

# Results for the nine months ended September 30, 2016

Investor & Media presentation  
November 10, 2016

Zurich Insurance Group



# Content

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## MAIN SECTION

-  Key highlights
-  Group BOP & NIAS
-  General Insurance
-  Global Life
-  Farmers
-  Other Operating and Non Core Businesses
-  Group Investments
-  Group Balance sheet and capital
-  Disclaimer

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## APPENDIX

-  General Insurance
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-  Group Investments
-  Group capital and solvency
-  Group EPS, BVPS and ROE
-  Currency impact
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 Print slides with Commentary

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# Key messages

<b>Group</b>	Improved performance with net expense savings on track, ROE at 11.9% <sup>1</sup>
<b>General Insurance</b>	Continuing underlying improvement, ongoing focus on underwriting discipline
<b>Global Life</b>	Good underlying growth plus favorable experience relative to assumptions
<b>Farmers</b>	Continued strong FMS result, favorable one-off in Farmers Re
<b>Capital</b>	Strong capital position with Z-ECM estimated at 113%

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

# Key financials

Good BOP result

## 9m-16 KEY RESULTS

**BOP**

**USD 3.4bn  
(+36%)**

**NIAS**

**USD 2.5bn  
(+11%)**

## TARGET METRICS OVER STRATEGIC PERIOD

<b>BOPAT ROE<sup>1</sup></b>	<b>9m-16</b>	<b>Target</b>
	<b>11.9%</b>	<b>12 - 14%</b>
<b>Z-ECM<sup>2</sup></b>	<b>9m-16<sup>3</sup></b>	<b>Target</b>
	<b>~113%</b>	<b>100 - 120%</b>
<b>Net cash remittances</b>	<b>Cumulative 2014-16<sup>4</sup></b>	<b>Cumulative 2014-2016</b>
	<b>&gt; USD 10bn</b>	<b>&gt; USD 9bn</b>

<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> Reflects midpoint estimate with an error margin of +/- 5ppts. Q2-16 Z-ECM ratio at 107%.

<sup>4</sup> Estimate for 2014-16 period.

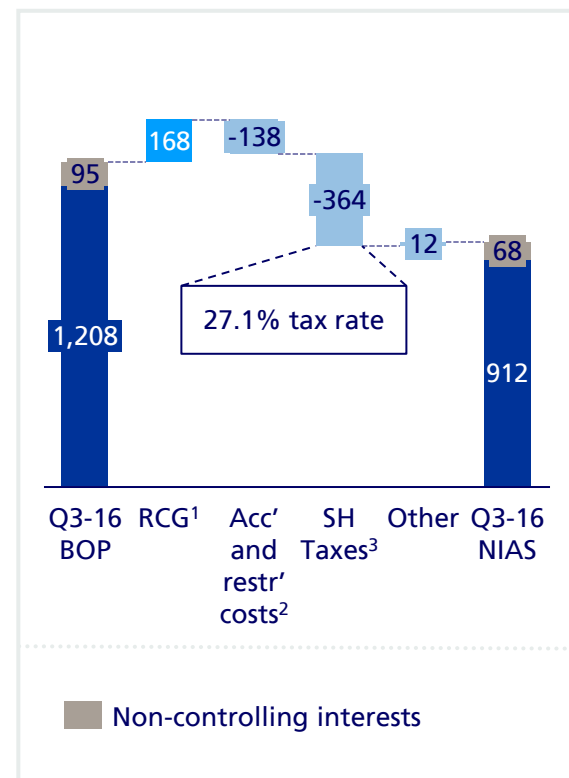
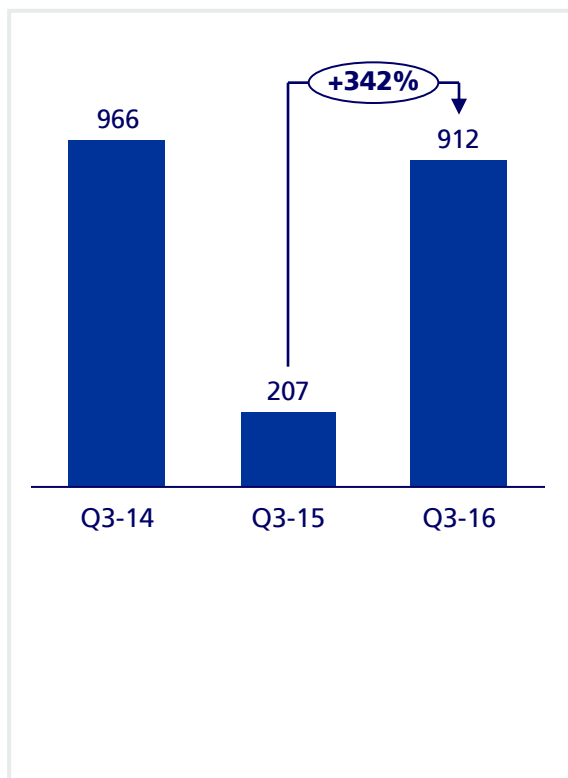
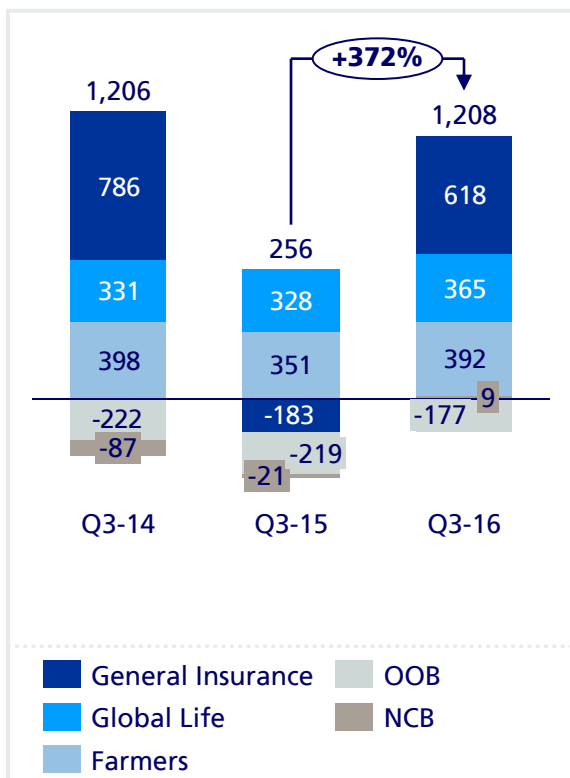
# Group – BOP and NIAS

GI improving, other businesses on track

## BOP (USDm)

## NIAS (USDm)

## BOP TO NIAS (USDm)



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

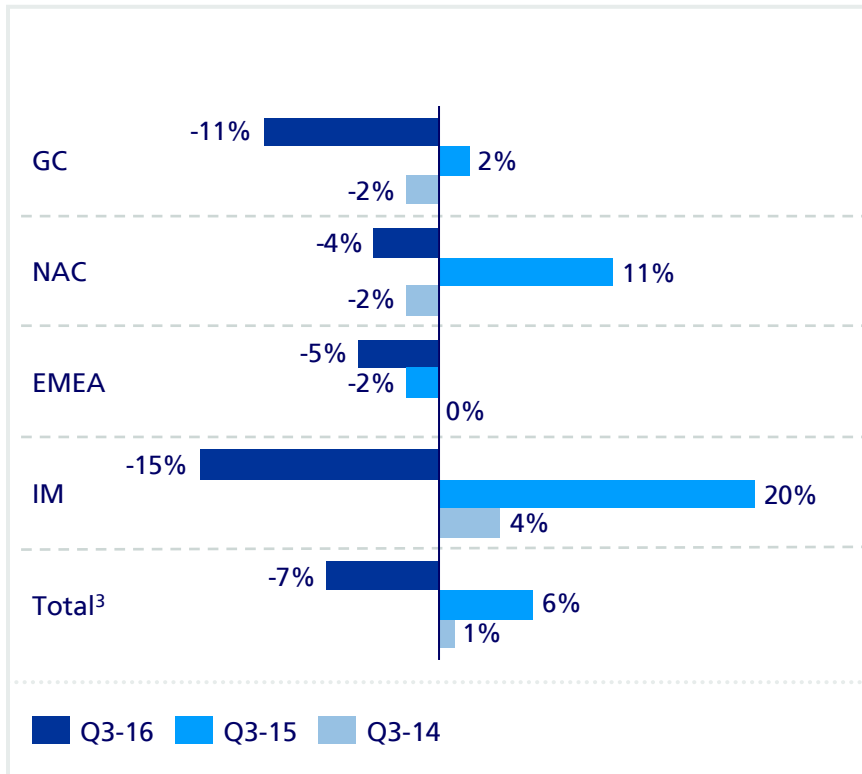
<sup>2</sup> Includes restructuring provisions and other restructuring charges.

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

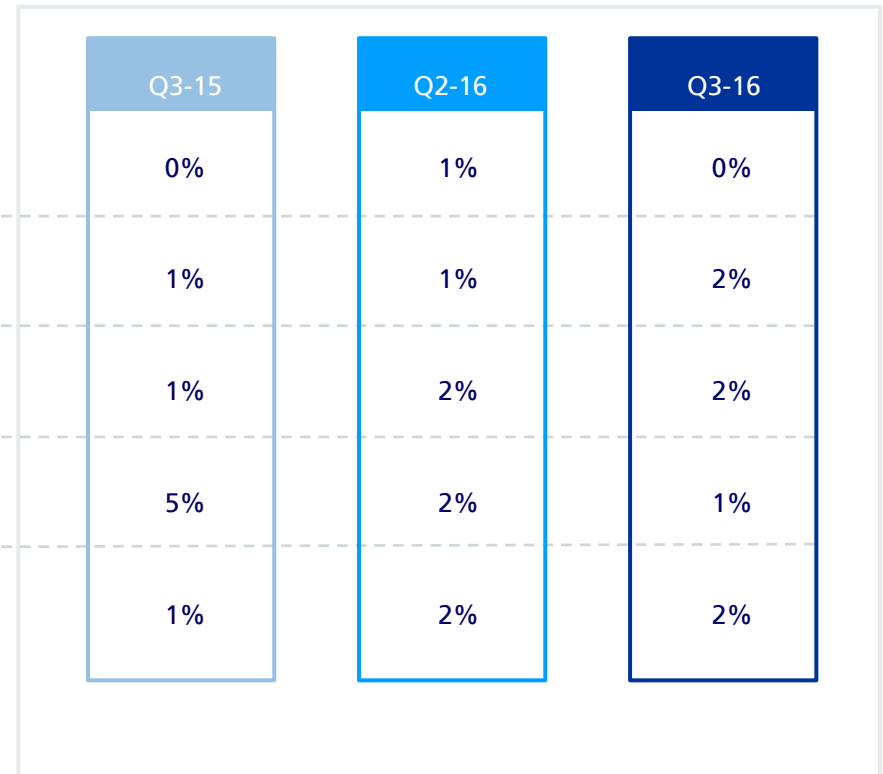
# General Insurance – Topline

Premium decline driven by focus on profitability

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



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



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

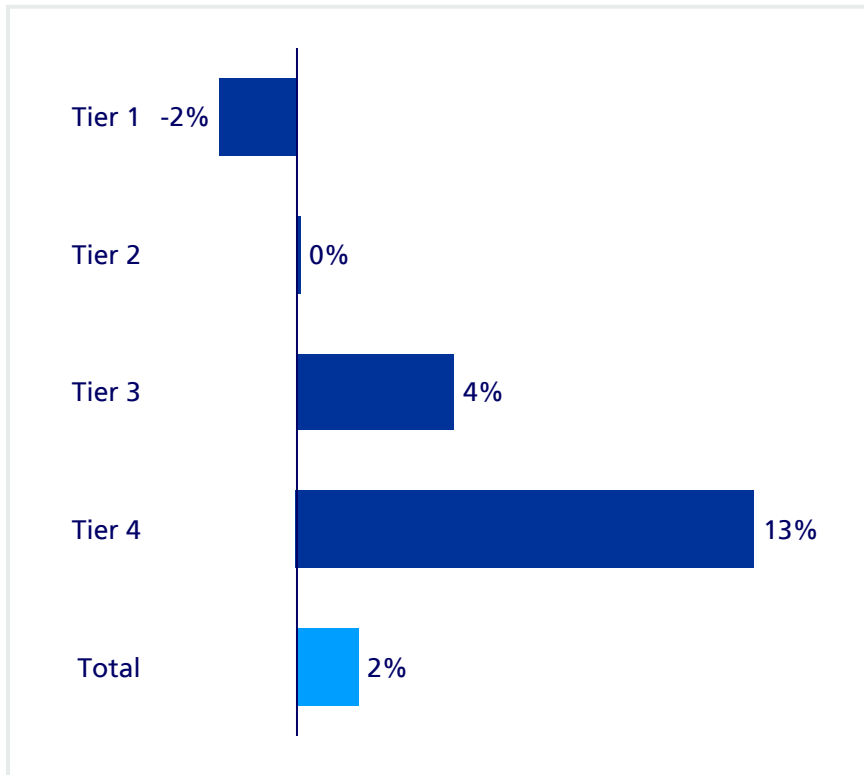
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

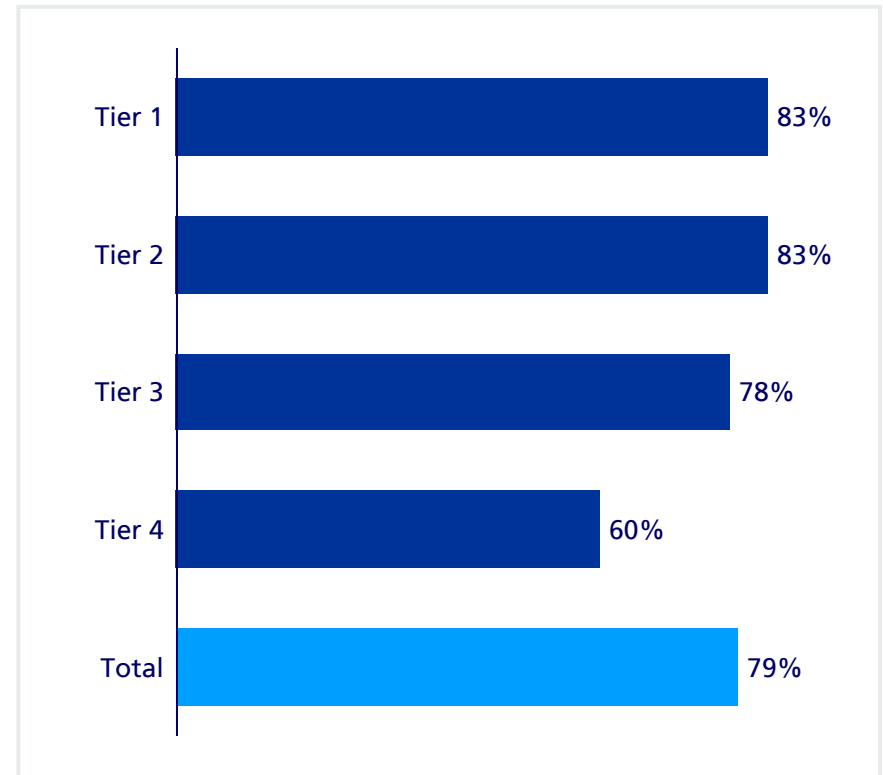
# General Insurance – Tiering results<sup>1</sup>

Focus on profitability over volume, full benefit to earn through

## 9m-16 RATE INCREASES BY TIER<sup>2</sup> (%)



## 9m-16 RETENTION BY TIER<sup>2</sup> (%)



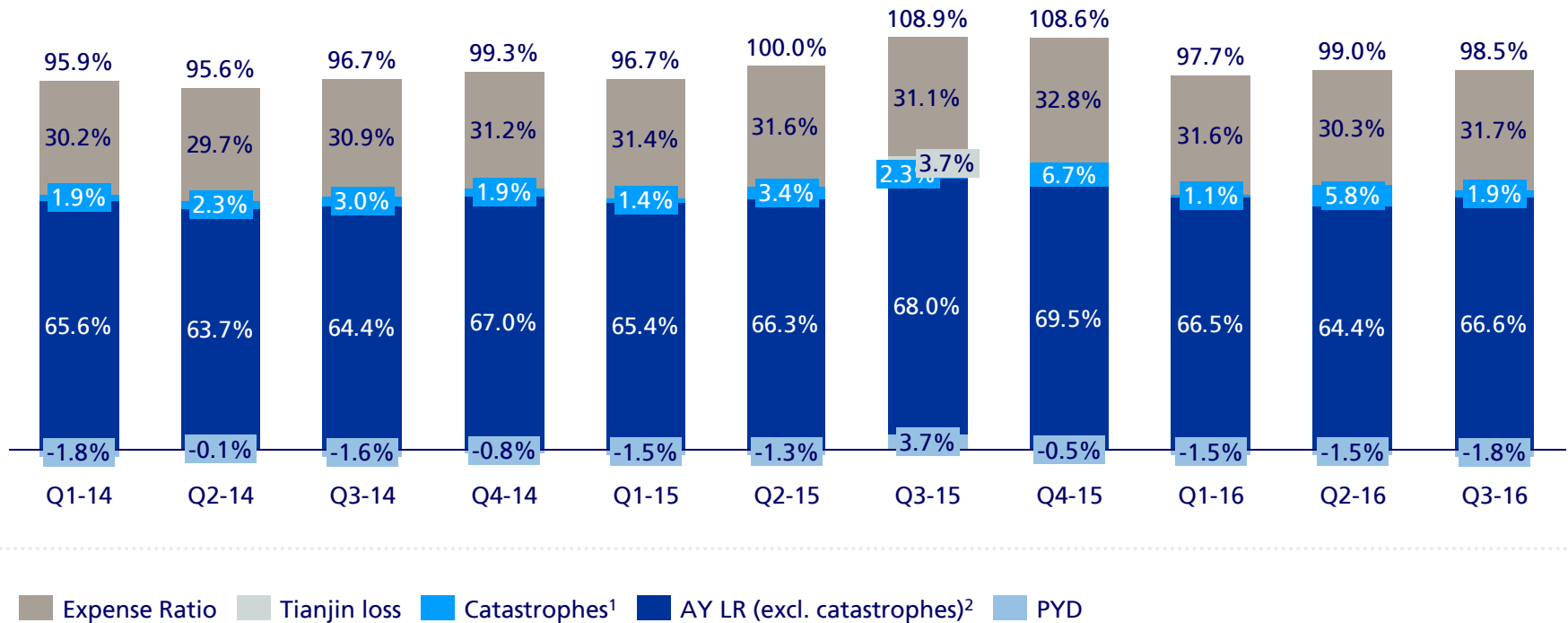
<sup>1</sup> GI overall results based on tiered business for Global Corporate, NAC and three major EMEA markets.

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

# General Insurance – Combined ratio over time

Management actions are delivering results

## COMBINED RATIO (%)



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

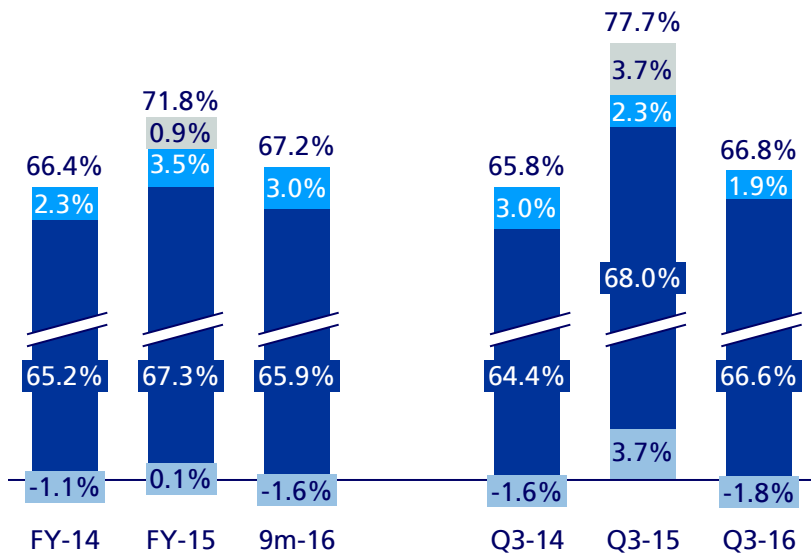
<sup>2</sup> Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).



# General Insurance – Combined ratio details

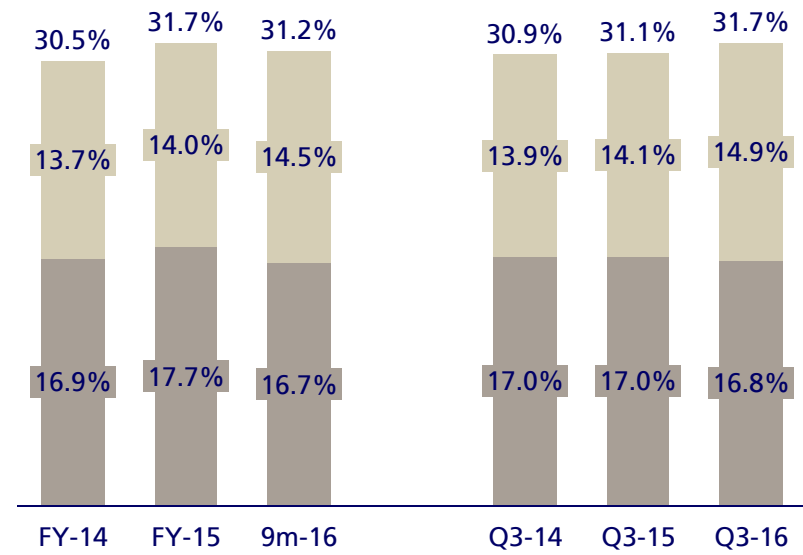
AY LR ex-cat improving, expense ratio flat vs FY-15

## LOSS RATIO (%)



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

## EXPENSE RATIO (%)



■ Commissions    ■ Other technical expenses

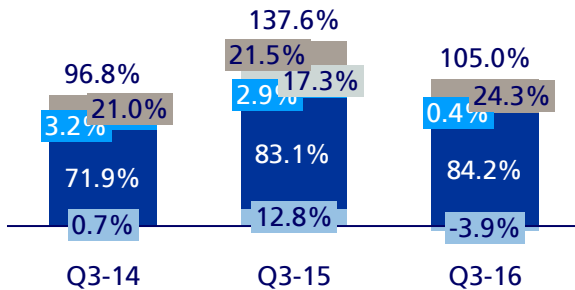
<sup>1</sup> Catastrophes include major and mid-sized catastrophes including significant weather-related events.

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

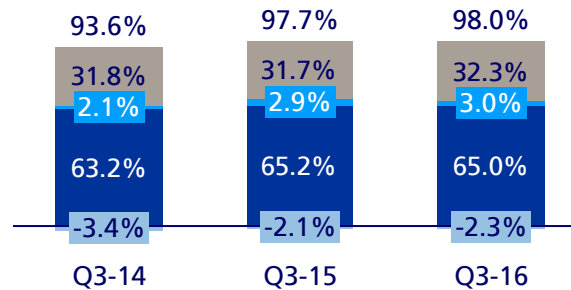
# General Insurance – Regional combined ratios

AY LR ex-cat improving, further actions needed in GC

## GC CR SPLIT (%)



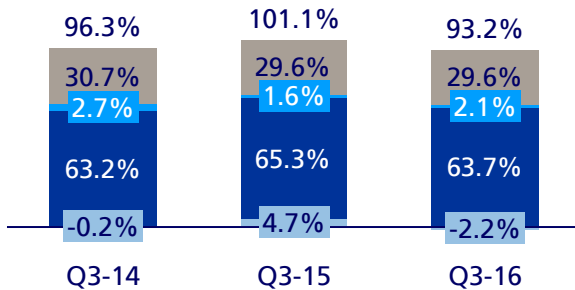
## EMEA CR SPLIT (%)



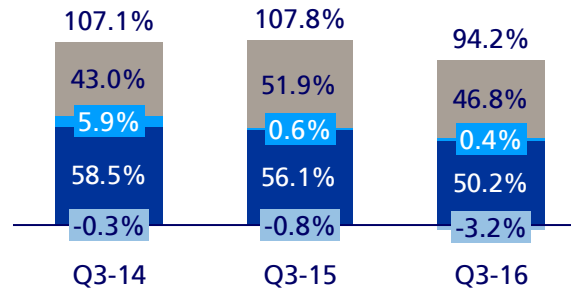
Size by regions, Q3-16 NEP (USDm):

- GC 1,197
- EMEA 2,538
- NAC 2,072
- IM 816

## NAC CR SPLIT (%)



## IM CR SPLIT (%)



- Expense Ratio
- Tianjin loss
- Catastrophes<sup>1</sup>
- AY LR (excl. cat)<sup>2</sup>
- PYD

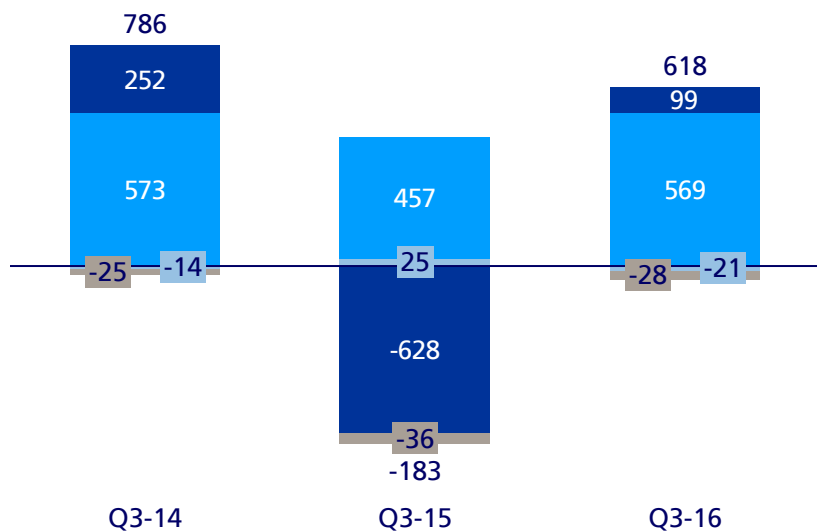
<sup>1</sup> Catastrophes include major and mid-sized catastrophes including significant weather-related events.

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

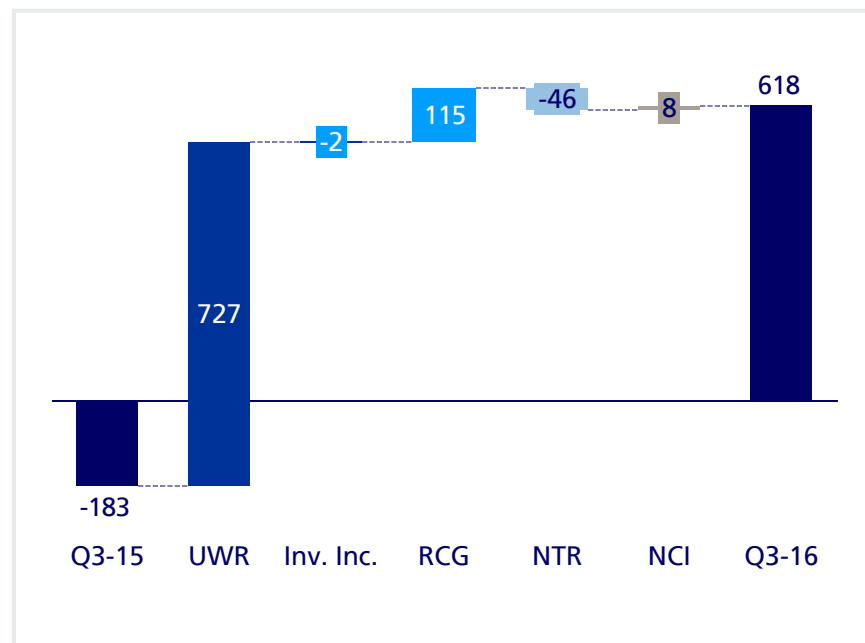
# General Insurance – BOP components

Increased BOP reflects continuing improvement

## BOP BREAK DOWN (USDm)



## KEY DRIVERS (USDm)

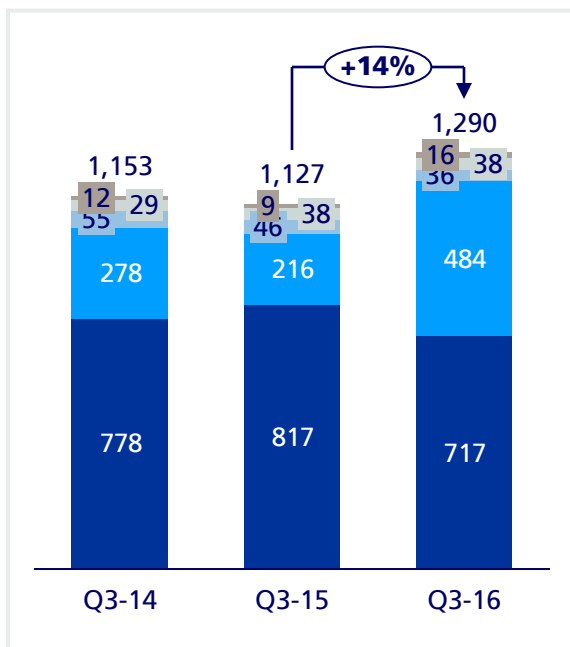


■ Underwriting result (UWR) 
 ■ Investment income (Inv. inc.) / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

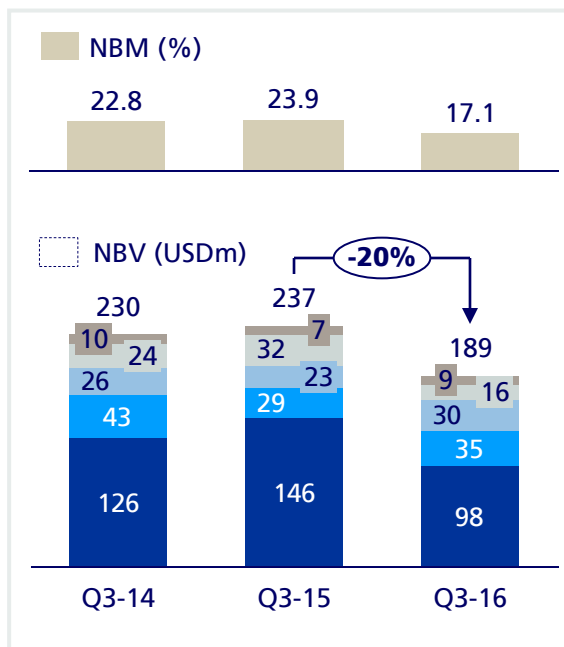
# Global Life – New business & net inflows

Lower margins driven by economic variances and business mix

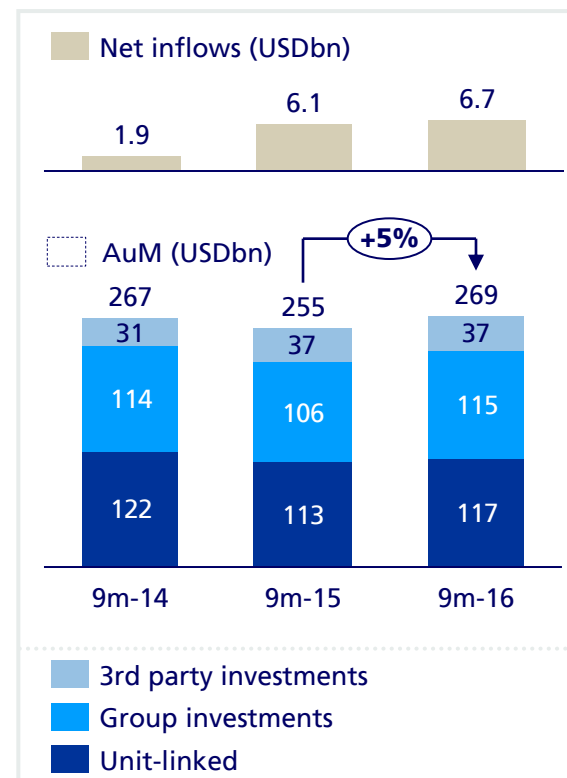
## APE (USDm)<sup>1,2</sup>



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



## NET INFLOWS & AUM



Other APAC North America Latin America EMEA

3rd party investments  
Group investments  
Unit-linked

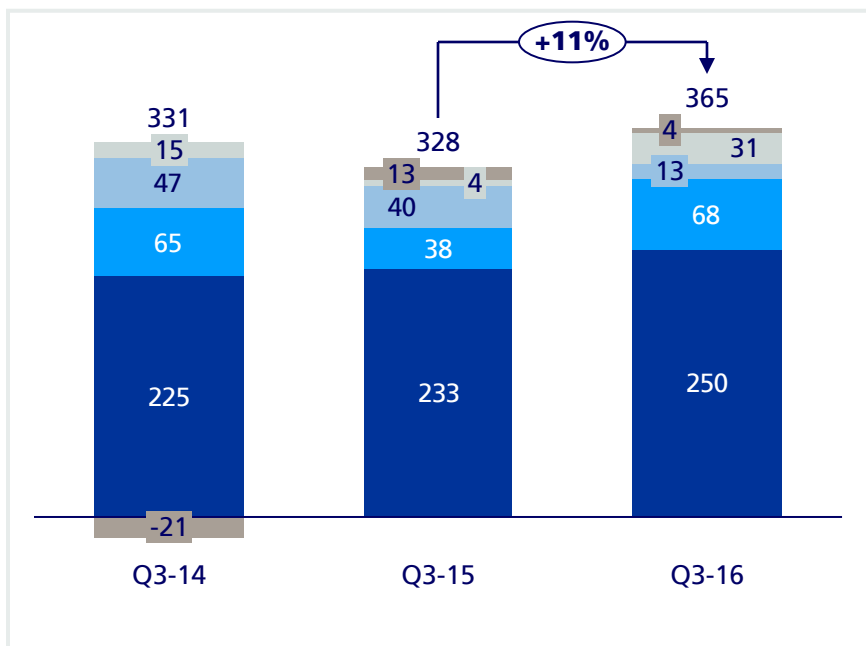
<sup>1</sup> APE is reported before non-controlling interests. NBM and NBV are reported net of non-controlling interests.

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

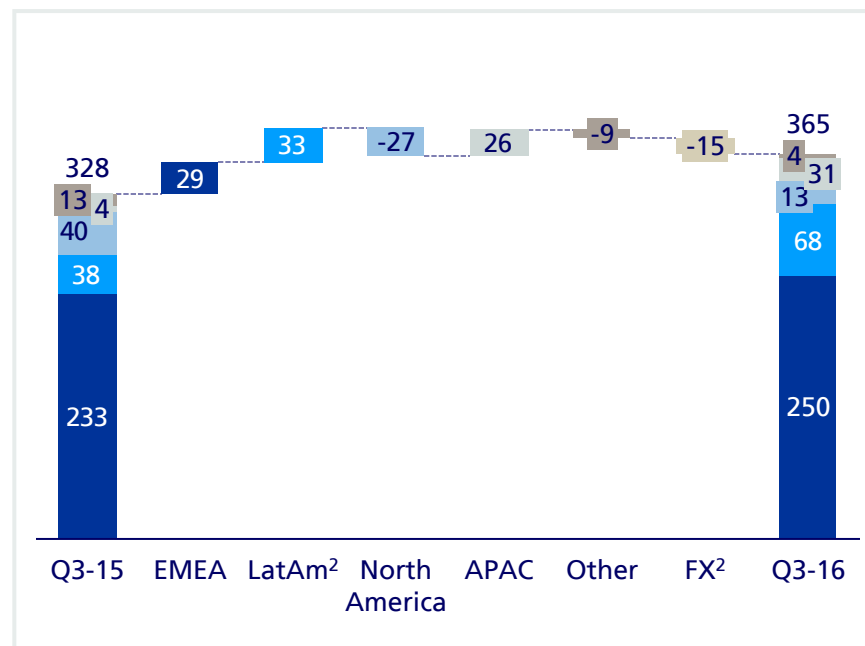
# Global Life – BOP by region

Increase in EMEA and LatAm partially offset by NA and FX

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



## KEY DRIVERS (USDm)



Other APAC North America (NA) LatAm EMEA

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

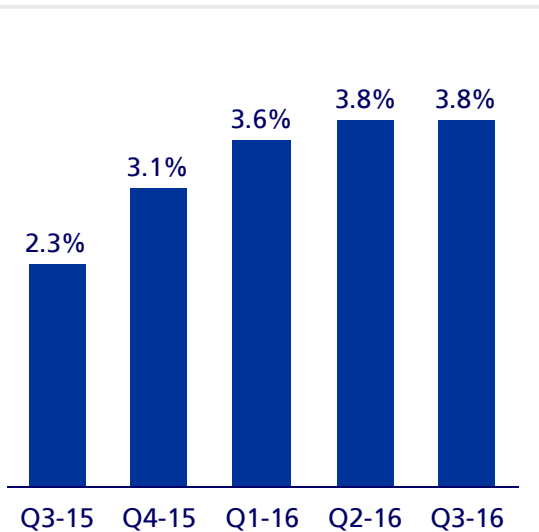
<sup>2</sup> Q3-16 adjusted for distorting currency impact from Venezuela.

# Farmers Exchanges<sup>1</sup> – Growth and profitability

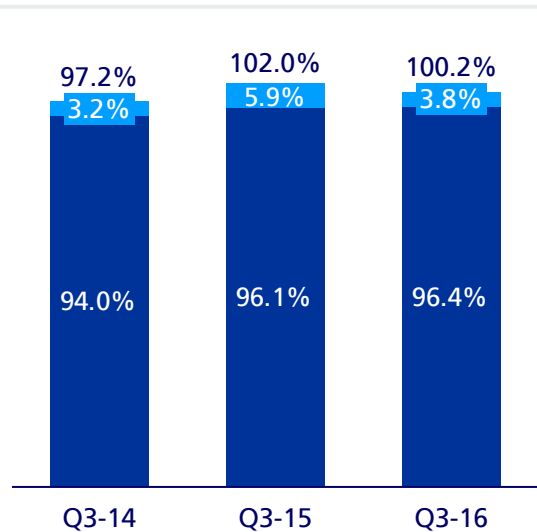


Continued growth driven mainly by rate

## GWP GROWTH (%)

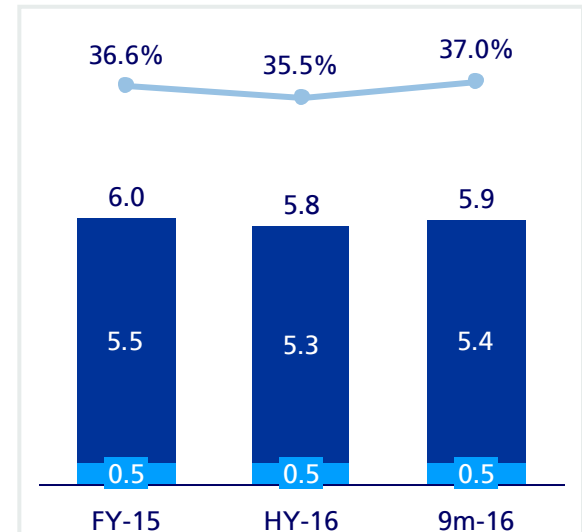


## COMBINED RATIO<sup>2</sup> (%)



■ 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.

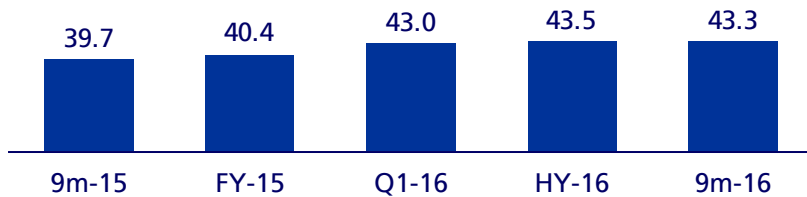


# Farmers Exchanges<sup>1</sup> – Customer KPIs

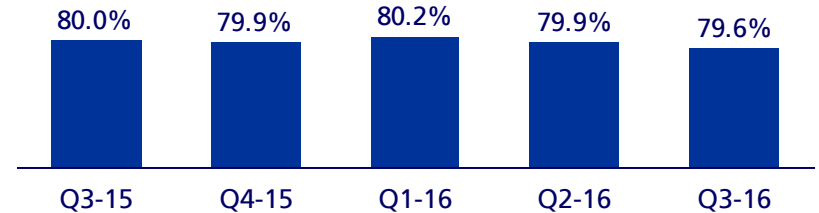
NPS and retention impacted by rate and underwriting actions



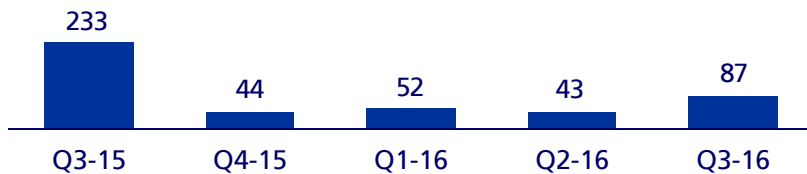
## NET PROMOTER SCORE<sup>2</sup>



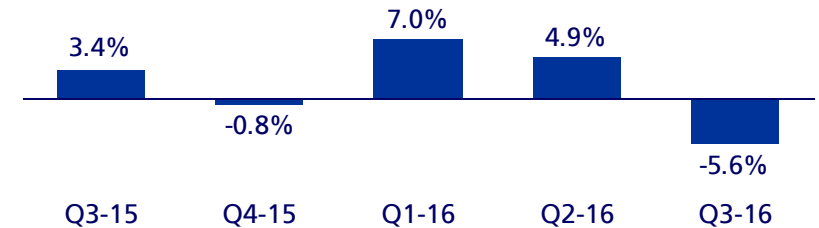
## RETENTION<sup>3</sup>



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



## NEW BUSINESS COUNT GROWTH<sup>5</sup>



<sup>1</sup> See footnote 1 on previous page.

<sup>2</sup> Survey based measure of customer loyalty for Farmers Exclusive Agent customers (Personal Lines and Business Insurance) on a YTD basis.

<sup>3</sup> Reflects rolling 3-month 13/1 survival rate for Farmers Brand business (i.e. excluding Bristol West Auto and Farmers Specialty Auto).

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

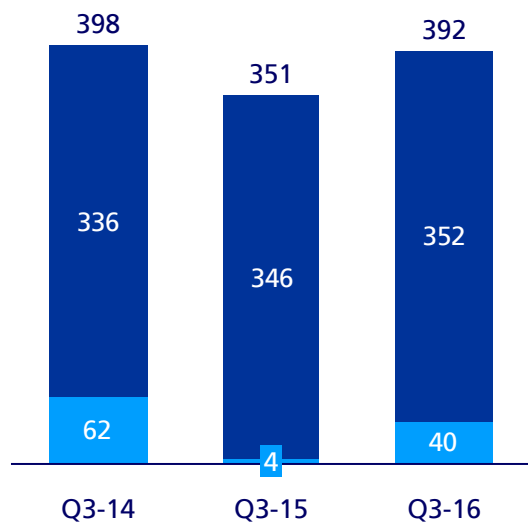
<sup>5</sup> YoY change in new business counts for continuing operations. Farmers and Bristol West Auto reflect New Business/New Household.



# Farmers – Financials

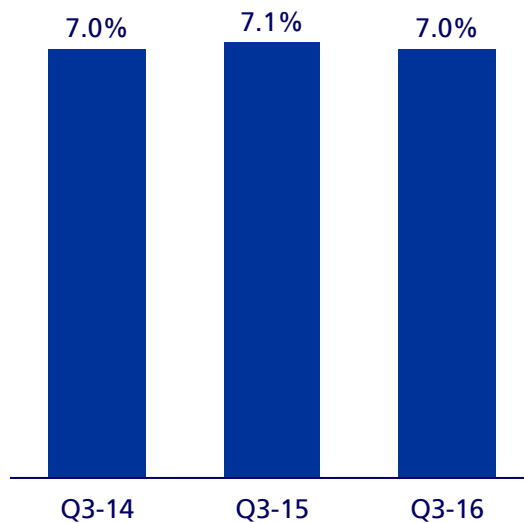
Stable FMS results, one-off benefit at Farmers Re

## BOP (USDm)

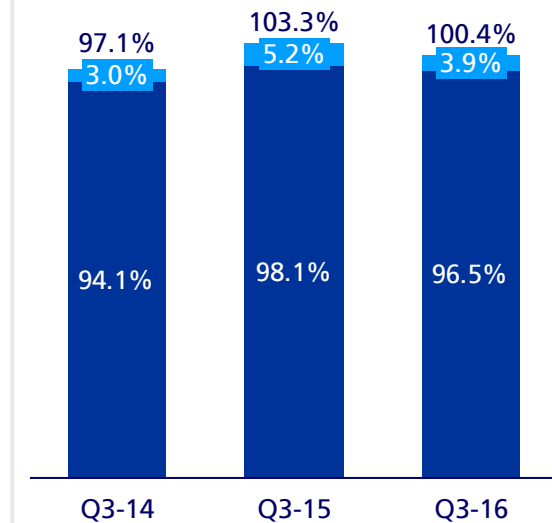


■ FMS ■ FRe

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



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



■ Catastrophes  
■ CR (excl. catastrophes)

<sup>1</sup> Margin on gross earned premiums of the Farmers Exchanges. Regarding Farmers Exchanges see slide 14 footnote 1.

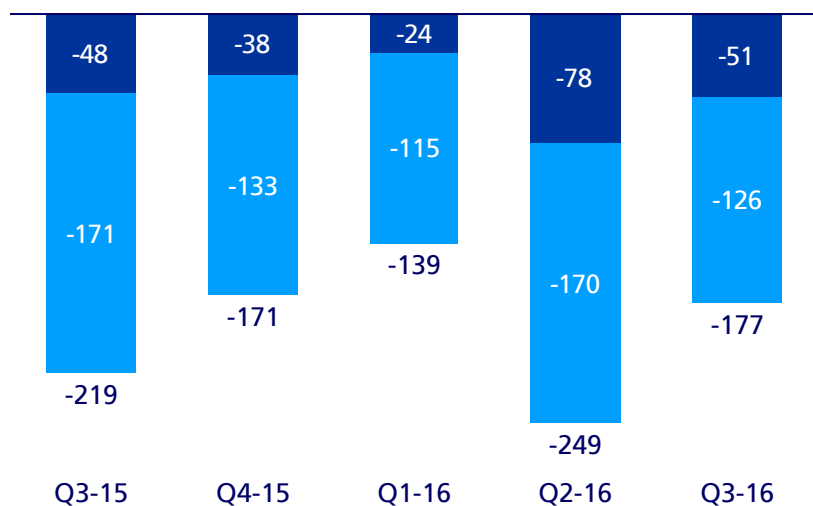
<sup>2</sup> Farmers Re (FRe) includes all reinsurance assumed from the Farmers Exchanges by Zurich Insurance Group.



# Other Operating and Non Core Businesses – BOP

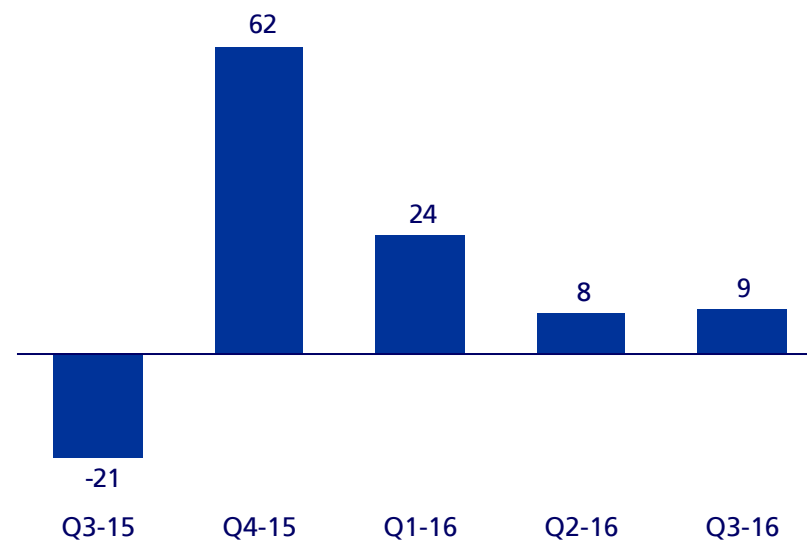
Timing effects and one-off items impact quarterly results

## OOB BOP (USDm)



■ Headquarters ■ Holding & Financing<sup>1</sup>

## NON CORE BOP (USDm)



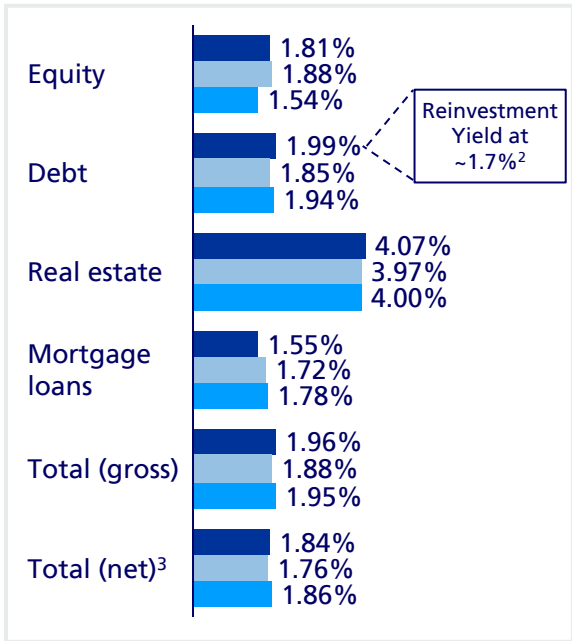
■ Non Core Businesses

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

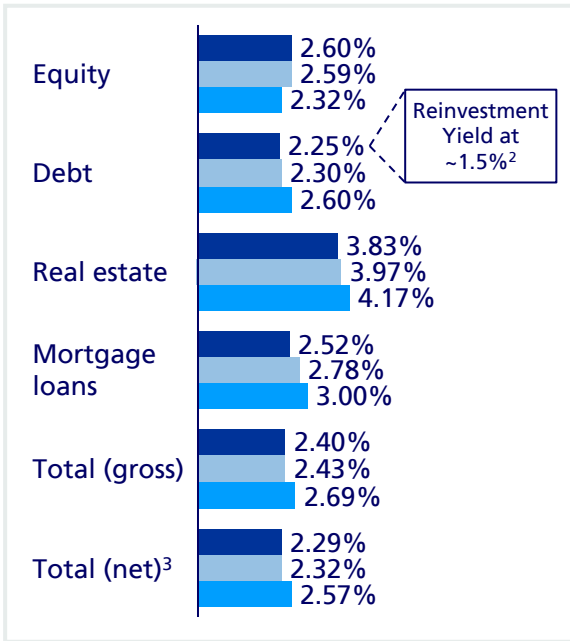
# Group Investments – Investment income yield<sup>1</sup>

Higher risk premium offset by lower yields

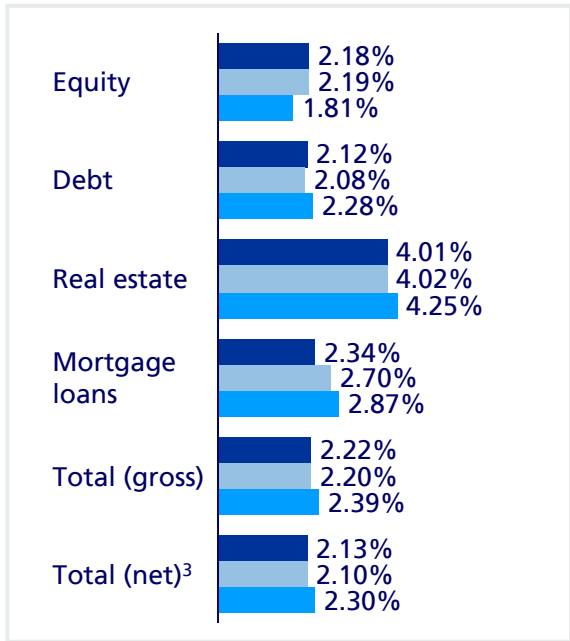
## GENERAL INSURANCE



## GLOBAL LIFE



## GROUP



■ 9m-16 ■ 9m-15 ■ 9m-14

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

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

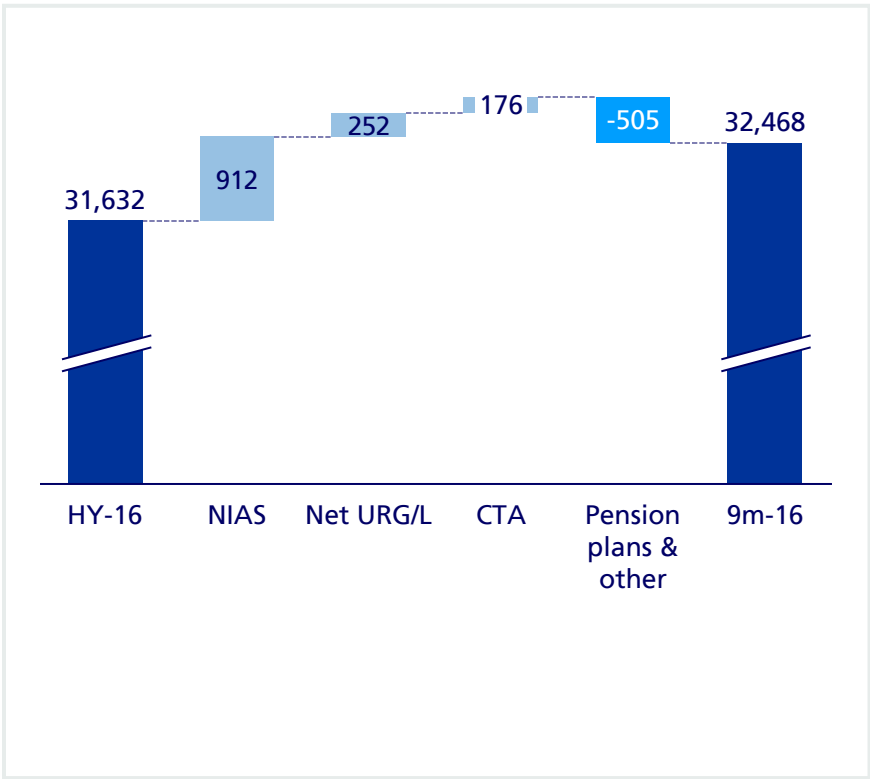
<sup>3</sup> Net of investment expenses.

# Group – Balance sheet and capital

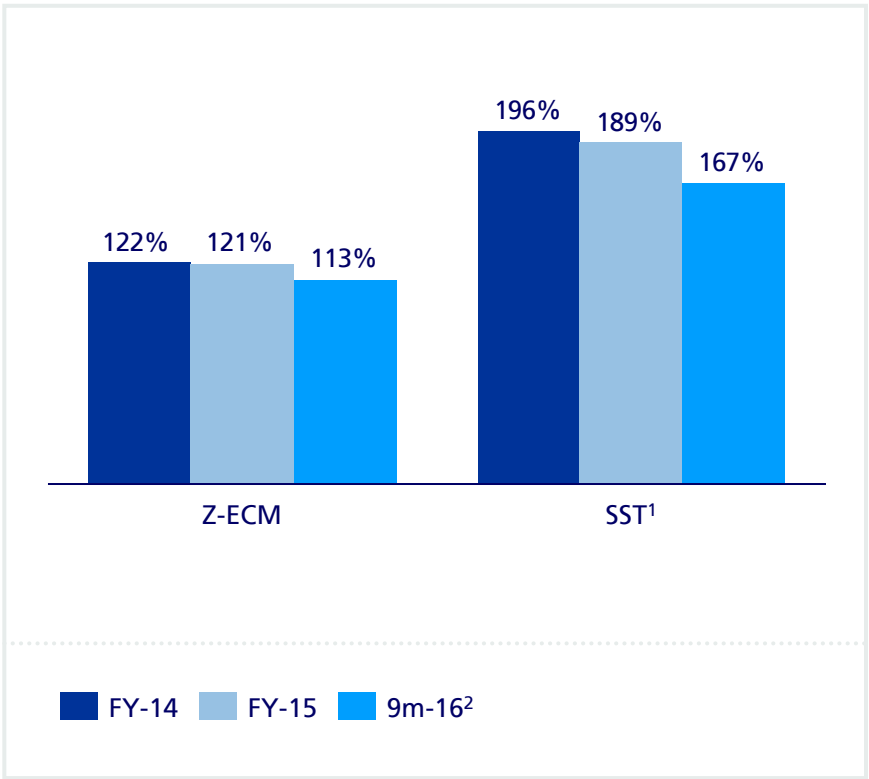
Strong capital position



## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<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). Only the full year ratio is filed with FINMA and is subject to its approval.

<sup>2</sup> Reflects midpoint estimates with an error margin of +/- 5ppts for Z-ECM and +/- 10ppts for SST.



# Key messages

<b>Group</b>	Improved performance with net expense savings on track, ROE at 11.9% <sup>1</sup>
<b>General Insurance</b>	Continuing underlying improvement, ongoing focus on underwriting discipline
<b>Global Life</b>	Good underlying growth plus favorable experience relative to assumptions
<b>Farmers</b>	Continued strong FMS result, favorable one-off in Farmers Re
<b>Capital</b>	Strong capital position with Z-ECM estimated at 113%

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

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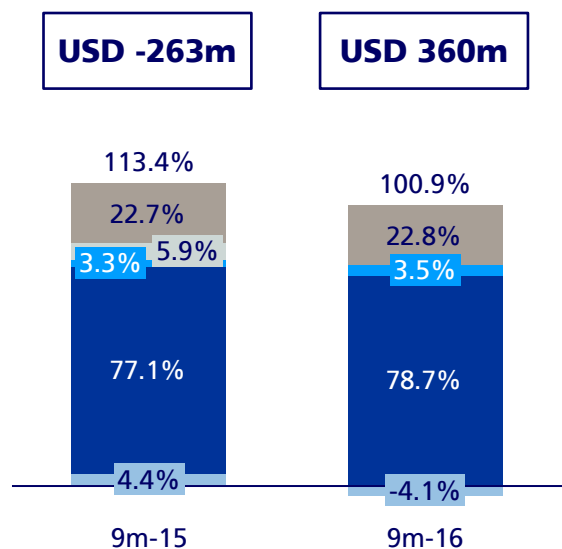
# Appendix



# GI Global Corporate – KPIs

Stabilization vs FY-15, further improvements expected

## 9m-16 KEY FINANCIALS



Expense Ratio
  Catastrophes
  PYD
  Tianjin loss
  AY LR (excl. catastrophes)
 BOP

GWP Growth<sup>1</sup>

**-11%**

Zurich rate change<sup>2</sup>

**1%**

Combined Ratio

**101%**

## KEY DRIVERS

- GWP down mainly as a result of lower retention and new business volumes; also due to profitability actions
- Achieved rate increases through rigorous execution on tiering plans
- Improved CR vs. FY-15, mainly driven by the favorable impact from PY reserves and lower level of cat losses; actions taken to reduce CR further

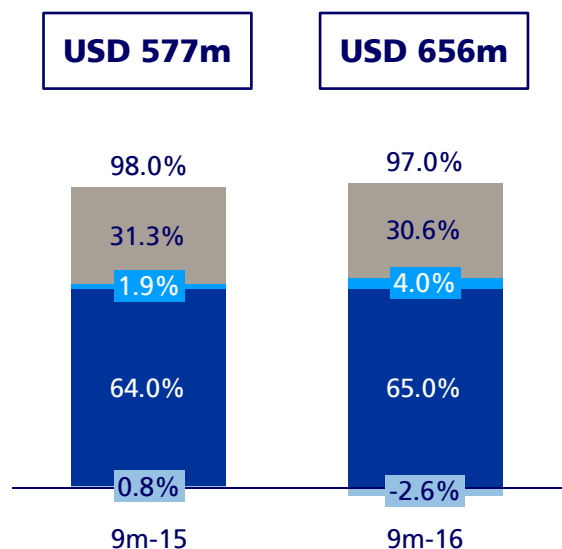
<sup>1</sup> In local currency.

<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

Excluding RCIS AY LR ex-cat improving vs FY-15

## 9m-16 KEY FINANCIALS



Expense Ratio
  AY LR (excl. catastrophes)
 BOP

Catastrophes
  PYD

GWP Growth<sup>1</sup>

-1%

Zurich rate change<sup>2</sup>

2%

Combined Ratio

97%

## KEY DRIVERS

- Excluding RCIS, premium level is declining slightly due to tiering actions and market conditions
- Pressure on rate changes continues but still achieving positive rate changes overall
- LR impacted by higher catastrophes; ongoing actions aimed at further improving AY combined ratio excluding catastrophes

<sup>1</sup> In local currency and excluding RCIS (portion incremental to existing 25% quota share reinsurance).

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



# GI – Q3-16 P&L impact of RCIS acquisition

Incremental NEP of USD 130m with different CR composition

## Q3-16 IMPACT GENERAL INSURANCE

	Total GI	RCIS <sup>1</sup>	GI excl. RCIS
GWP (USDm)	7,232	46	7,186
NEP (USDm)	6,600	130	6,470
LR (%)	66.8%	91.1%	66.3%
ER (%)	31.7%	4.2%	32.3%
CR (%)	98.5%	95.3%	98.5%
BOP (USDm)	618	3	615

## Q3-16 IMPACT NAC

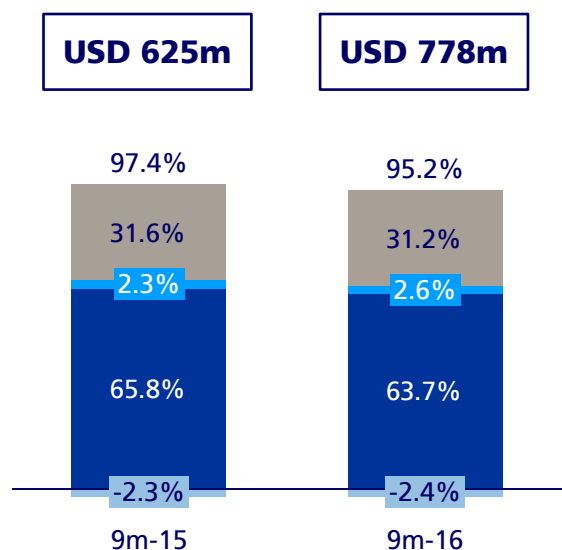
	Total NAC	RCIS <sup>1</sup>	NAC excl. RCIS
GWP (USDm)	2,544	46	2,498
NEP (USDm)	2,072	130	1,942
LR (%)	63.5%	91.1%	61.7%
ER (%)	29.6%	4.2%	31.3%
CR (%)	93.2%	95.3%	93.0%
BOP (USDm)	328	3	325

<sup>1</sup> Reflects Q3-16 incremental impact of consolidation vs. existing 25% quota share reinsurance.

# GI EMEA – KPIs

Good progress continuing

## 9m-16 KEY FINANCIALS



Expense Ratio
  AY LR (excl. catastrophes)
  Catastrophes
  PYD
 BOP

GWP Growth<sup>1</sup>

-4%

Zurich rate change<sup>2</sup>

2%

Combined Ratio

95%

## KEY DRIVERS

- GWP decrease mainly driven by lower new business in UK, Germany, Switzerland and Italy and the sale of the retail portfolio in the Netherlands
- Slightly higher rate changes driven by focus on bottom line
- Combined ratio improvement driven by lower attritional losses and a lower level of man-made large losses

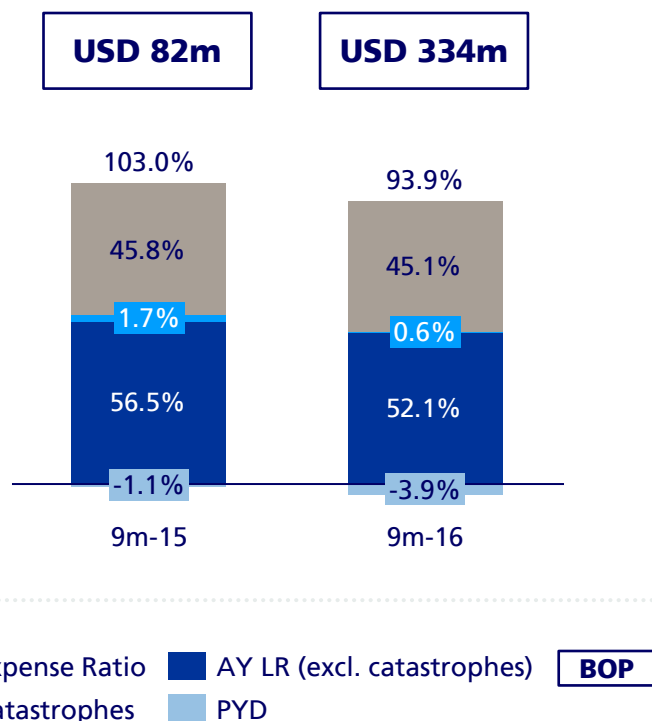
<sup>1</sup> In local currency.

<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

## 9m-16 KEY FINANCIALS



GWP Growth<sup>1</sup>

-4%

Zurich rate change<sup>2</sup>

2%

Combined Ratio

94%

## KEY DRIVERS

- Growth in Latin America is offset by the exit of lines of business in Australia that did not meet profitability requirements
- Lower combined ratio mainly driven by higher level of favorable PYD and improved attritional loss ratios in Latin America and Asia Pacific, partly off set 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

Rate increases driven by re-underwriting actions

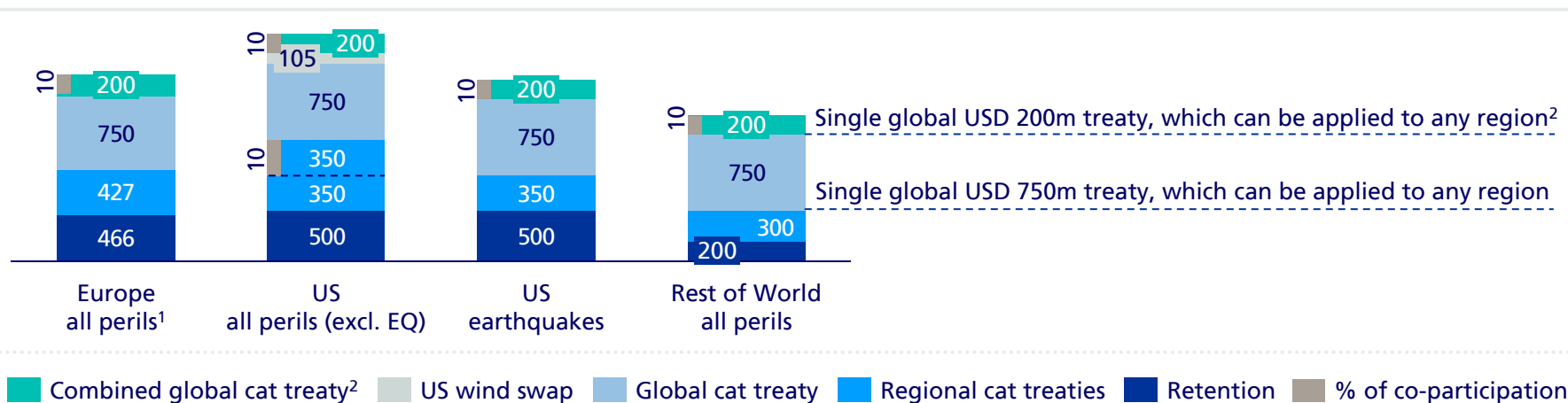
## Q3-16 ZURICH RATE CHANGE ASSESSMENT

Business	Assessment
Group	Rate increases slightly above prior year levels reflecting focus on re-underwriting with lower levels in the US due to market pressures.
Global Corporate	Higher rates in EMEA reflecting focus on re-underwriting and de-risking, partially offset by negative rates in the US, particularly in property.
North America Commercial	Continued positive rate increases above prior year levels with challenging market conditions mainly in Middle Markets Commercial.
EMEA	Fairly stable rate increases above prior year levels and with different local market dynamics.
UK	Rate increases slightly above prior year levels, driven by Zurich Municipal.
Germany	Rate increases but below prior year levels, particularly in motor.
Switzerland	Solid rate increases ahead of prior year, broadly in line with our expectations.
Italy	Rate increases below expectations with soft market conditions in motor.
Spain	Strong rate increases mainly in motor; in line with expectations.
International Markets	Increases in APAC, particularly in Australia, but overall below prior year levels.

# GI – Catastrophe reinsurance

Program further benefitted from lower reinsurance prices

## CATASTROPHE REINSURANCE TREATIES (USDm)



## GLOBAL AGGREGATE CAT TREATY



<sup>1</sup> Europe Cat Treaty calculated with EUR/USD exchange rate as of October 31, 2016.

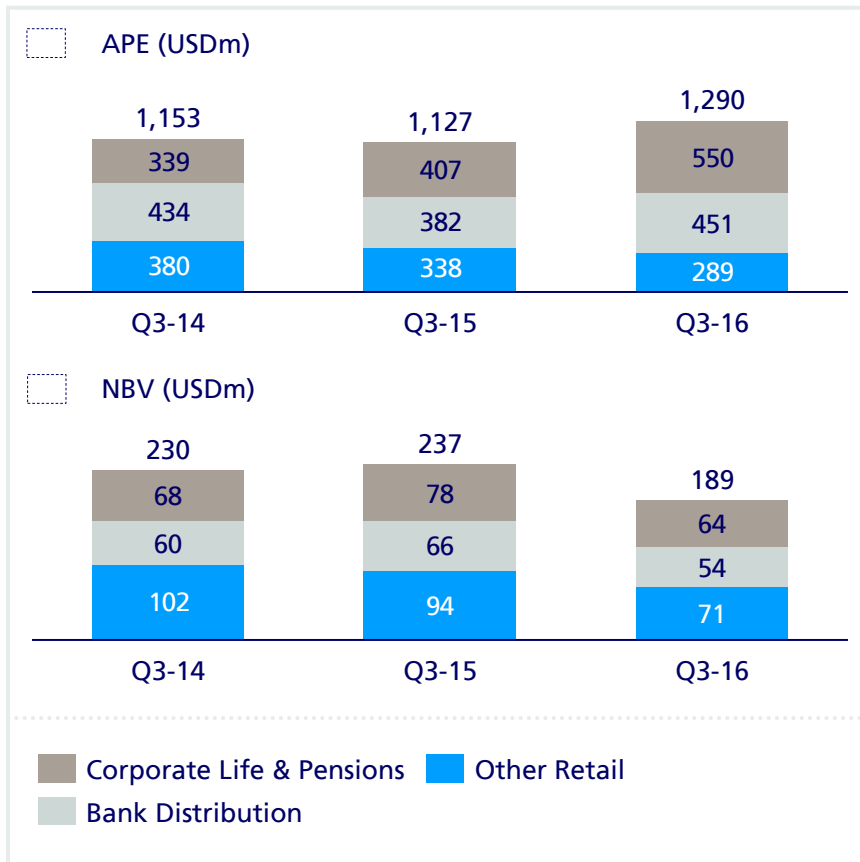
<sup>2</sup> This USD 200m cover is the same combined global occurrence / aggregate treaty presiding over the global catastrophe treaty. This cover can be used only once, either for aggregated losses or for an individual occurrence or event.

<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

APE growth with lower NBM driven by econ. variances and mix

## Q3-16 KEY FINANCIALS<sup>1</sup>



NBM	PVNBP	CLP single premium
17.1%	USD 11.3bn	USD 0.9bn

## KEY DRIVERS

NBV decreased mainly from adverse interest rate movements, worsened business mix and currency effects;

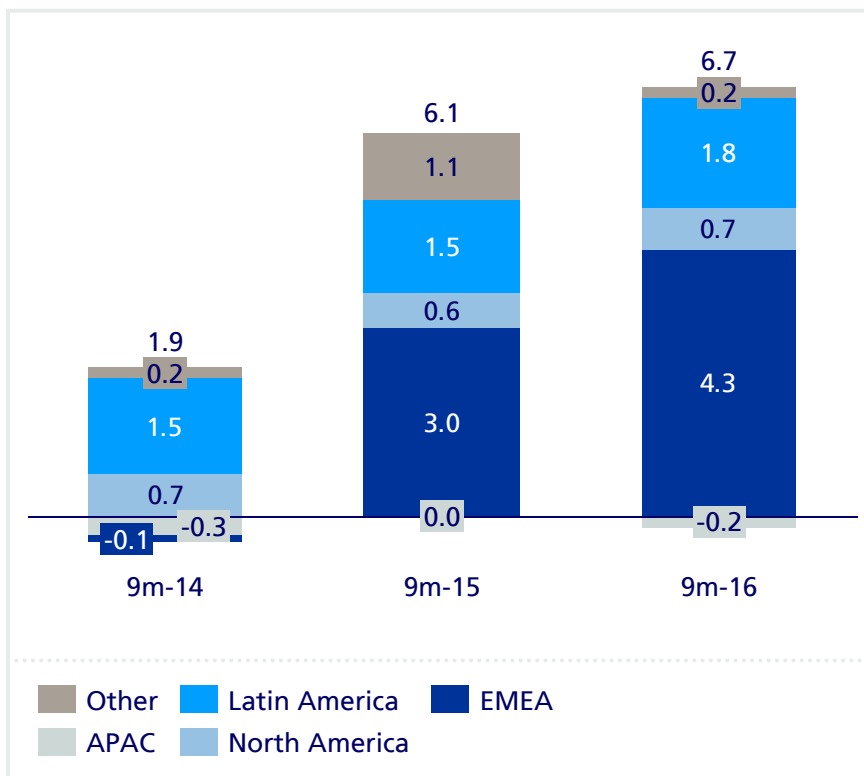
- In Corporate Life & Pensions: from lower volumes and lower interest rates in Switzerland, and lower volumes in Zurich International Life.
- In Other Retail: from lower interest rates in Japan and lower margins in UK, partially offset by higher margins in North America.
- In Bank Distribution: from lower volumes in Germany and Zurich International Life, and higher volumes of low margin business in Spain, partially offset by higher volumes in Brazil Santander.

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

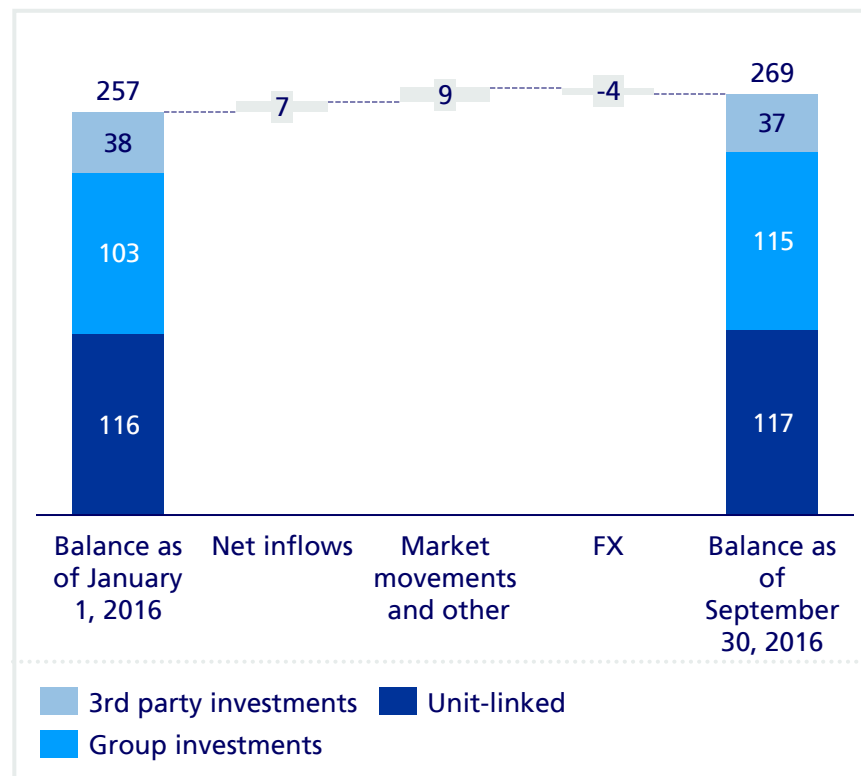
# GL – Net inflows & assets under management

Higher net inflows partially offset by FX

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



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



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

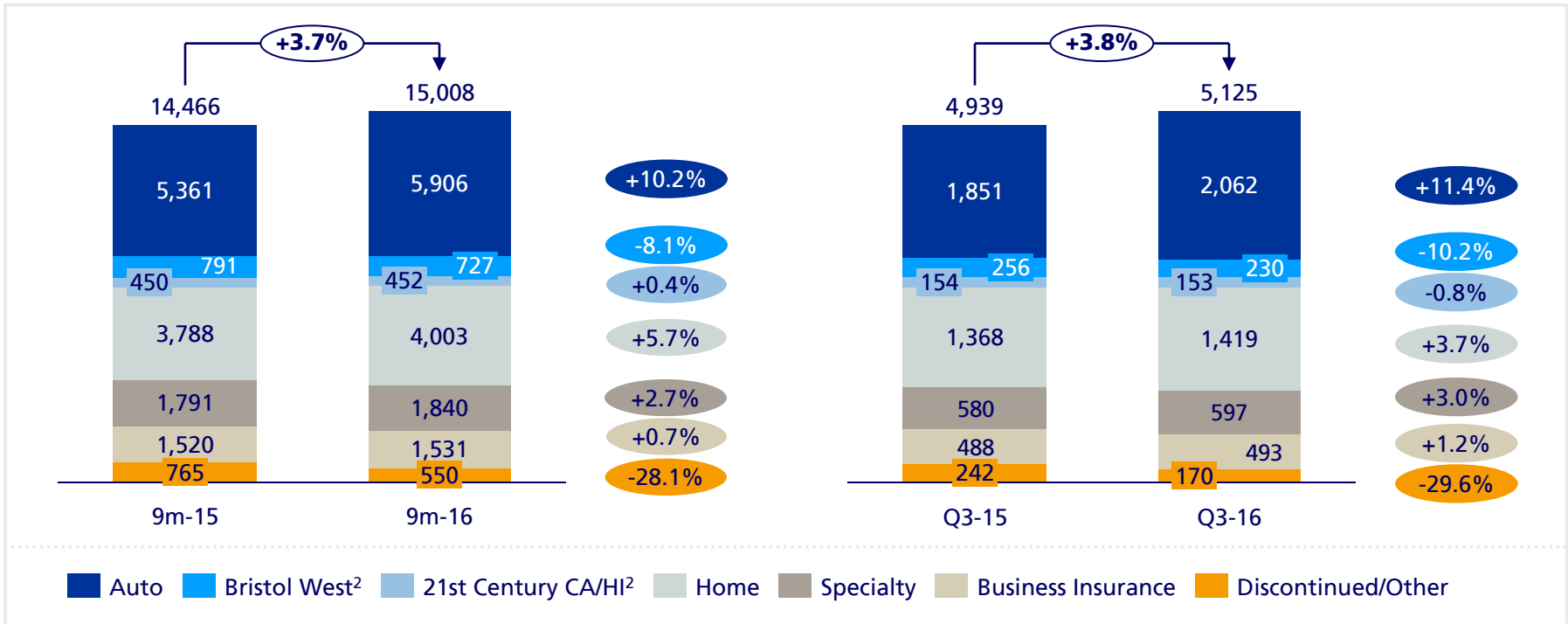
<sup>2</sup> Market movements and other include the de-consolidation of a UK based distributor of Global Life business.

# Farmers Exchanges<sup>1</sup> – GWP

Growth primarily driven by rate



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



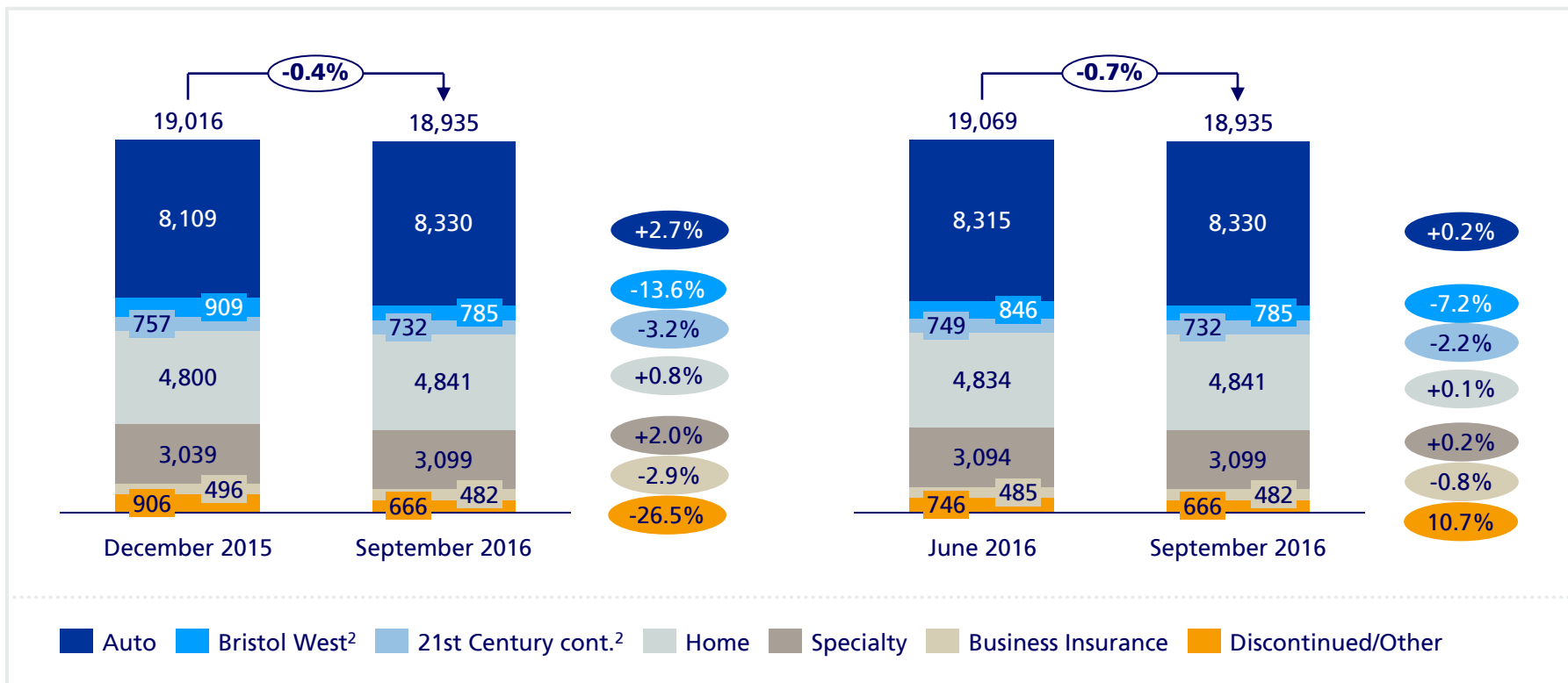


# Farmers Exchanges – PIF/VIF<sup>1</sup>

VIF growth in Auto business slowing down



## DEVELOPMENT OF PIF/VIF BY BUSINESS LINE (THOUSANDS)



<sup>1</sup> Policies-in-force (PIF) or Vehicle-in-force (VIF) for Auto businesses.

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

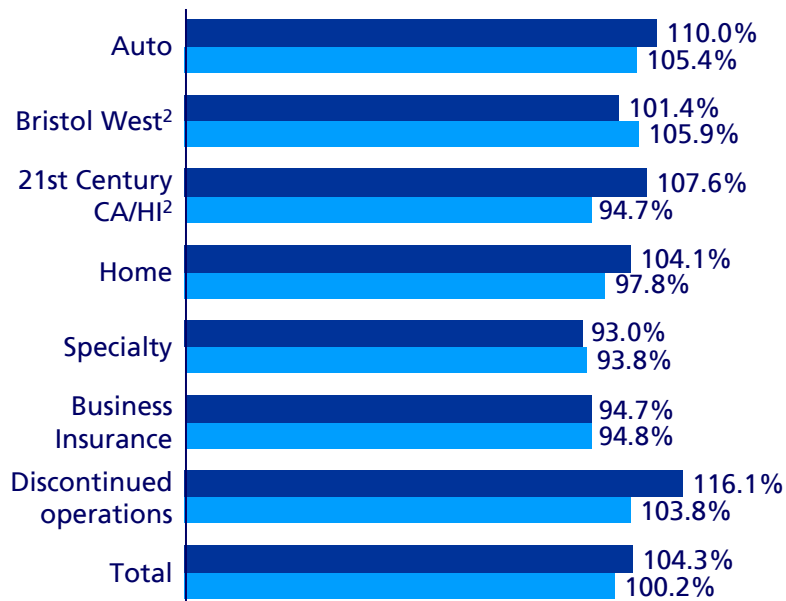


# Farmers Exchanges – Combined ratio

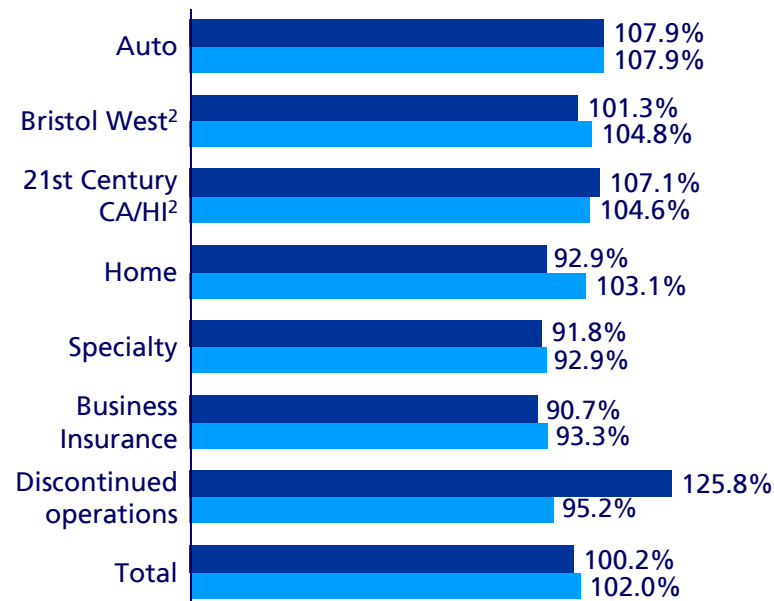


Continued impact of unfavorable claims trends in Auto business

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



■ 9m-16 ■ 9m-15



■ Q3-16 ■ Q3-15

<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.

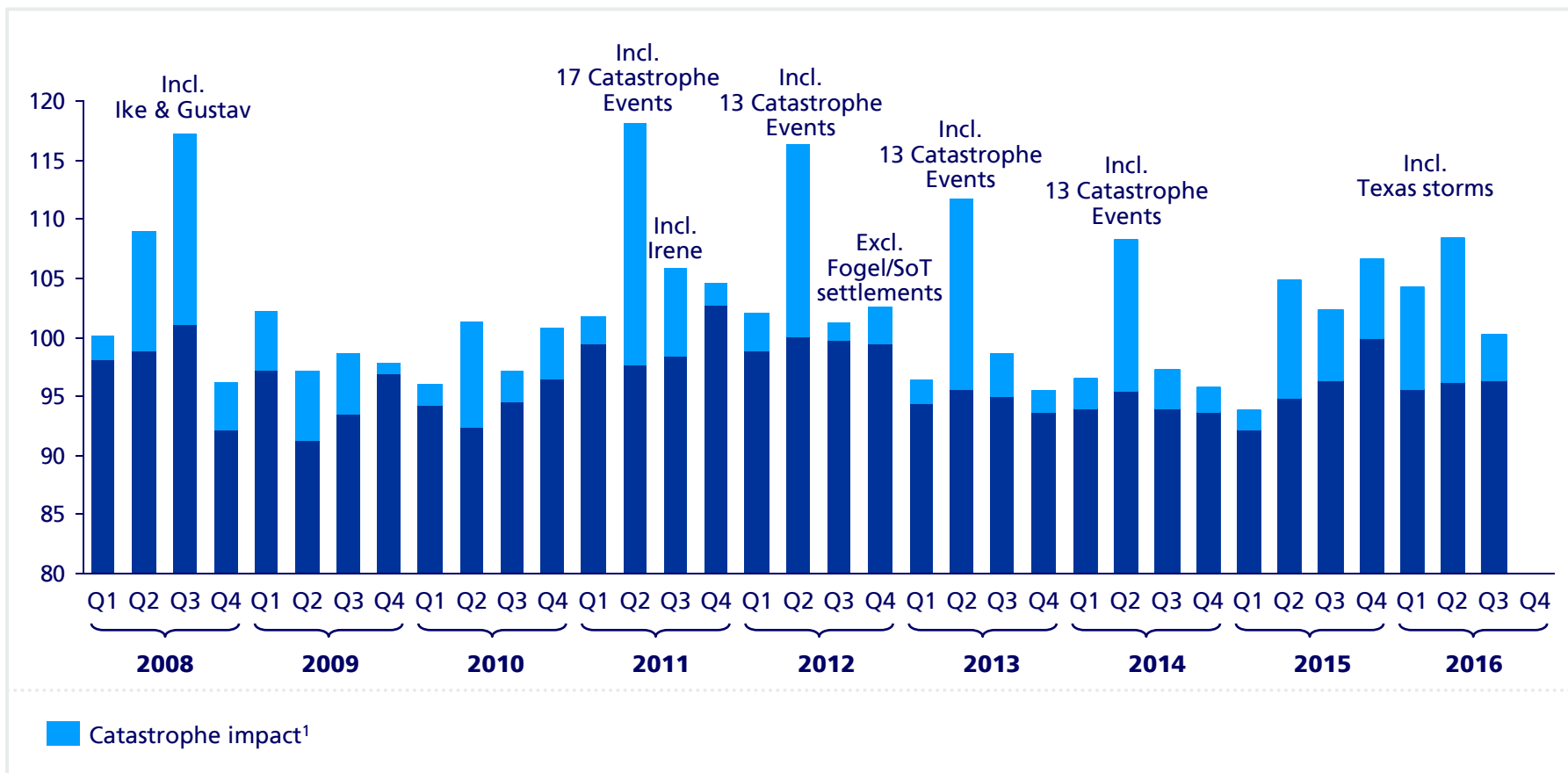


# Farmers Exchanges – Combined ratio history



High overall catastrophe impact due to Texas storms in first half

## QUARTERLY COMBINED RATIO (%)



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



# Group Investments – Asset allocation

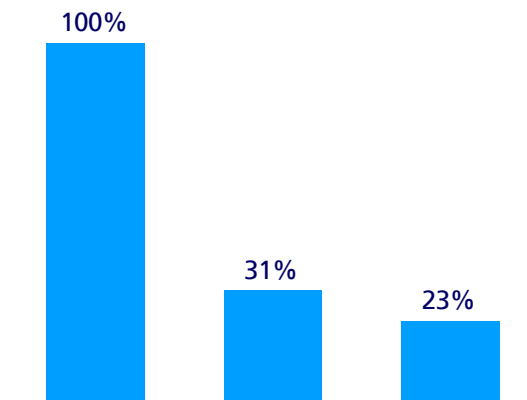
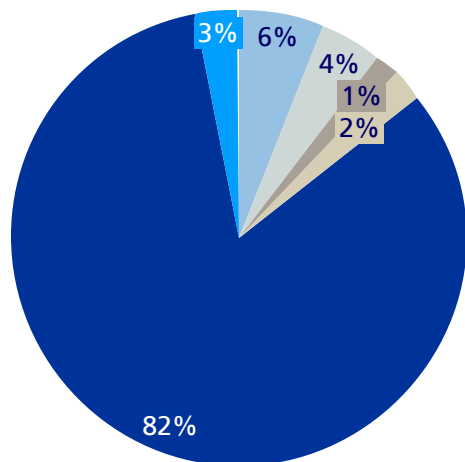
Sources of investment risk and return are balanced

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

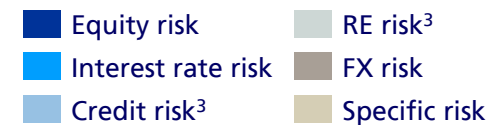
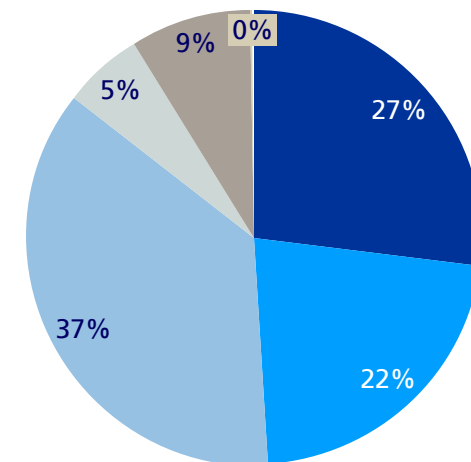
## RISK DIVERSIFICATION

## 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. Risk drivers figures are based on best available information as of the date of this report but are subject to restatement.

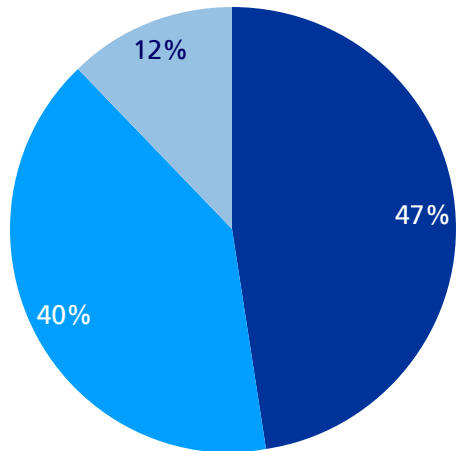
<sup>3</sup> PE = Private equity, RE = Real estate. Credit risk consists of swap spread risk, credit spread risk and credit default risk.

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

Debt securities portfolio is of a high quality

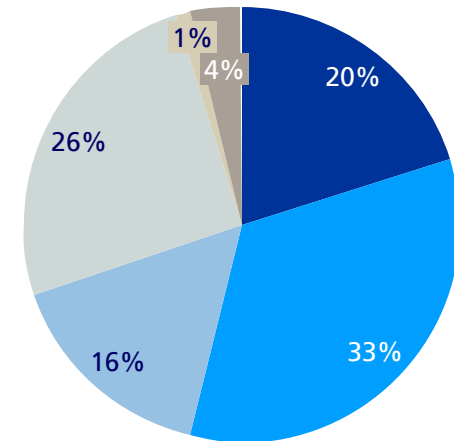
## BY CATEGORY

Total debt securities: USD 150bn



■ 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>

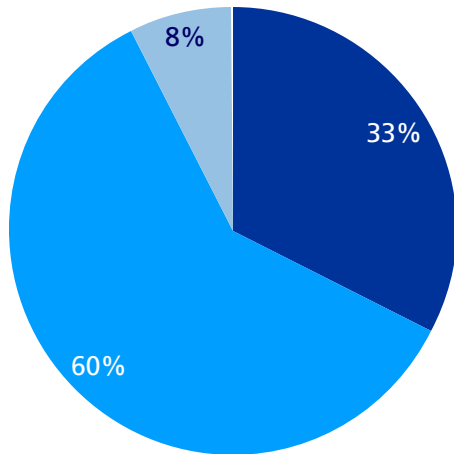
High quality and well diversified

## BY SEGMENT

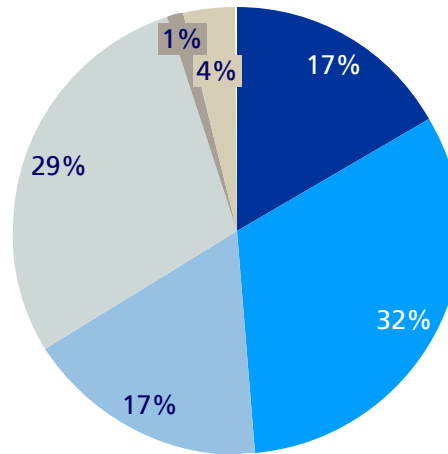
## BY RATING

## BY COUNTRY

Total bonds: USD 132bn



■ General Insurance    ■ Other  
■ Global Life



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

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

<sup>1</sup> Accounting view.

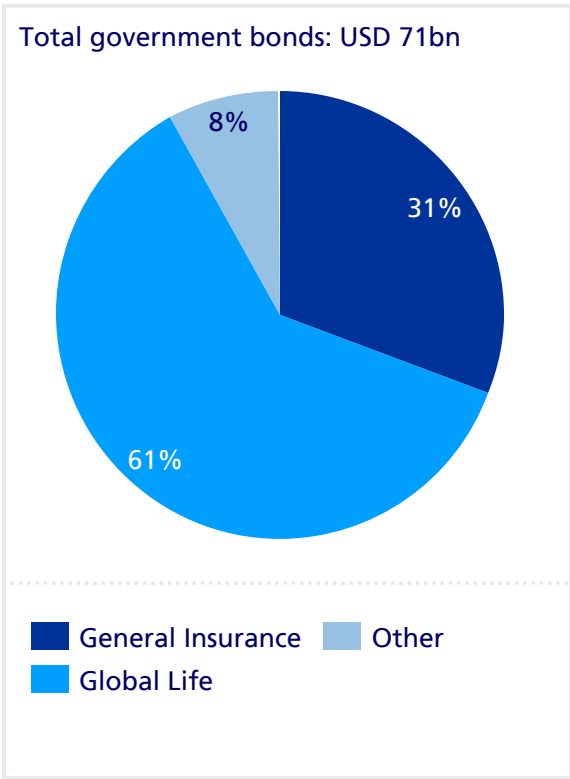
<sup>2</sup> All items with 1% share or lower.

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

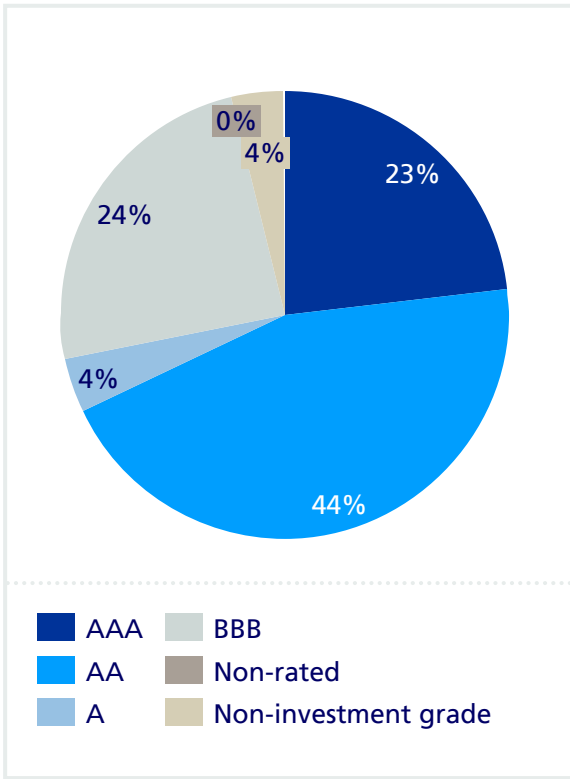
High quality and well diversified



## BY SEGMENT



## BY RATING



## BY COUNTRY

- 20% USA
- 14% Italy
- 11% Germany
- 10% Spain
- 9% France
- 8% Switzerland
- 8% United Kingdom
- 3% Belgium
- 3% Austria
- 2% Brazil
- 2% Canada
- 2% Netherlands
- 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>

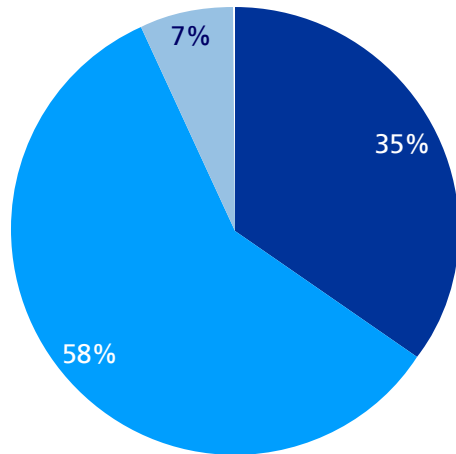
High quality and well diversified

## BY SEGMENT

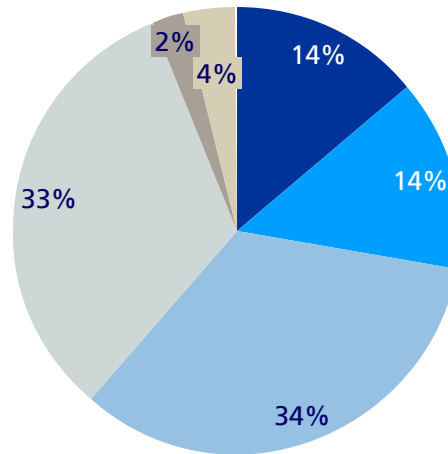
## BY RATING

## BY INDUSTRY

Total corporate bonds: USD 61bn



■ General Insurance    ■ Other  
■ Global Life



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

- 49% Financial Institutions  
o/w 90% Banks  
o/w 5% Insurance
- 18% Manufacturing
- 8% Utilities
- 5% Oil & Gas
- 4% Telecom
- 4% Chemicals & Pharmaceuticals
- 3% Transportation
- 3% Real Estate
- 2% Business Services & Products
- 5% Other<sup>2</sup>

<sup>1</sup> Accounting view.

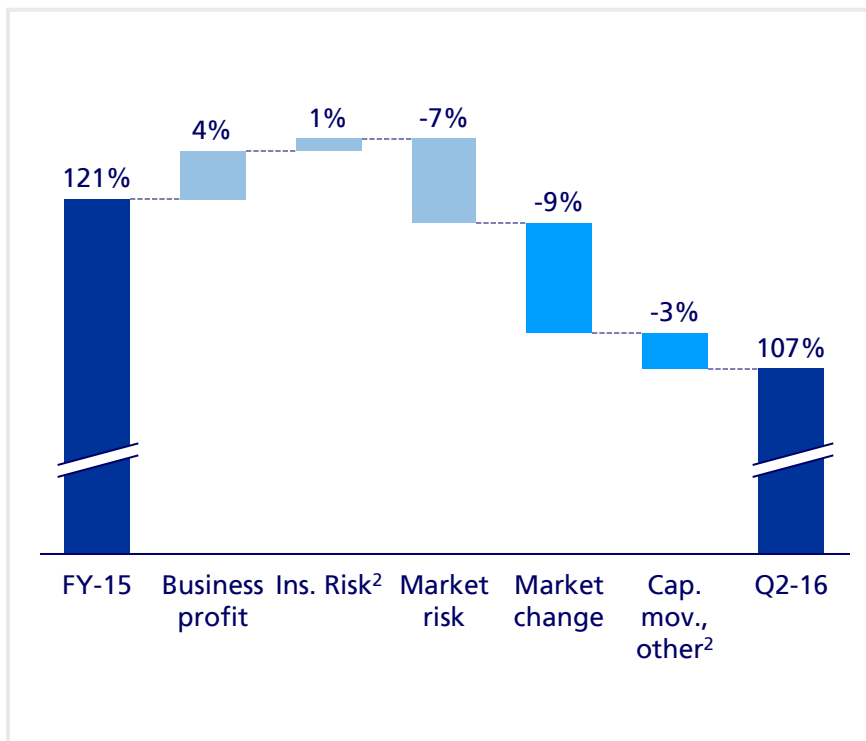
<sup>2</sup> All items with 1% share or lower.



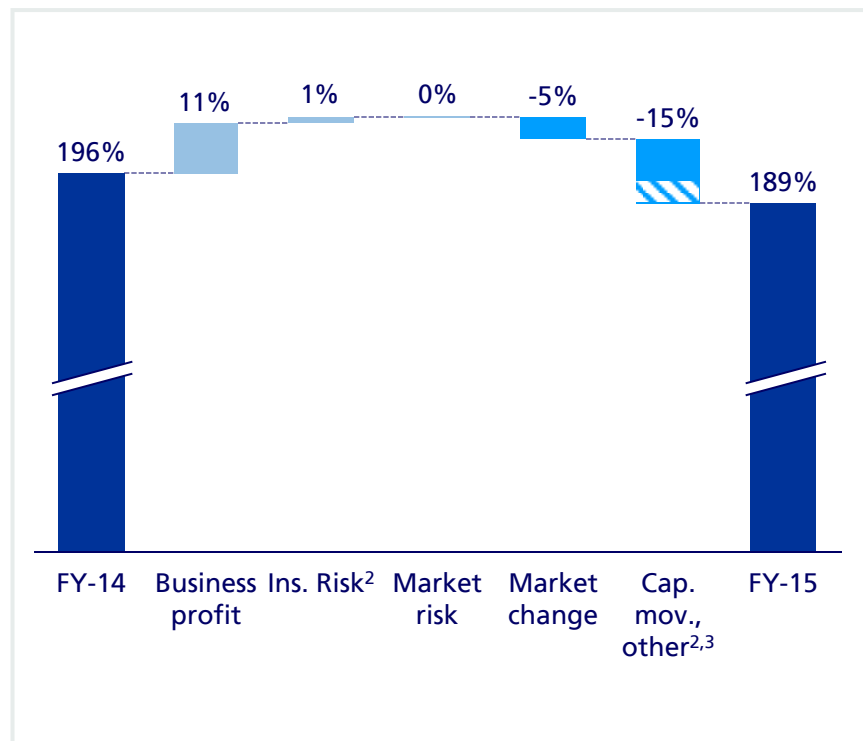
# Group – Economic capital models

Strong capital 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.

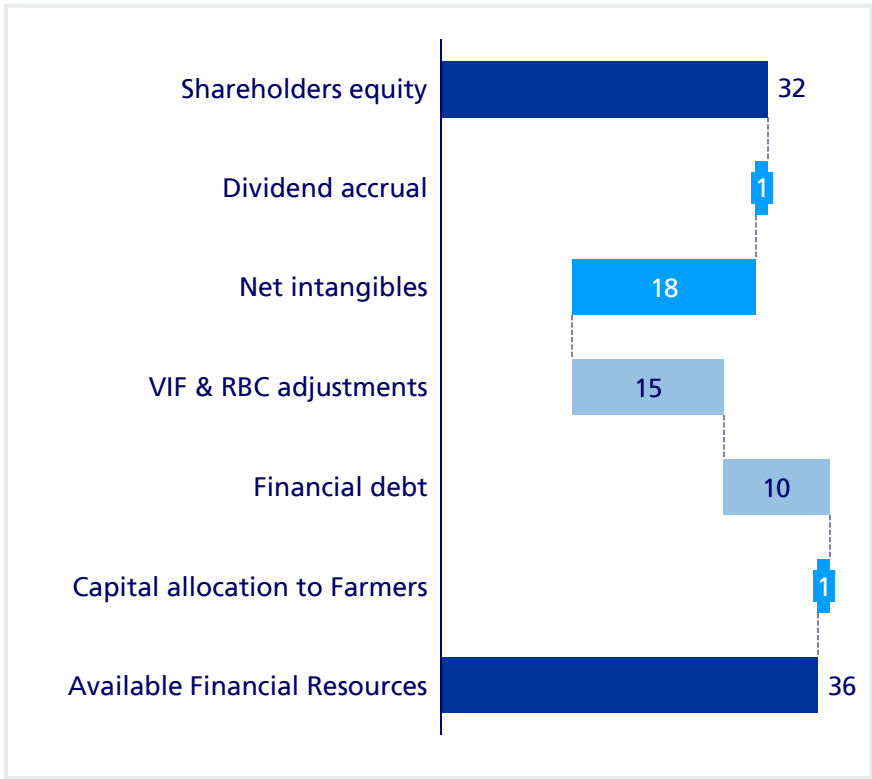
<sup>2</sup> Insurance risk, capital movements, model changes and change in diversification benefit.

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

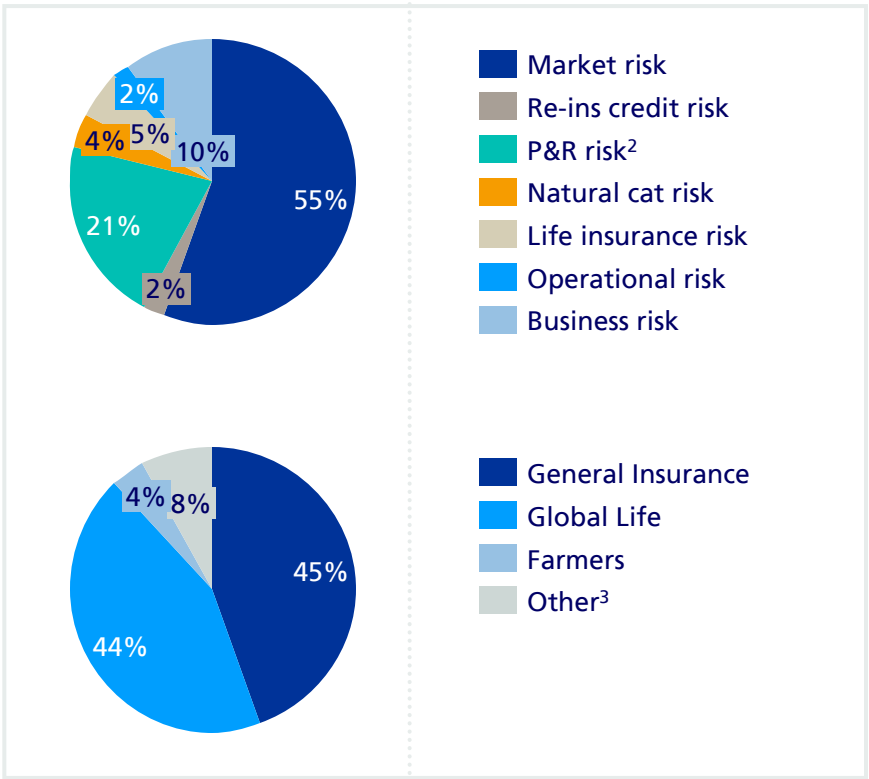
# Group – Z-ECM components

Well diversified capital base by risk type

## HY-16 AFR<sup>1</sup> COMPOSITION (USDbn)



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

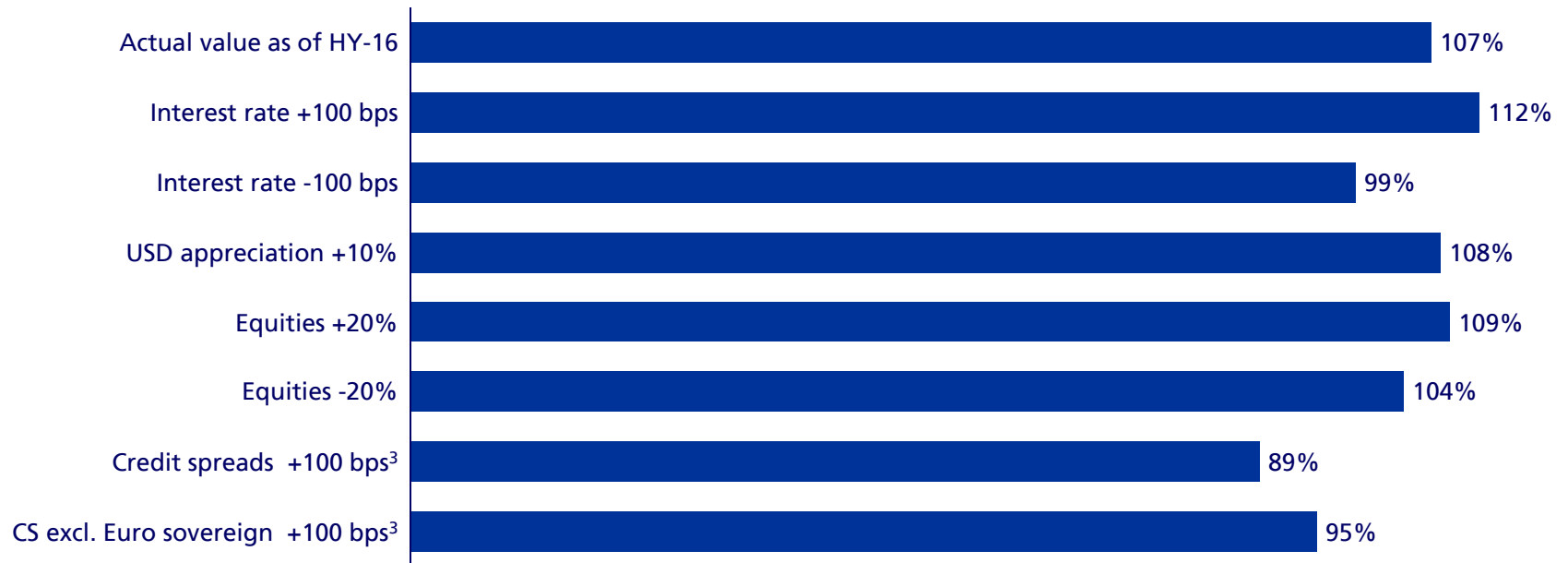


<sup>1</sup> Available Financial Resources (AFR); Risk Based Capital (RBC).  
<sup>2</sup> Premium & reserving risk (P&R).  
<sup>3</sup> Includes Other Operating Businesses and Non Core Businesses.

# Group – Z-ECM sensitivities<sup>1</sup>

## Z-ECM resilient to market movements

### Z-ECM RATIO IMPACT<sup>2</sup>



<sup>1</sup> Sensitivities are best estimate and linear, i.e. will vary depending on prevailing market conditions at the time. Z-ECM is calibrated at 99.95% Value at Risk (equivalent to an 'AA' rating).

<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. Sensitivity is net of profit sharing with policyholders.

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

## EPS AND BVPS (CHF)

No., CHF	FY-15	9m-16
Common shares issued	150.40m	150.53m
Treasury shares	1.24m	1.20m
Common shares outst.	149.16m	149.33m
WAvG for basic EPS	148.96m	149.27m
Dilution impact	0.36m	0.96m
WAvG diluted EPS	149.32m	150.22m
<b>NIAS (USDm)</b>	<b>1,842</b>	<b>2,526</b>
Avg USD/CHF rate	1.040	1.021
<b>Basic EPS</b>	<b>11.89</b>	<b>16.58</b>
<b>Diluted EPS</b>	<b>11.86</b>	<b>16.47</b>
<b>BVPS<sup>3</sup></b>	<b>209.27</b>	<b>210.83</b>

## BOPAT ROE AND ROE (%)

USDm, %	FY-15	9m-16
<b>SHE</b>	<b>31,178</b>	<b>32,468</b>
Net URGL / CF hedges	2,850	5,249
Adj. SHE	28,328	27,219
Avg. adj. SHE <sup>2</sup>	28,785	27,070
<b>BOP</b>	<b>2,916</b>	<b>3,403</b>
SH effective income tax rate	36.6%	28.9%
<b>BOP after tax</b>	<b>1,847</b>	<b>2,418</b>
NIAS	1,842	2,526
<b>BOPAT ROE<sup>2</sup></b>	<b>6.4%</b>	<b>11.9%</b>
NIAS ROE <sup>2</sup>	6.4%	12.4%

<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 1.031.

# Group – Currency impact

Unfavorable translational FX impact in Global Life results

## 9M-16 KEY RESULTS

	KPI	USDm	reported	at constant currency
<b>Group</b>	BOP	3,403	+36%	+43%
	NIAS	2,526	+11%	+17%
<b>General Insurance</b>	GWP	25,749	-3%	0%
	NEP	19,827	-6%	-3%
	Net underwriting result	315	nm	nm
	Investment income	1,534	+2%	+6%
	BOP	1,823	+85%	+98%
<b>Global Life</b>	APE	3,539	-1%	+6%
	NBV	684	+5%	+12%
	BOP	1,032	+3%	+10%
<b>OOB</b>	BOP	-565	-3%	-7%
<b>NCB</b>	BOP	42	nm	nm

# Commentary



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.

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.



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.

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.

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.

# Page 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.

# Page 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%.

# Page 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.

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.

# Page 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.



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.

# Page 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%.

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.

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.

# Page 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.

# Page 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.

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.

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.



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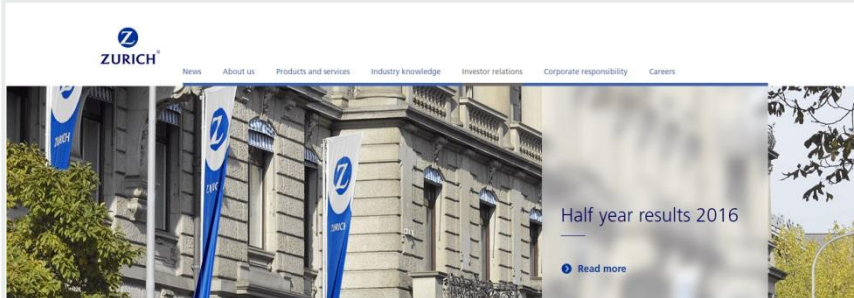
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**Calendar:**

- November 17, 2016, Investor Day, London
- February 9, 2017, Annual Results 2016
- March 21-22, 2017, Morgan Stanley European Financials Conference 2017, London
- March 29, 2017, Annual General Meeting 2017
- May 11, 2017, Results for the three months ended March 31, 2017
- May 30, 2017, DB Global Financials Conference 2017, New York
- June 7, 2017, Goldman Sachs 21st Annual European Financial Conference, Madrid
- August 10, 2017, Half year results 2017

