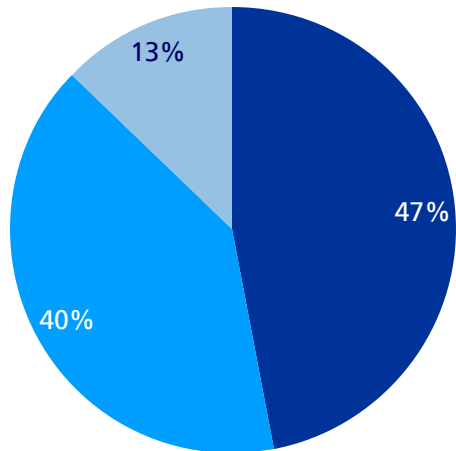
<sup>3</sup> PE = Private equity, RE = Real estate. Credit risk consists of swap spread risk, credit spread risk and credit default risk.

# Group Investments – Debt securities portfolio<sup>1</sup>

Debt securities portfolio is of a high quality

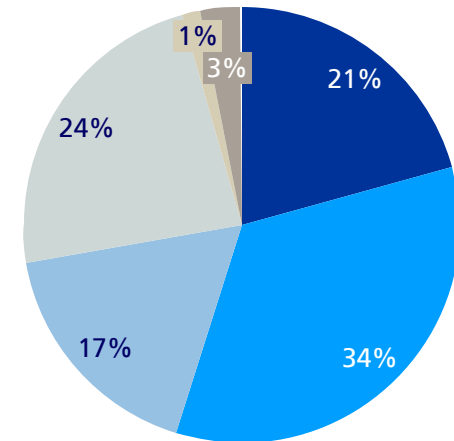
## BY CATEGORY

Total debt securities: USD 146bn



■ Government and government related bonds ■ MBS/ABS<sup>2</sup>  
■ Corporate bonds

## BY RATING



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

<sup>1</sup> Accounting view.

<sup>2</sup> MBS = Mortgage backed securities, ABS = Asset backed securities

# Group Investments – Bond portfolio<sup>1</sup>

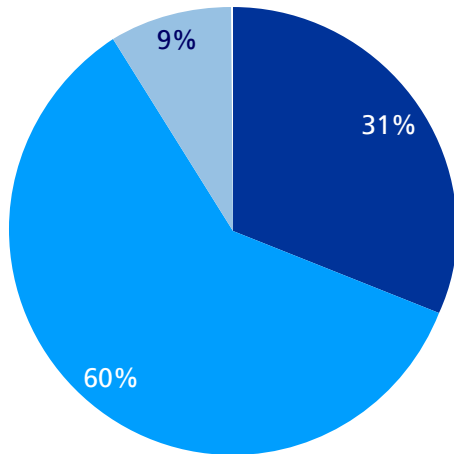
High quality and well diversified

## BY SEGMENT

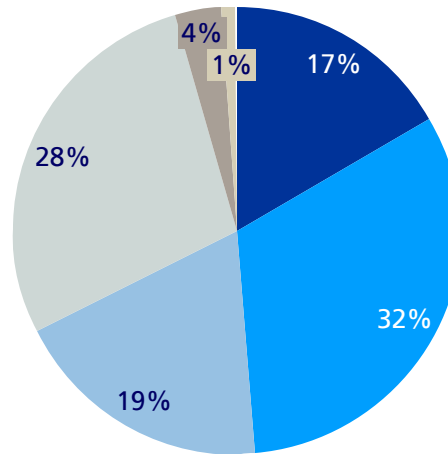
## BY RATING

## BY COUNTRY

Total bonds: USD 127bn



■ General Insurance    ■ Other  
■ Global Life



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

- 25% USA
- 10% United Kingdom
- 9% France
- 9% Italy
- 9% Germany
- 8% Switzerland
- 6% Spain
- 3% Netherlands
- 3% Australia
- 2% Canada
- 2% Austria
- 2% Belgium
- 2% Chile
- 10% Rest of World<sup>2</sup>

<sup>1</sup> Accounting view.

<sup>2</sup> All items with 1% share or lower.

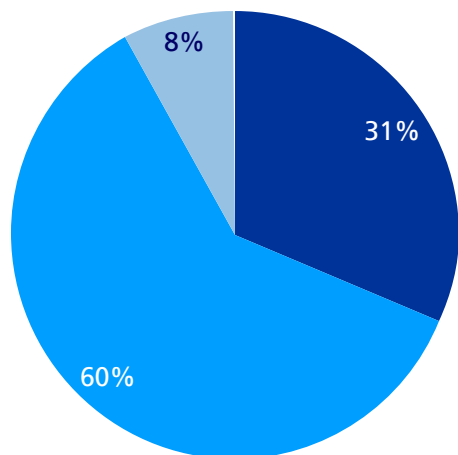
# Group Investments – Government bonds & Other<sup>1</sup>

High quality and well diversified



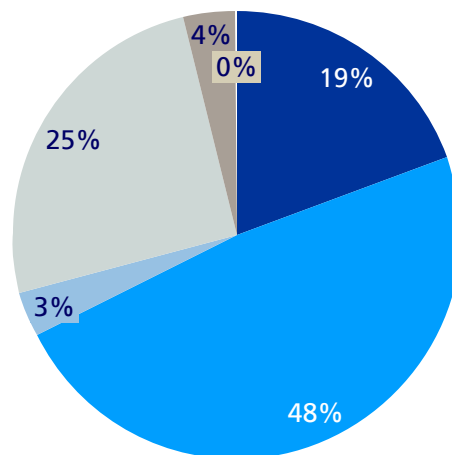
## BY SEGMENT

Total government bonds: USD 68bn



■ General Insurance    ■ Other  
■ Global Life

## BY RATING



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

## BY COUNTRY

- 21% USA
- 15% Italy
- 9% France
- 9% United Kingdom
- 9% Spain
- 9% Switzerland
- 5% Germany
- 3% Belgium
- 3% Austria
- 2% Canada
- 2% Netherlands
- 2% Brazil
- 2% Australia
- 8% Rest of World<sup>2</sup>

<sup>1</sup> Accounting view.

<sup>2</sup> All items with 1% share or lower.



# Group Investments – Corporate bonds<sup>1</sup>

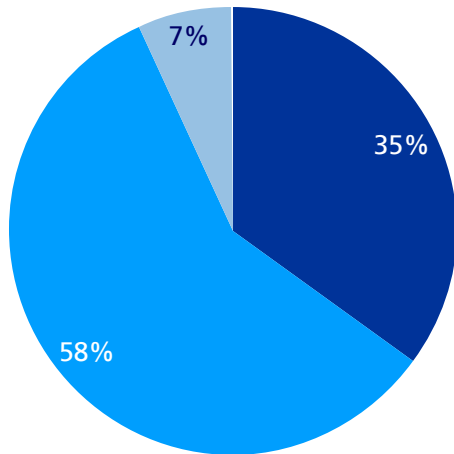
High quality and well diversified

## BY SEGMENT

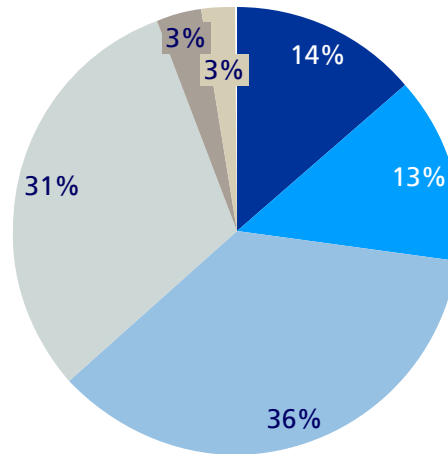
## BY RATING

## BY INDUSTRY

Total corporate bonds: USD 59bn



■ General Insurance    ■ Other  
■ Global Life



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

- 50% Financial Institutions  
o/w 85% Banks  
o/w 9% Insurance
- 18% Manufacturing
- 8% Utilities
- 5% Oil & Gas
- 4% Telecom
- 3% Chemicals & Pharmaceuticals
- 3% Transportation
- 2% Real Estate
- 6% Other<sup>2</sup>

<sup>1</sup> Accounting view.

<sup>2</sup> All items with 1% share or lower.

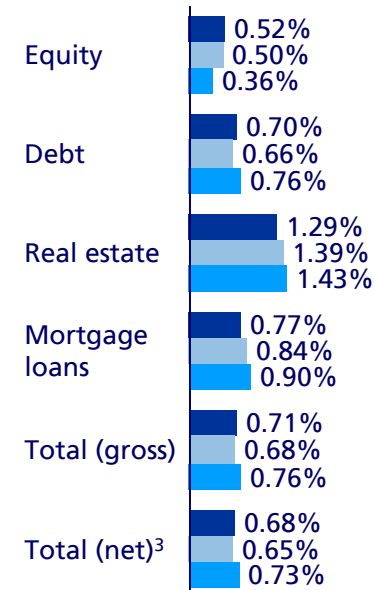
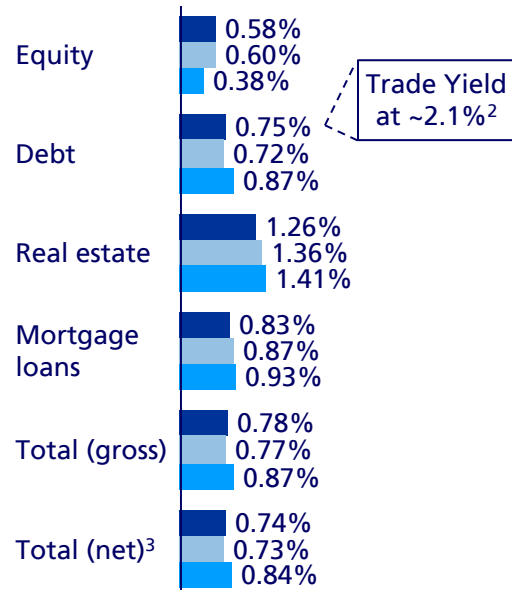
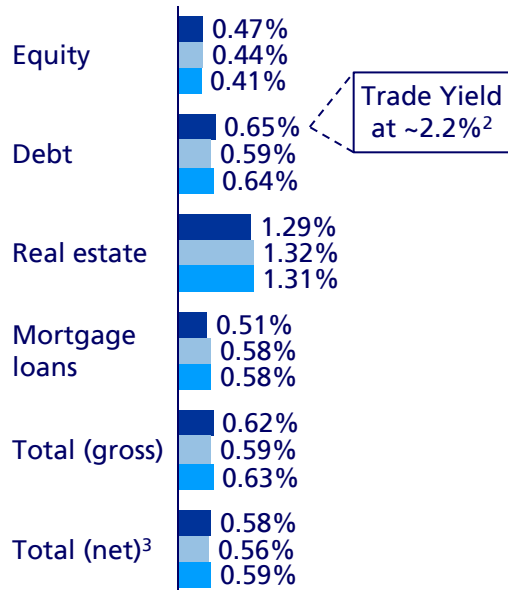
# Group Investments – Investment income yield<sup>1</sup>

Higher risk premium offset by lower yields and USD appreciation

## GENERAL INSURANCE

## GLOBAL LIFE

## GROUP



■ Q1-16 ■ Q1-15 ■ Q1-14

<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.

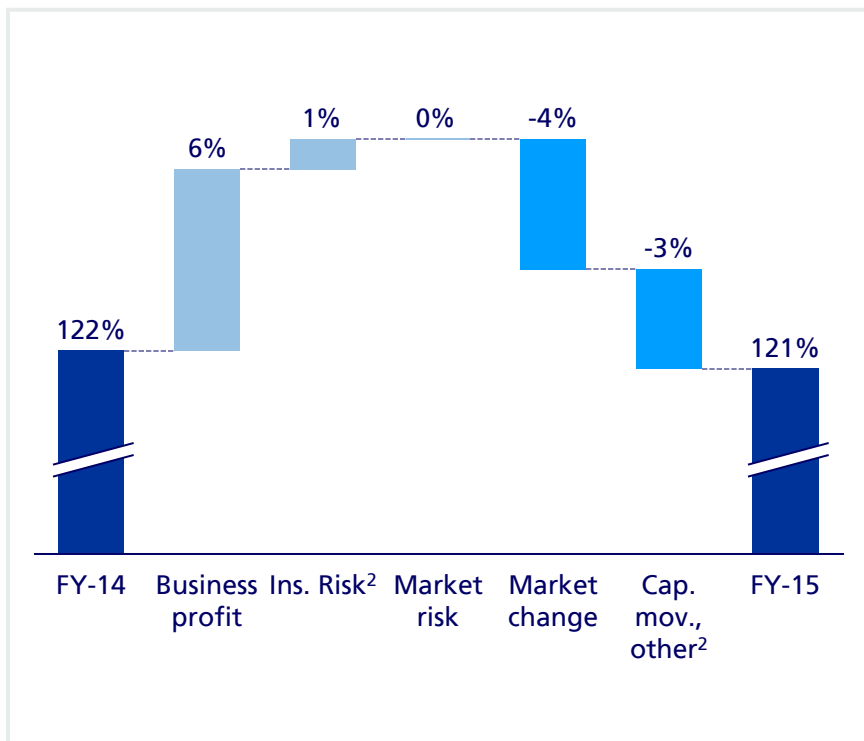
<sup>3</sup> Net of investment expenses.



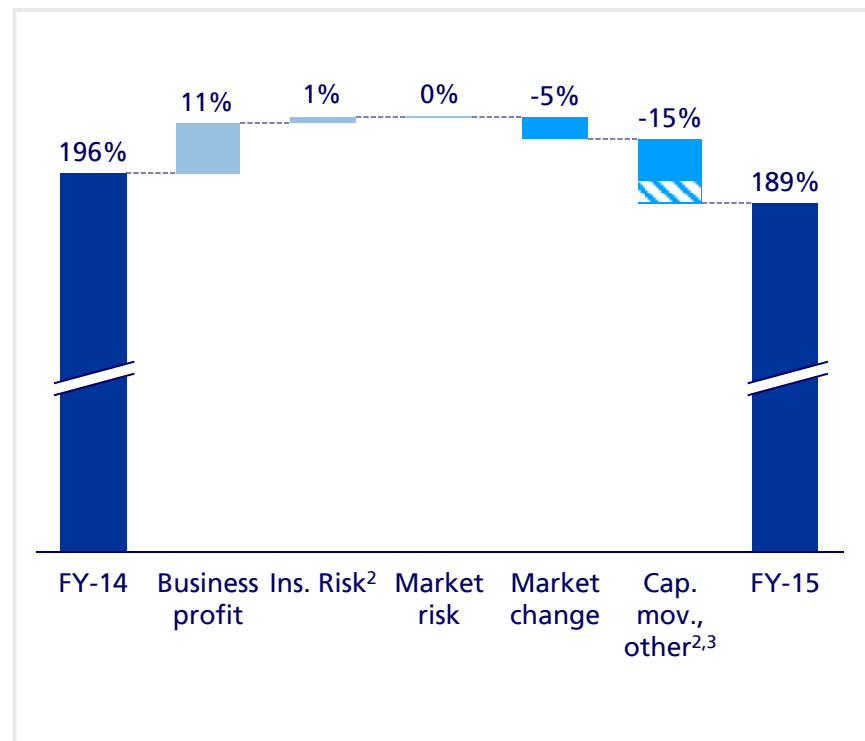
# Group – Economic capital models

Strong capital position across all metrics

## 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.

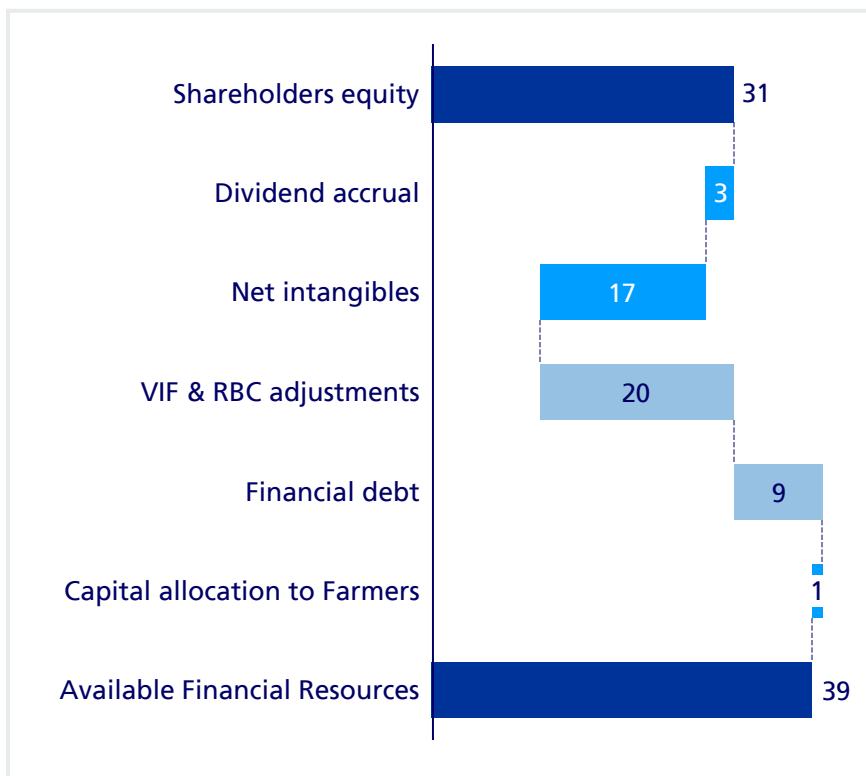
<sup>2</sup> Insurance risk, capital movements, model changes and change in diversification benefit.

<sup>3</sup> Shaded area refers to FINMA yield curve changes contributing a negative 4ppts impact.

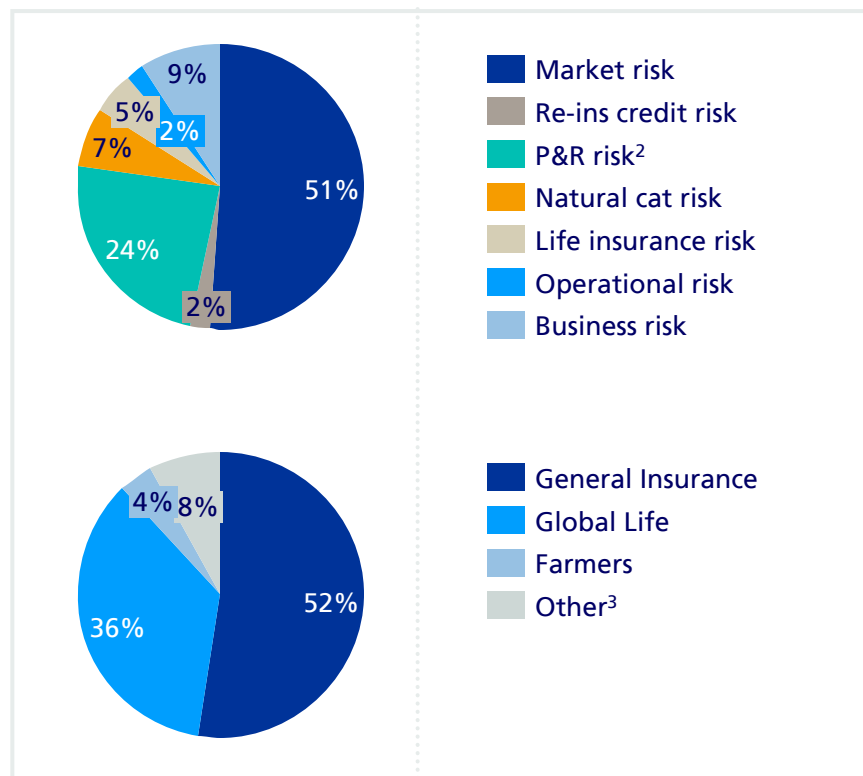
# Group – Z-ECM components

Well diversified capital base by risk type

## FY-15 AFR<sup>1</sup> COMPOSITION (USDbn)



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



<sup>1</sup> Available Financial Resources (AFR); Risk Based Capital (RBC).

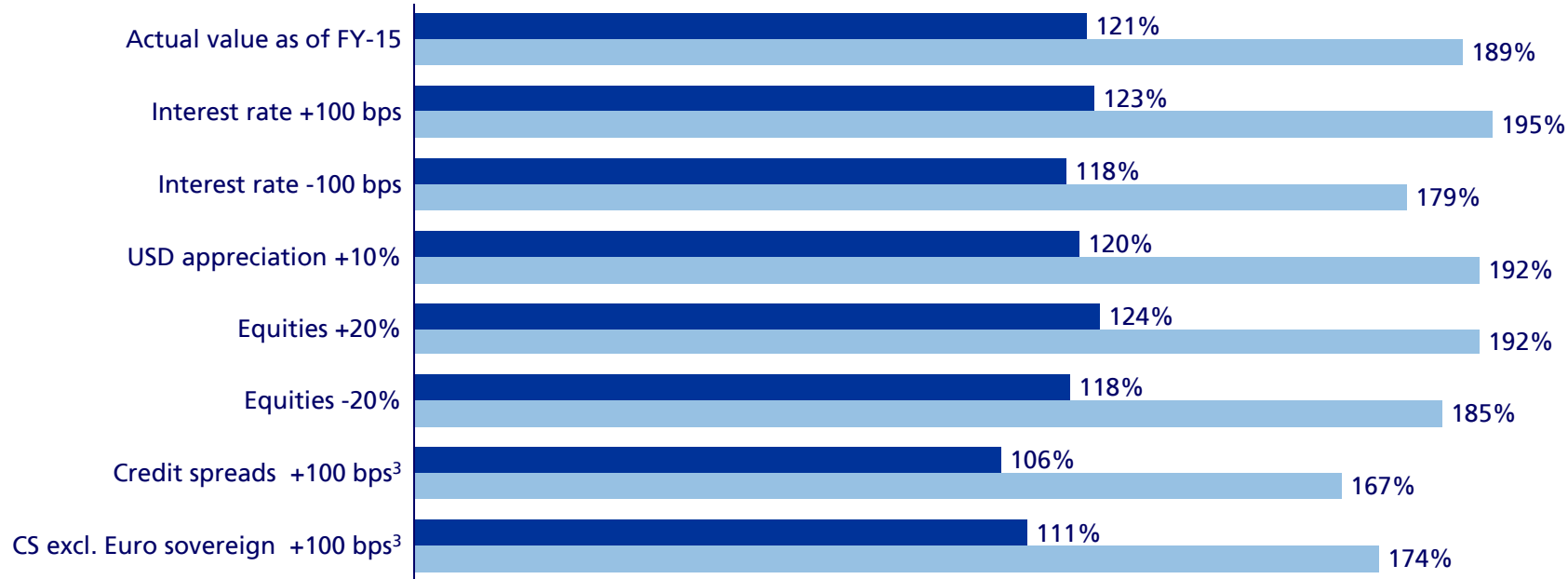
<sup>2</sup> Premium & reserving risk (P&R).

<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>



■ Z-ECM<sup>4</sup> ■ SST<sup>4</sup>

<sup>1</sup> Sensitivities are best estimate and 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 takes into account Market and Insurance risks.

<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-15	Q1-16
Common shares issued	150.40m	150.48m
Treasury shares	1.24m	1.23m
Common shares outst.	149.16m	149.25
WAvG for basic EPS	148.96m	149.19
Dilution impact	0.36m	0.31m
WAvG diluted EPS	149.32m	149.50m
<b>NIAS (USDm)</b>	<b>1,842</b>	<b>875</b>
Avg USD/CHF rate	1.040	1.006
<b>Basic EPS</b>	<b>11.89</b>	<b>5.83</b>
<b>Diluted EPS</b>	<b>11.86</b>	<b>5.81</b>
<b>BVPS<sup>3</sup></b>	<b>209.27</b>	<b>198.24</b>

## BOPAT ROE AND ROE (%)

USDm, %	FY-15	Q1-16
<b>SHE</b>	<b>31,178</b>	<b>30,869</b>
Net URGL / CF hedges	2,850	4,067
Adj. SHE	28,328	26,801
Avg. adj. SHE <sup>2</sup>	28,785	27,565
<b>BOP</b>	<b>2,916</b>	<b>1,087</b>
SH effective income tax rate	36.6%	29.5%
<b>BOP after tax</b>	<b>1,849</b>	<b>766</b>
NIAS	1,842	875
<b>BOPAT ROE<sup>2</sup></b>	<b>6.4%</b>	<b>10.9%</b>
NIAS ROE <sup>2</sup>	6.4%	12.7%

<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.

<sup>3</sup> Based on common shares outstanding and end-period USD/CHF rates of 0.999 and 1.043.

# Group – Currency impact

Unfavorable FX impact highest in Global Life results

## Q1-16 KEY RESULTS

	KPI	USDm	reported	at constant currency
<b>Group</b>	BOP	1,087	-16%	-14%
	NIAS	875	-28%	-25%
<b>General Insurance</b>	GWP	9,115	-10%	-5%
	NEP	6,452	-7%	-3%
	Net underwriting result	150	-35%	-33%
	Investment income	488	+3%	+8%
	BOP	542	-23%	-23%
<b>Global Life</b>	APE	1,071	-10%	-1%
	NBV	254	+25%	+34%
	BOP	317	0%	+11%
<b>OOB</b>	BOP	-139	+4%	+1%

# Commentary



# Page 3: Key messages

Zurich's operating results have improved significantly compared to the previous quarter.

The General Insurance (GI) combined ratio is improving in-line with expectations and actions taken should further strengthen performance as the year progresses.

Global Life (GL) has delivered continued underlying improvement, while US dollar strengthening against key currencies masks this in reported results.

The Farmers Exchanges continued to deliver growth and this is reflected in fee income.

And the Z-ECM ratio is slightly above the target range at the end of 2015, demonstrating a very strong capital position for the Group.

In summary, this result is a good start to the year with further improvement expected.

Q1-16 Business operating profit (BOP) for the Group was USD 1.1bn and net income attributable to shareholders (NIAS) was USD 0.9bn. These results are a significant improvement compared to Q4-15, by USD 670m and USD 1.3bn, respectively.

This result represents a good start to the year. Execution of the plans for 2016 is well underway and further improvements are expected throughout the year.

The capital position of the Group is very strong, with the Z-ECM ratio at 121% end of 2015. We expect the Z-ECM ratio to be in the middle of our target range end of March, negatively affected by financial market movements and the inclusion of RCIS.



The GI BOP for the quarter was USD 542m, compared to a loss of USD 120m in Q4-15, while the GL BOP of USD 317m was comparable year on year. Farmers BOP of USD 343m decreased 12% as growth in fee income was offset by an exceptional level of catastrophe losses.

The Other Operating Businesses BOP loss of USD 139m is in-line with the previous year, but is below the expected quarterly run rate given timing effects in marketing and other spend and a decrease in interest expenses due to a lower amount of debt outstanding.

Non-Core Businesses had a BOP result of USD 24m, where reserve releases related to an in-force management program initiated last year continued into Q1-16.

In the reconciliation of operating profit to net income, capital gains realizations for the quarter were USD 220m. Almost two thirds of this was driven by capital gains from fixed income and equity securities, with the remainder mainly driven by the revaluation of real estate assets in Switzerland.

Accounting and restructuring charges for the first quarter were USD 55m, primarily related to efficiency improvements. Given the acceleration of cost saving measures, around USD 500m of restructuring charges are expected for the full year 2016, with the charges being phased more towards the second half of the year.

The shareholders' effective tax rate for the quarter was 29.5%.

For Q1-16 gross written premiums declined by 5% in local currency or 10% in US dollars. This reduction is mainly due to the focus on profitability and the impact of the broader soft market conditions. Achieved rate increases on renewal business increased to 3%. As expected, the overall retention ratio came down 4 percentage points to just below 80%. New business premium is down 16% primarily driven by market conditions.

Global Corporate's gross written premiums were down 11% in local currency for Q1-16, mainly as a result of lower new business volumes and actions taken to drive performance. This activity is expected to continue throughout the year.

For North America Commercial (NAC), gross written premiums decreased 4%. This includes some timing and other one-off items but is mainly driven by broad market conditions and the effects of rate tiering actions.

Gross written premiums for EMEA declined 3% in local currency for Q1-16. New business premiums are down due to the competitive environment, mainly in Germany.

In International Markets premiums for Q1-16 increased by 1% in local currency. Growth in Latin America is offset by the exit of lines of business in Australia that did not meet profitability requirements.

In the second half of 2015 a set of actions were taken to restore profitability in GI. These actions mainly centered around three key themes - restoring technical excellence, enhancing governance and acceleration of the expense program. One key action was the execution on revised tiering plans.

The Q1-16 tiering results for the Group are encouraging. Overall rate increases on renewal business improved to 3% for Q1-16, 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 with a significant reduction in retention. Similar results are seen across most regions and are in-line with the plans set at the end of last year.

This demonstrates good progress has been made in terms of the actions taken last year, with results already visible in Q1-16, and gives confidence for further combined ratio improvements in the upcoming quarters.

Good progress in the turnaround actions is also demonstrated in the development of the underlying loss ratios. The AY loss ratio excluding catastrophes for Q1-16 was 66.5%. This is roughly 2 percentage points better than the ratio for the second half of 2015.

The reduction is driven by the actions taken and reflected in both the attritional and the large loss ratios, roughly in equal parts. Looking at a break down by region there are improvements in all the regions.

GI's combined ratio of 97.7% for Q1-16 was 5.9 percentage points lower than FY-15 and 1.0 percentage point higher than Q1-15. The AY combined ratio ex-cat improved by 1.0 percentage point versus FY-15 and almost 3 percentage points against the poor third and fourth quarters last year.

This combined ratio result is in-line with expectations and reflects strong execution of the plans in GI. More improvement on the combined ratio is expected, especially in the second half of the year.

Looking at the components in more detail, large man-made losses were 1.0 percentage point higher than Q1-15. Compared to the second half of last year the level of large losses was 1.2 percentage points lower for General Insurance and 2.0 percentage points lower for Global Corporate.

Actions implemented towards the end of last year delivered a roughly 0.8 percentage points improvement in the attritional loss ratio compared to FY-15, with reductions in most regions.

The expense ratio of 31.6% is flat compared to both Q1-15 and FY-15, and is in-line with expectations.

Natural catastrophes and other weather events were benign in all regions, overall contributing 1.1% to the combined ratio for Q1-16. Prior year reserves developed favorably in all major regions, with the 1.5 percentage points reduction in the combined ratio in-line with the expected range of 1-2%.

In terms of performance by region, Global Corporate's combined ratio of 99.3% is significantly lower than for FY-15. This is mainly driven by the benign cat quarter and favorable impact from prior year reserves. The region is taking additional steps to further improve the accident year combined ratio.

NAC's combined ratio decreased by 1.6 percentage points compared to FY-15. Favorable prior year reserve development and improvements in attritional losses are partly offset by two large surety losses and an uptick in commissions.

The reduction in EMEA's combined ratio of 2.0 percentage points versus Q1-15 is driven by a sharp improvement in the AY combined ratio ex-cat.

And in International Markets, the reduction in the combined ratio of 4.0 percentage points compared to Q1-15 is mainly driven by improved attritional loss ratios in Latin America and Asia Pacific, while lower levels of large losses are offset by higher commissions driven by business mix.

The GI BOP for the quarter was USD 542m, compared to a loss of USD 120m in Q4-15.

Compared to Q1-15, the decline in the GI underwriting result is reflected in the increase of the combined ratio by 1.0 percentage point.

Investment income is up 3% on a reported basis and up 8% in local currency compared to the prior year. This is mainly related to higher rates from inflation-linked bonds in Latin America and the benefits of the higher allocation to equity and less liquid assets implemented last year.

Hedge fund investments generated a loss of USD 63m for Q1-16 as a result of market volatility.

The non-technical result of USD -3m compares to a USD 36m loss in Q1-15. The Q1-16 result includes a currency gain of USD 32m, and excluding this non-technical expenses would be in-line with the previously guided run-rate expense of USD 40m to USD 50m per quarter.

Q1-16 Global Life new business APE volumes were flat in local currency compared to the prior year quarter, with increases in Latin America and Asia Pacific offset by decreases in EMEA and North America. The Group maintains its focus on protection, unit linked and corporate pensions business, which account for 80% of new business sales, and continues to limit exposure to guarantee products.

New business value increased 34% in local currency year on year, driven by a 7.8 percentage points increase in new business margin compared to the prior year quarter.

In EMEA local currency new business value increased by 41% year on year. Benefits from mix shifts to higher margin business in the UK and modeling improvements in Switzerland for Corporate Life and Pensions business, combined with higher euro swap rates and a re-pricing of individual savings products in Italy more than offset the decrease in volumes in the region.

Asia Pacific continues to achieve strong sales of profitable protection business in Japan, with volumes and modeling improvements contributing to local currency new business value doubling for the region compared to the prior year period.

Latin America values in local currency were flat, with 8% growth in Zurich Santander offset in the Zurich branded businesses, mainly due to spread compression in Chile.

And while North America experienced an overall decrease in sales, business mix changes and assumption updates resulted in new business values increasing 41% for the region.

Analyzed by pillar, Bank Distribution businesses delivered robust new business value growth, increasing 18% year on year in local currency. Corporate Life and Pensions value was up 39% compared to the prior year, while Retail new business value increased 42% in local currency, mainly driven by IFA protection sales in Japan.

And finally, net inflows were positive for the quarter with increases seen in all regions.

Global Life BOP increased 11% in local currency, and was flat compared to the prior year quarter in US dollars, to USD 317m.

In EMEA, earnings increased by 3%, with local currency BOP growing by 7%, as accelerated in-force management actions were partly offset by adverse UK claims experience and negative market movements.

In Latin America Zurich Santander earnings increased by 29% in local currency, while the Zurich branded business is on track with BOP growth for the quarter. This is an excellent result with continued BOP growth in Santander Brazil despite the prevailing economic headwinds.

Asia Pacific showed strong growth at 61% in local currency or 48% in US dollars, driven by favorable claims experience in Australia and strong protection growth in Japan.

And in North America earnings were down 36% compared to the prior year quarter, where mortality experience in both the Zurich branded IFA and Farmers New World Life books was unfavorable compared to exceptional levels in the prior year quarter.

Overall this is a solid result for the Global Life business given the continued strengthening of the dollar against key currencies as well as volatile market impacts experienced during Q1-16.



Farmers Exchanges, which are owned by their policyholders, sustained their growth momentum. Premiums grew 4% overall and 6% for continuing operations in Q1-16. Growth was driven by substantial rate increases in the Auto and Homeowner lines and supported by small gains in policies-in-force. While Auto retention and new business held up well in Q1-16, this may not be indicative for the remainder of the year as Farmers Exchanges continue to tighten underwriting and file for more rate.

Farmers Exchanges experienced the highest first quarter catastrophe losses in over 10 years. Two severe hailstorms in the Dallas/Fort Worth area in March caused claims of more than USD 250m, adding 5.4 percentage points to the combined ratio. Another hailstorm early April, said to be the industry's most costly ever in Texas, is estimated to impact the second quarter with losses of more than USD 200m. In addition, the ex-catastrophe loss ratio deteriorated by some 4.3 percentage points reflecting the continued unfavorable industry wide claims trends in Auto. There are no clear signs yet that these trends will moderate, and, as indicated before, states with a strong Farmers presence like California and Texas are more exposed than others. Restoring the profitability of the Auto line thus will take time and is not expected before 2017 as rate and underwriting actions earn through the book.

Farmers Exchanges surplus ratio declined by 2.9 percentage points compared to March 2015 and 0.6 percentage points compared to December 2015 but continues to be at the upper end of the 33-36% target ratio. The movement since March 2015 was mainly due to the significant overall reduction of Quota Share reinsurance support as of the beginning of 2015, while the movement since December 2015 was due to the decrease of the surplus of the Farmers Exchanges given the unusually high first quarter catastrophe losses and continued premium growth.

Q1-16 Farmers Management Services BOP increased by 5%, mostly driven by higher management fees and reflecting continued premium growth.

Farmers Re gross written premiums dropped 33% as the participation in the All Lines Quota Share reinsurance treaty was reduced from 10% to 8% at year-end and the Auto Physical Damage Quota Share reinsurance treaty was eliminated at beginning of year. Going forward this should reduce the overall volatility of results.

The Farmers Re combined ratio deteriorated by 12.7 percentage points. Catastrophe losses, mostly related to the above mentioned Texas hail storms, added 7.7 percentage points. Most of the remainder is attributable to reserve increases, primarily resulting from the adverse trends in Auto.

The decline in shareholders' equity largely reflects the dividend payment approved at the AGM at the end of March, partially offset by first quarter net income and an increase in unrealized gains. The increase in unrealized gains was attributable to falling yields across the board, alongside some tightening of credit spreads in Europe and the US. Equity markets fell in January and early February but then recovered toward the end of the quarter.

The year-end Z-ECM ratio of 121% is almost unchanged compared to mid-year and slightly above the target range. It recovered from the 114% recorded at end-September, aided by rising yields and lower market and insurance risks. The year-end SST ratio of 189% decreased 14 percentage points compared to mid-year, partly due to the introduction of new yield curves by the Swiss regulator.

The significant decline in yields in Q1-16 together with other factors did negatively impact the Z-ECM ratio. Thus the Z-ECM ratio is estimated to be in the middle of the target range end of March.

In summary, this result is a good start to the year with further improvement expected.

GI's combined ratio is improving in-line with expectations. The actions taken should further strengthen performance as the year progresses.

Global Life delivered continued underlying improvement, which is masked by US dollar strengthening, while the Farmers Exchanges were able to grow further in their continuing operations, which is reflected in the fee income of Farmers.

And the Z-ECM ratio is slightly above the target range at the end of 2015, demonstrating a very strong capital position for the Group.

# For further information

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## VISIT OR FOLLOW US



The screenshot shows the Zurich Investor Relations website. At the top, the Zurich logo is followed by 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 snowman with a carrot nose and stick arms. To the right of the snowman, there is a text prompt: "Create your own snowman video" with a link "Join the snowmen here". Below the image, there are two bullet points: "Investor Relations website" and "Financial results and reports". Further down, there is a "Follow us" section with icons for Twitter, Facebook, LinkedIn, and YouTube. Below that, there is a "Download:" section with a bullet point for "Zurich Investors App". On the right side of the bottom section, there are images of a tablet, a smartphone, and a smartphone displaying the Zurich Investors App interface.

**Calendar:**

- May 31, 2016, DB Global Financials Conference 2016, New York
- August 11, 2016, Half year results 2016
- September 27-29, 2016, BoAML Conference, London
- November 10, 2016, Results for the nine months to September 30, 2016
- November 17, 2016, Investor Day, Zurich

