

# Annual results 2016

Investor presentation  
February 9, 2017

Zurich Insurance Group





# Content

Use symbols to navigate through the document

## 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

Other symbols

-  Back to content page
-  Back to slide

## APPENDIX

-  General Insurance
-  Global Life
-  Farmers Exchanges
-  Other Operating Businesses
-  Group Investments
-  Group capital and solvency
-  Group EPS, BVPS and ROE
-  Currency impact
-  Commentary
-  Contacts
-  Calendar

 Print slides with Commentary

 Print slides without Commentary

# Key messages

## Group

- Good profitability across the Group
- Cost savings delivered and on track to deliver 2017-2019 targets

## General Insurance

- Underwriting improved across all regions, absolute costs reduced
- Further progress expected

## Global Life

- Continued execution of unit-linked and protection strategy
- Ongoing underlying earnings growth

## Farmers

- Continued growth in fee revenue
- Steady growth in FMS BOP together with favorable special item

## Capital & Dividend

- Strong capital position with Z-ECM estimated at 122%
- Dividend of CHF 17 per share proposed

# Key financials

Earnings growth with strong cash generation and capital

## FY-16 KEY RESULTS

### BOP

USD 4.5bn  
(+55%)

### NIAS

USD 3.2bn  
(+74%)

## TARGET METRICS OVER STRATEGIC PERIOD

BOPAT ROE <sup>1</sup>	FY-16	Target
	11.6%	12 – 14%
Z-ECM <sup>2</sup>	FY-16 <sup>3</sup>	Target
	~122%	100 – 120%
Net cash remittances	Cumulative 2014-16	Cumulative 2014-2016
	USD 10.4bn	> USD 9bn

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

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

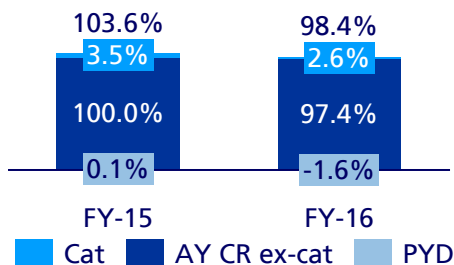
<sup>3</sup> Reflects midpoint estimate with an error margin of +/- 5ppts. Q3-16 Z-ECM ratio at 114%.

# Key achievements

2016 performance provides a solid basis for delivery in 2017+

## GENERAL INSURANCE

Combined Ratio (%)

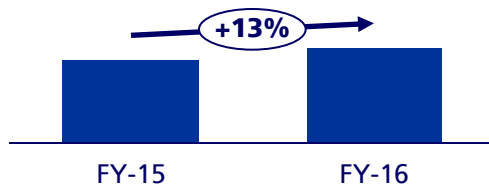


GWP Growth in LC (%)

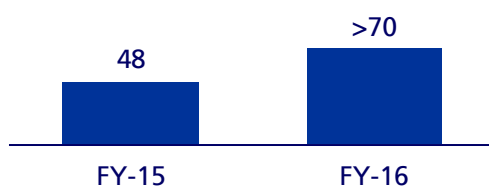


## GLOBAL LIFE

BOP growth in LC excl. SOI<sup>1</sup> (USDm)

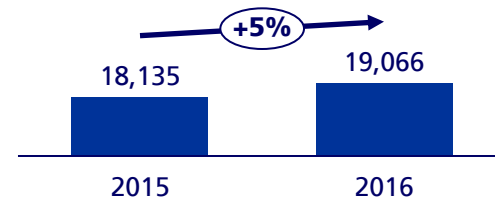


BOP run-rate add from IFM<sup>1</sup> (USDm)

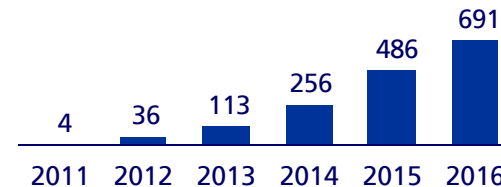


## FARMERS EXCHANGES<sup>2</sup>

GWP excl. run-off (USDm)



GWP Eastern expansion (USDm)



### EXPENSE SAVINGS (USDm)

Achieved

Target



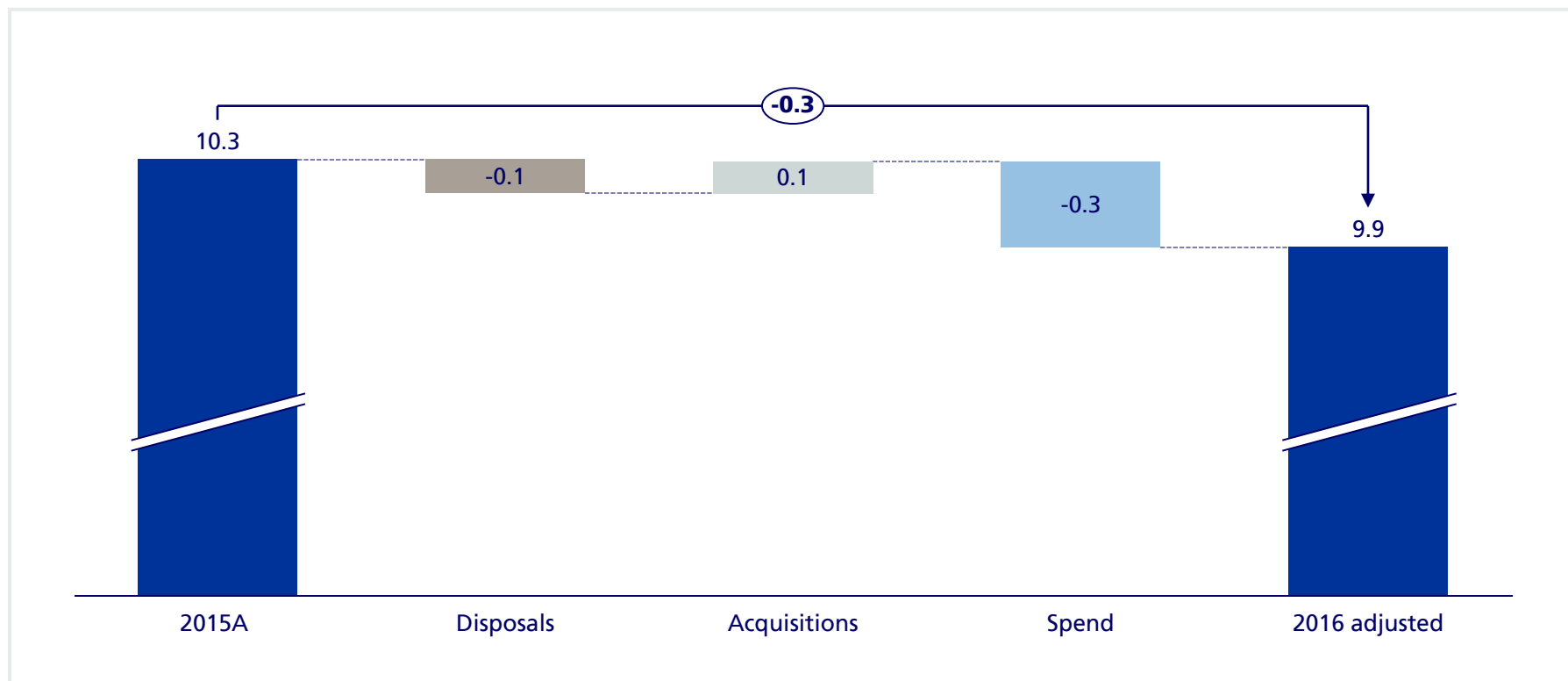
<sup>1</sup> SOI: Special Operating Items – refer to Global Life Source of earnings briefing document for details. IFM: In-force management.

<sup>2</sup> See footnote 1 on slide 20.

# Expense development

USD 300m run-rate direct expense savings delivered in 2016

## DIRECT SPEND BASIS (USDbn)<sup>1</sup>



<sup>1</sup> Values are in constant FY-15 FX for comparability.

## General Insurance

- NEP expected to be broadly stable
- CR to move towards the indicated 95-96% range by 2019
- Investment income to decline driven by lower new money yields

## Global Life

- Overall BOP to remain broadly stable
- Underlying growth and in-force management offset by German ZZR

## Farmers

- Steady growth in Farmers Exchanges<sup>1</sup> GWP
- Stable managed gross earned premium margin

## Other

- OOB loss expected to be circa USD 800m
- Actions underway to achieve USD 400m in net cost savings
- USD 500m in restructuring costs expected
- Effective tax rate of around 29%

<sup>1</sup> See footnote 1 on slide 20.

# 2017-2019 Financial targets

BOPAT ROE<sup>1</sup> in excess of 12% and increasing, despite higher equity base

USD 1.5bn in net savings by 2019 compared to the 2015 baseline

Cash remittances in excess of USD 9.5bn over 2017-2019 period

Z-ECM target ratio of 100-120%

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



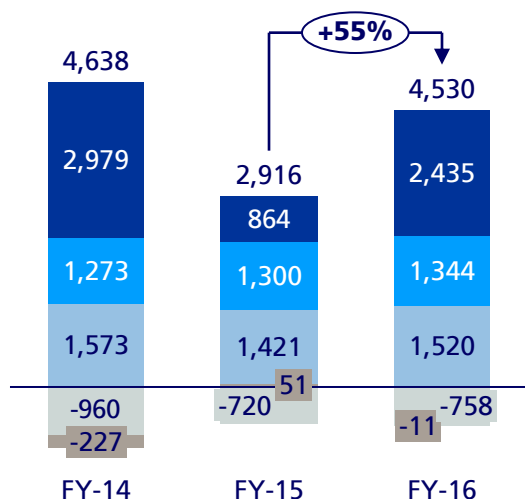
# 2016 financial overview



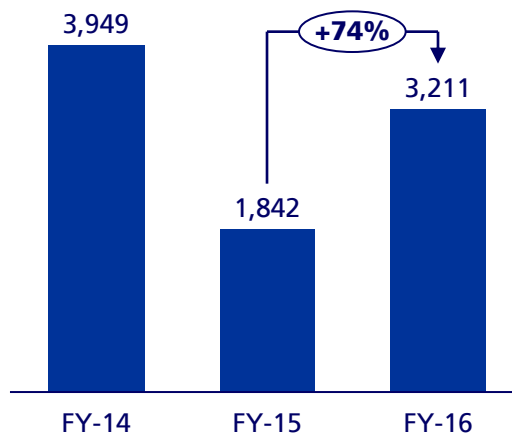
# Group – BOP and NIAS

GI BOP restored with other businesses continuing growth

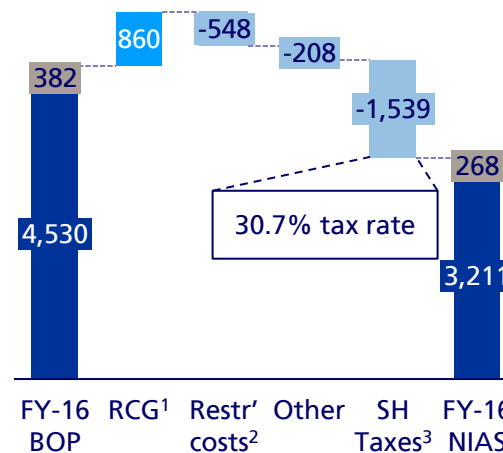
## BOP (USDm)



## NIAS (USDm)



## BOP TO NIAS (USDm)



- General Insurance
- Global Life
- Farmers
- OOB
- NCB

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

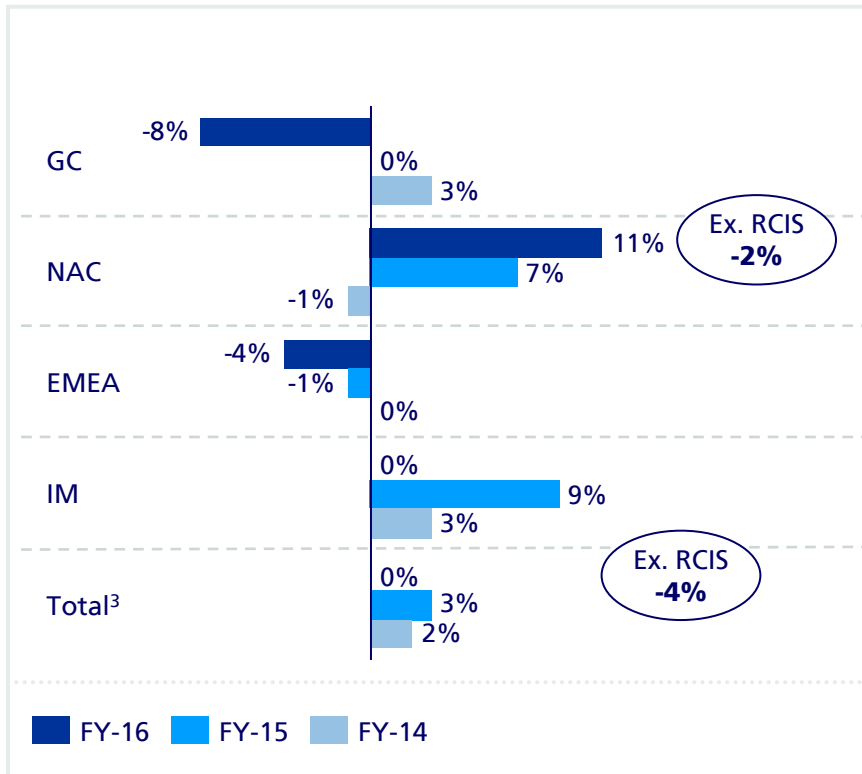
<sup>2</sup> Includes restructuring provisions and other restructuring charges.

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

# General Insurance – Topline

Stable and positive rates, volumes driven by profitability measures

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



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

	Q4-15	Q3-16	Q4-16
GC	1%	0%	1%
NAC	0%	2%	1%
EMEA	2%	2%	2%
IM	5%	1%	1%
Total <sup>3</sup>	2%	2%	2%

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

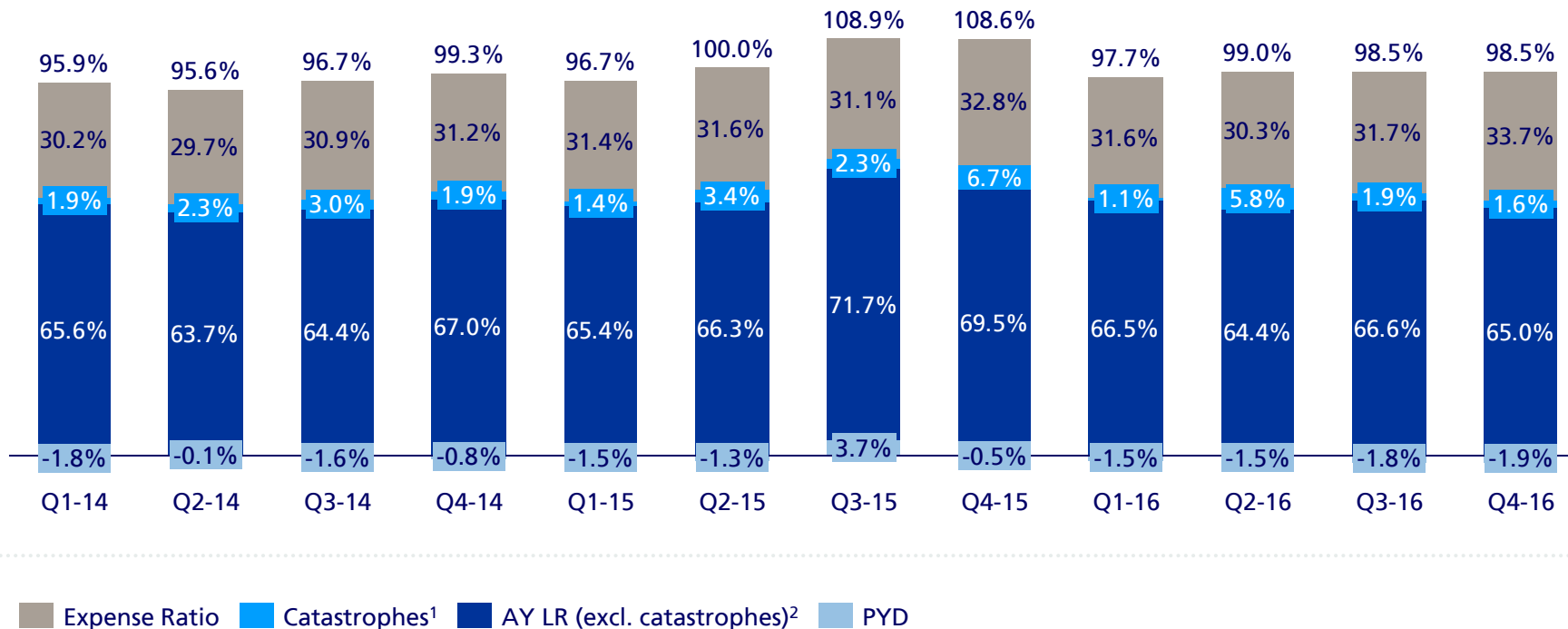
<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

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

# General Insurance – Combined ratio over time

Management actions are delivering results

## COMBINED RATIO (%)



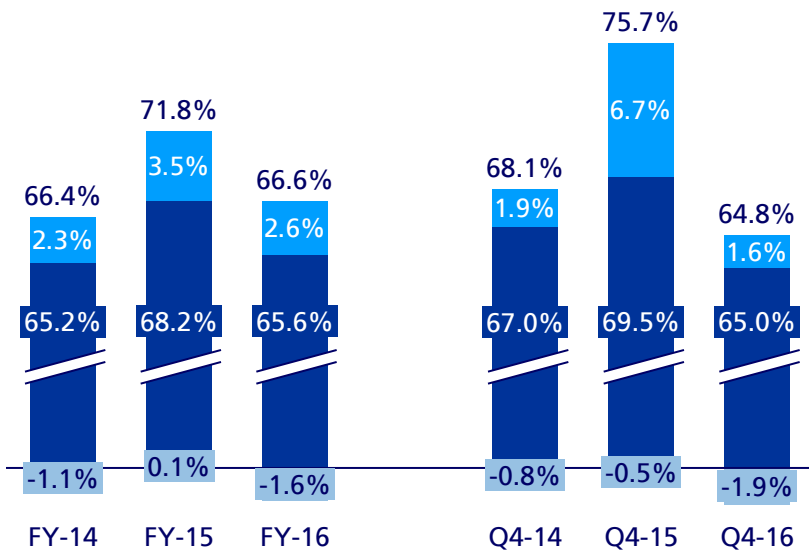
<sup>1</sup> Catastrophes include major and mid-sized catastrophes including significant weather-related events.

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

# General Insurance – Combined ratio details

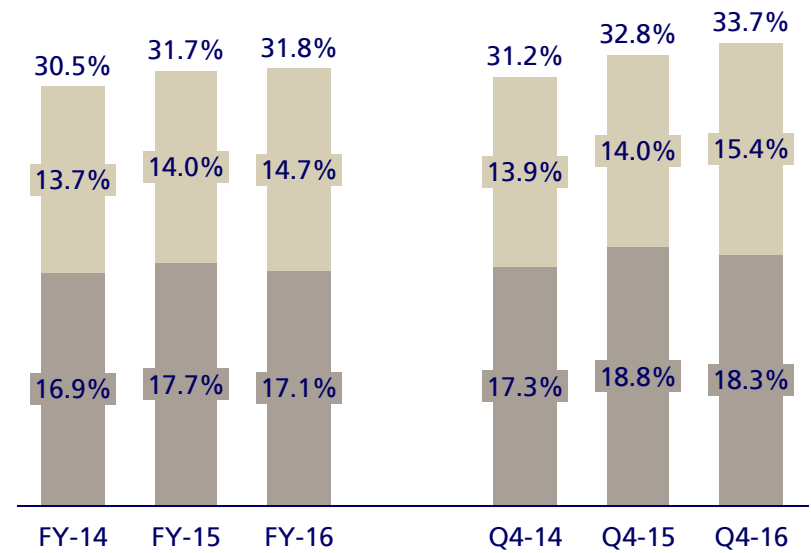
AY LR ex-cat improving, expense ratio flat vs FY-15

## LOSS RATIO (%)



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

## EXPENSE RATIO (%)



■ Commissions ■ Other technical expenses

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

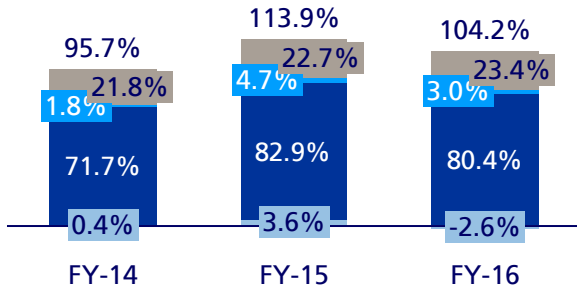
<sup>2</sup> Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).

# General Insurance – Regional combined ratios

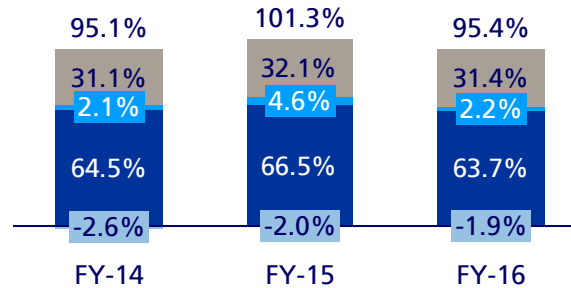


AY LR ex-cat improving in all areas, further actions needed in GC

## GC CR SPLIT (%)



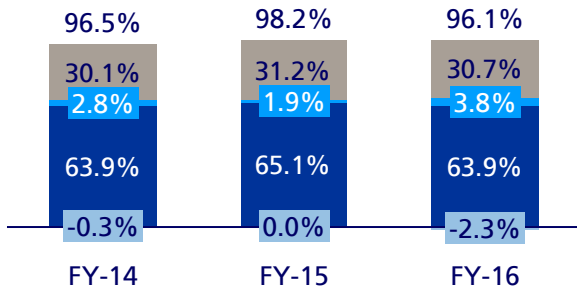
## EMEA CR SPLIT (%)



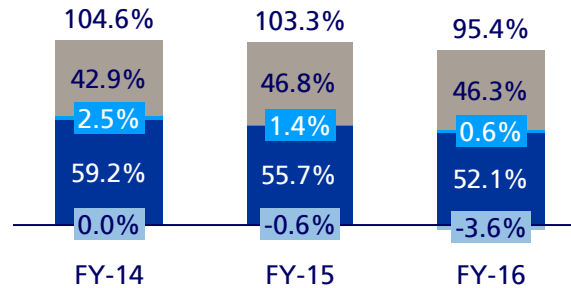
Size by regions, FY-16 NEP (USDm):

- GC 4,970
- NAC 8,056
- EMEA 9,990
- IM 3,170

## NAC CR SPLIT (%)



## IM CR SPLIT (%)



- Expense Ratio
- 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.

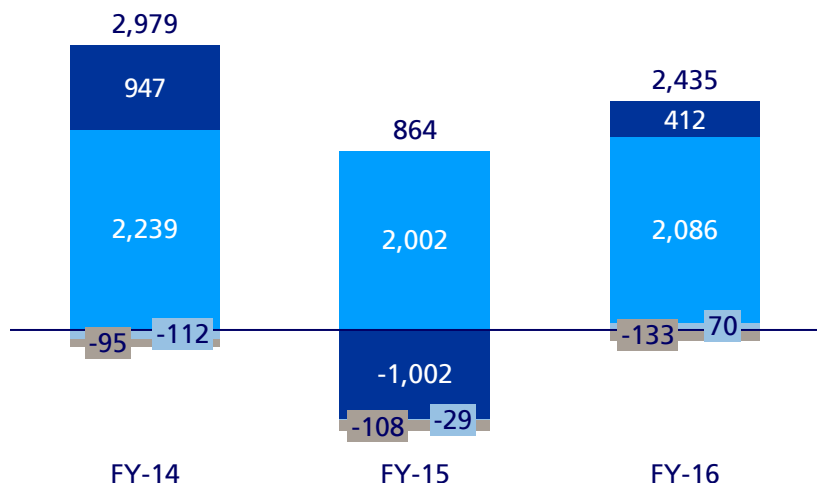
<sup>2</sup> Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).



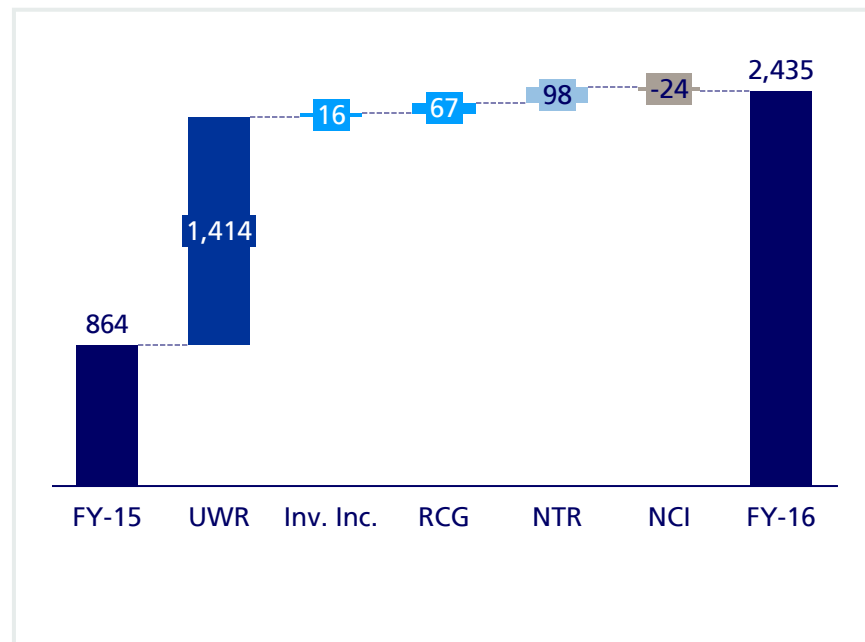
# General Insurance – BOP components

Increased BOP reflects continuing improvement

## BOP BREAK DOWN (USDm)



## KEY DRIVERS (USDm)

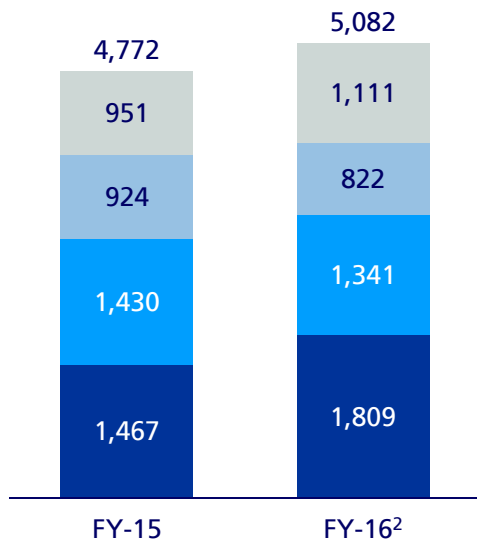


■ Underwriting result (UWR) 
 ■ Investment income (Inv. inc.) / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

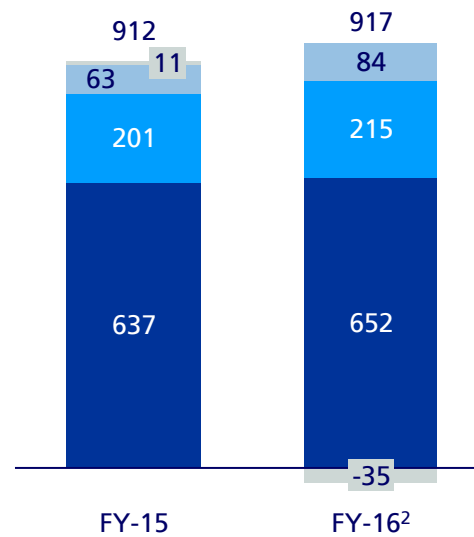
# Global Life – New business by product

Growth in protection volumes, limited guarantee exposure

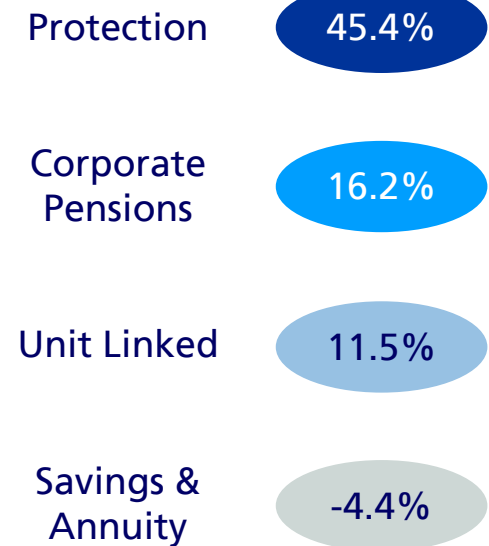
## APE<sup>1</sup> (USDm)



## NBV<sup>1</sup> (USDm)



## FY-16 NBM<sup>1</sup> BY PRODUCT



■ Savings & Annuity 
 ■ Unit Linked 
 ■ Corporate Pensions 
 ■ Protection

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

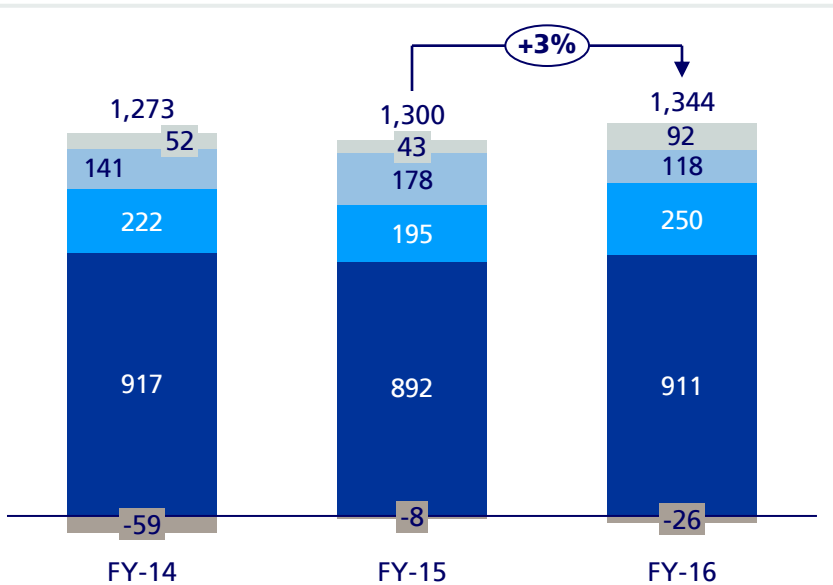
<sup>2</sup> Restated at FY-15 currency exchange rates.



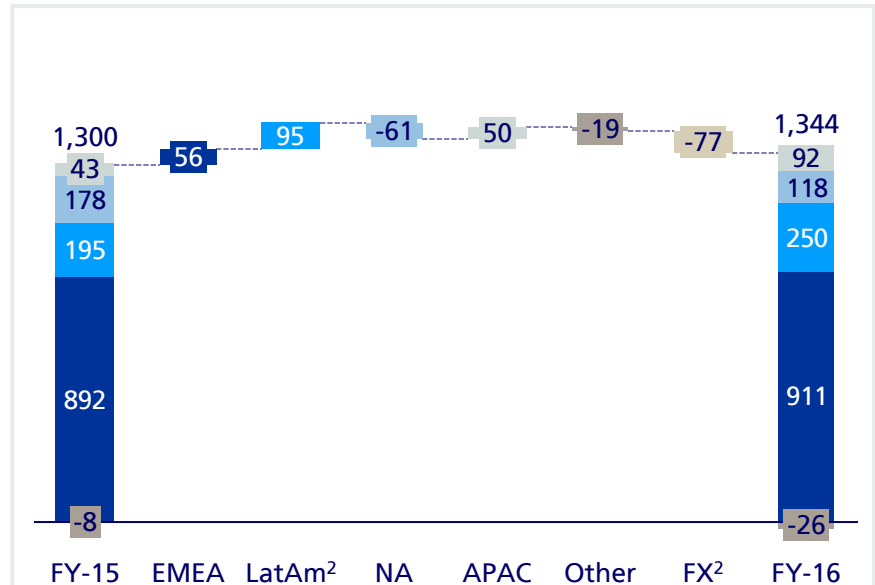
# Global Life – BOP by region

Strong BOP growth, particularly in Santander and APAC

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



## KEY DRIVERS (USDm)



Other APAC North America (NA) LatAm EMEA

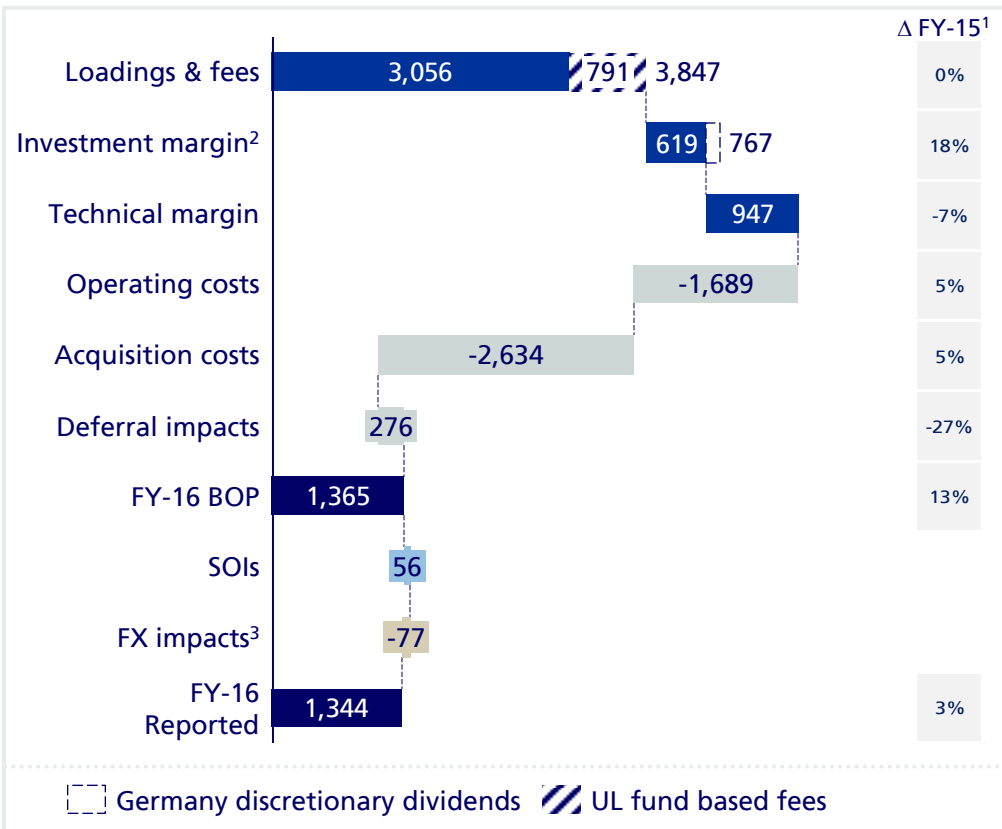
<sup>1</sup> 2014 figures have been restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

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

# Global Life – Source of earnings

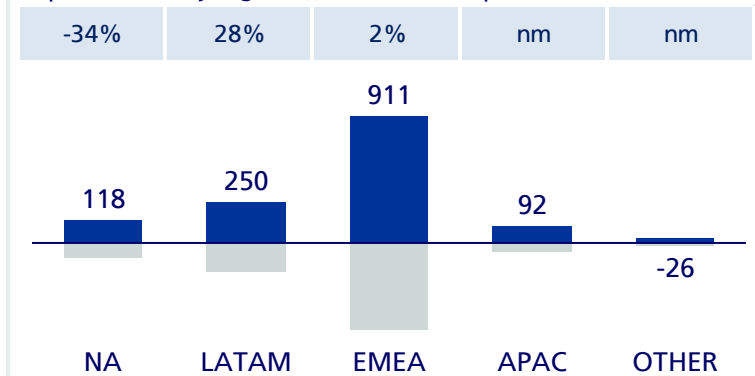
Investment margin and expense savings drive BOP increase in LC

## BOP BY SOURCE OF EARNINGS (USDm)



## REGIONAL BOP & KPI (USDm)

Reported BOP by region (% Δ vs. FY-15 reported)



Revenues   
  Expenses incl. deferral impacts

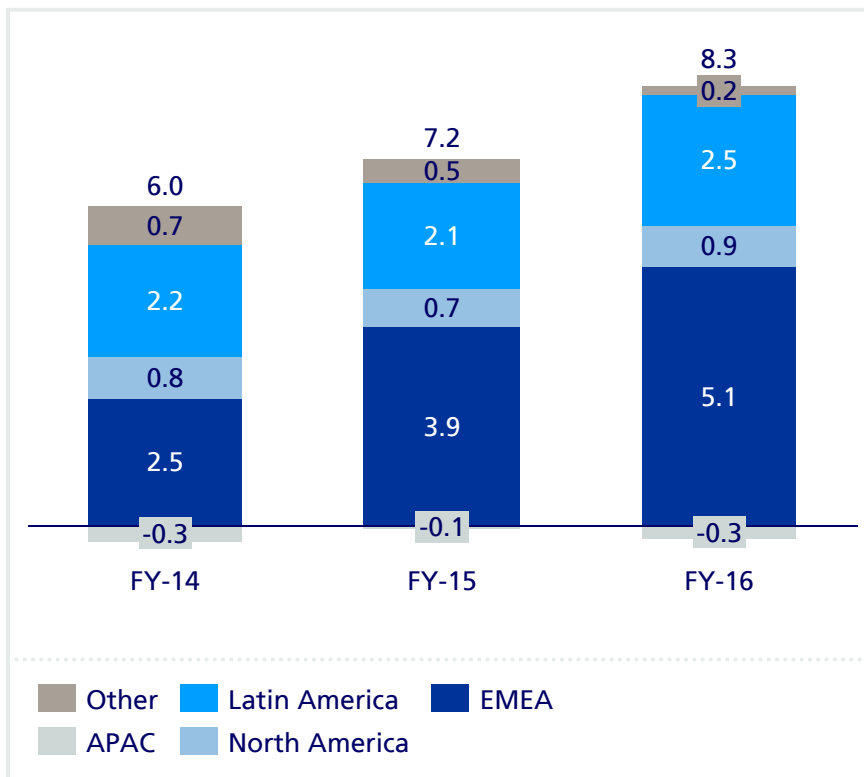
KPI	FY-15 <sup>1</sup>	FY-16 <sup>1</sup>	As a % of
UL fund based fees	0.6%	0.6%	Average UL AuM
Other loadings	12%	11%	GWP & Deposits
Investment margin <sup>2</sup>	0.7%	0.8%	Average NL reserves
Operating costs	0.9%	0.8%	Average reserves
Acquisition costs	65%	61%	APE

<sup>1</sup> Adjusted for distorting impacts – refer to Global Life Source of earnings briefing document for details; FY-15 deltas at constant FX.  
<sup>2</sup> Excluding German discretionary dividends.  
<sup>3</sup> FY-16 FX impact adjusted for Venezuela Constant FX.

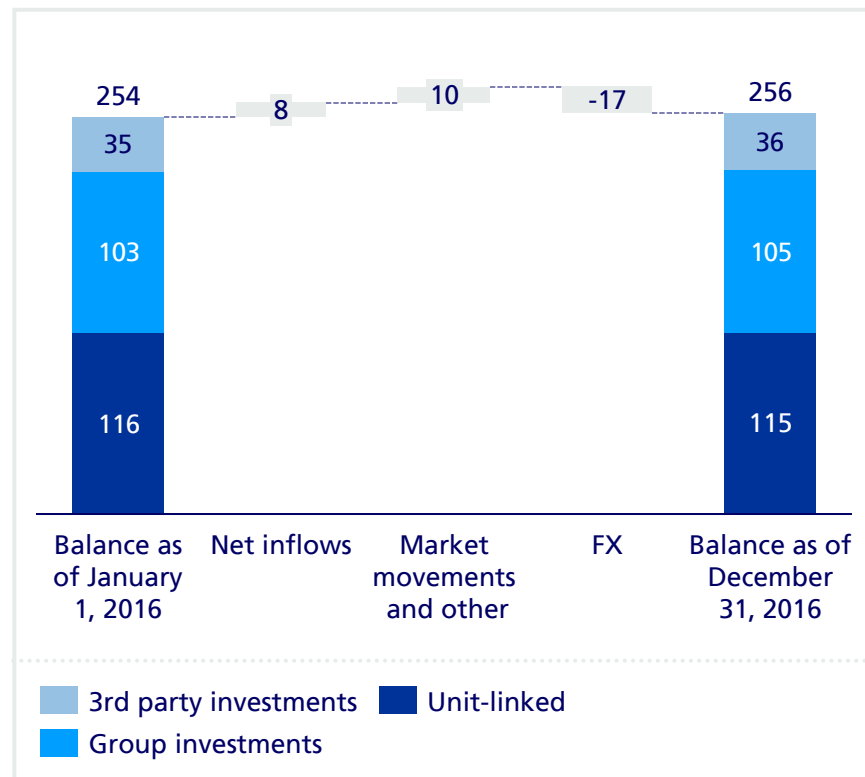
# Global Life – Net inflows & AuM

Higher net inflows and positive markets 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.

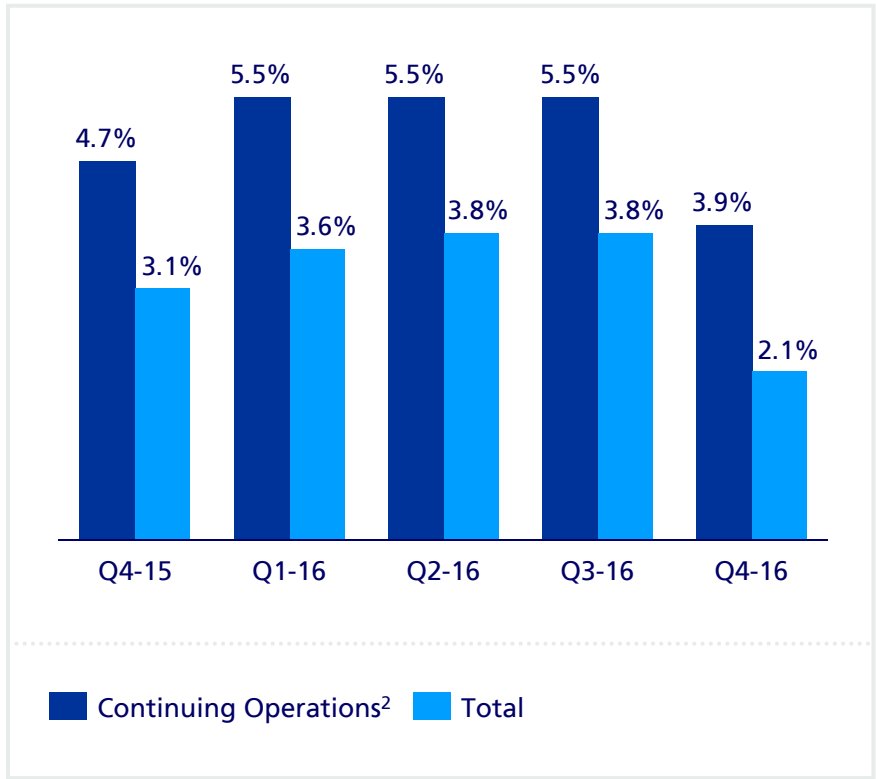
<sup>2</sup> Market movements and other include the de-consolidation of a UK based distributor of Global Life business.

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

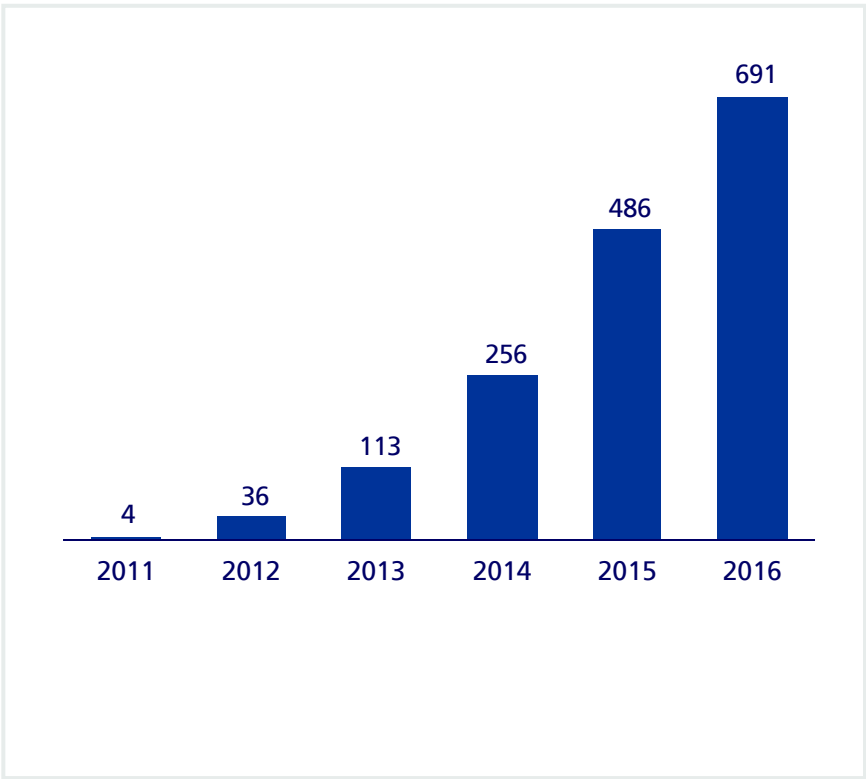
Rate increases drive growth, Eastern expansion gaining traction



## GWP GROWTH (%)



## EASTERN EXPANSION GWP<sup>3</sup> (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 certain non-claims administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Excludes 21st Century business outside of California and Hawaii and other discontinued operations.

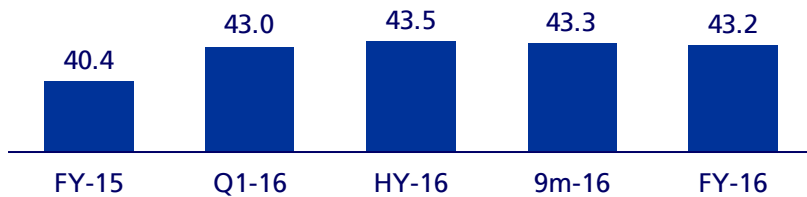
<sup>3</sup> Eastern states GWP includes Pennsylvania, New Jersey, Georgia, Maryland, New York, and Connecticut.

# Farmers Exchanges<sup>1</sup> – Growth drivers

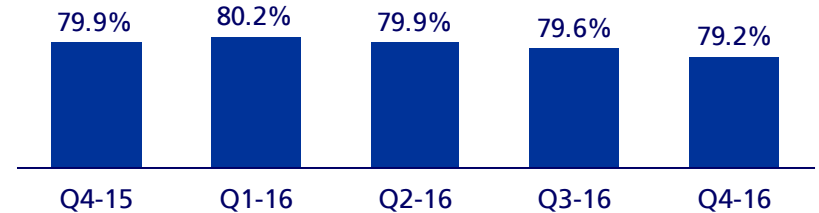
Rate increases impact new business production



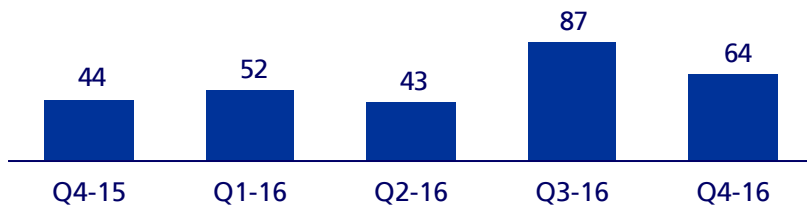
## NET PROMOTER SCORE<sup>2</sup>



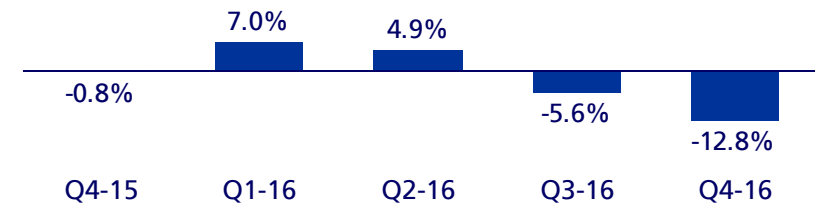
## RETENTION<sup>3</sup>



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



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



<sup>1</sup> See footnote 1 on slide 20.

<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.

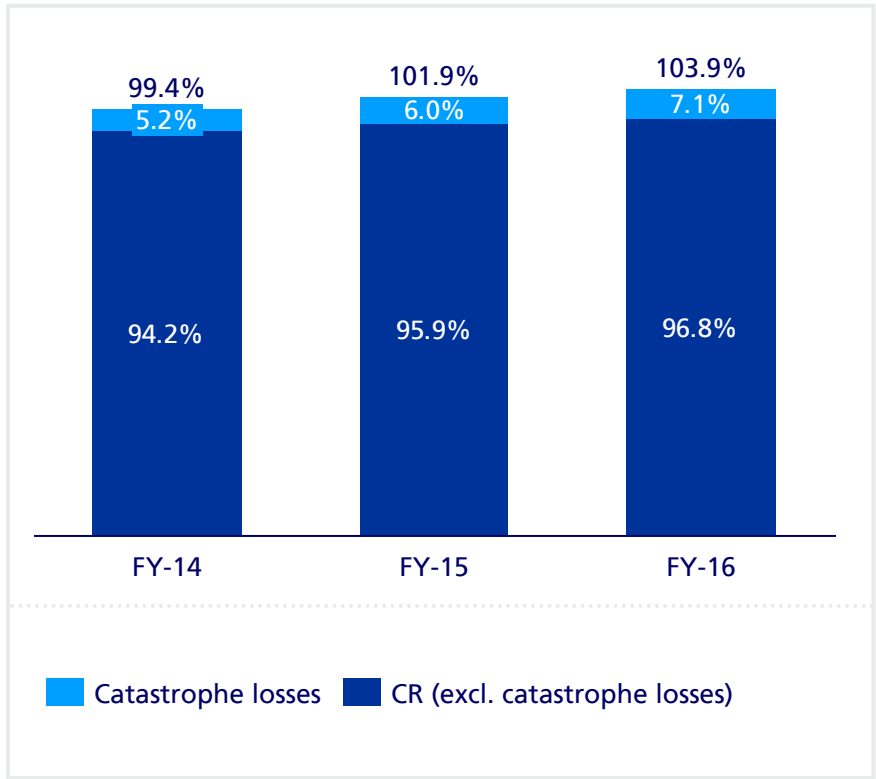
<sup>5</sup> YoY change in new business counts for continuing operations. Farmers and Bristol West Auto reflect New Business/New Household.

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

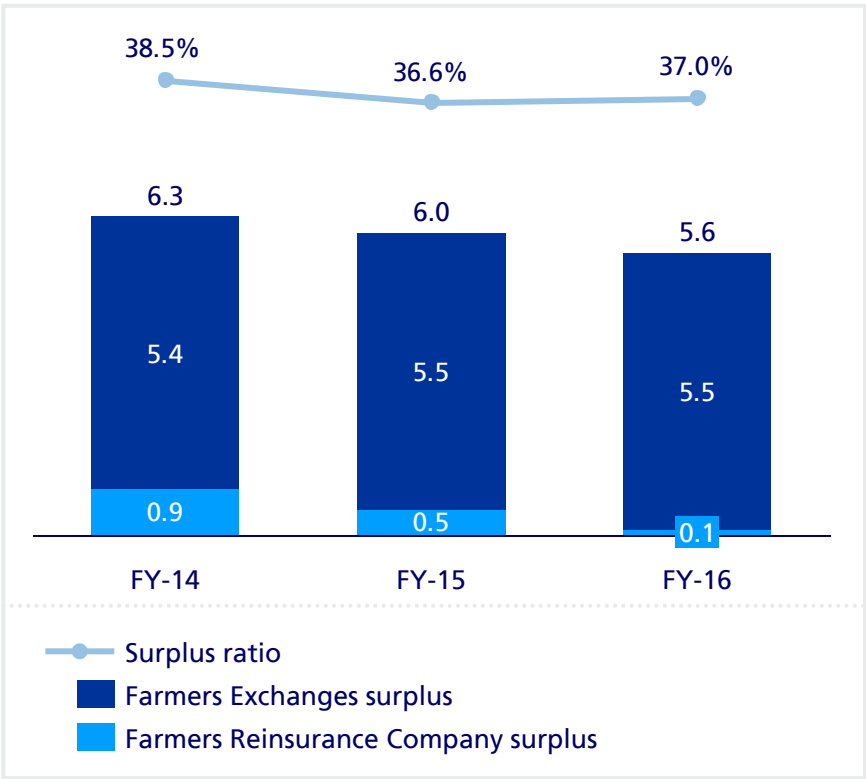
Exceptionally high cat losses, unfavorable claims trend in Auto



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



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



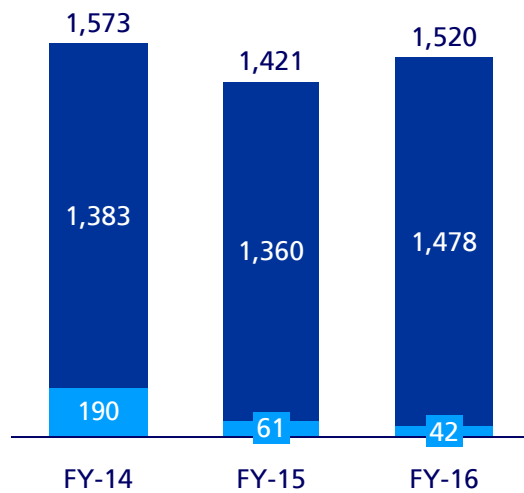
<sup>1</sup> See footnote 1 on slide 20.

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

# Farmers – FMS and Farmers Re financials

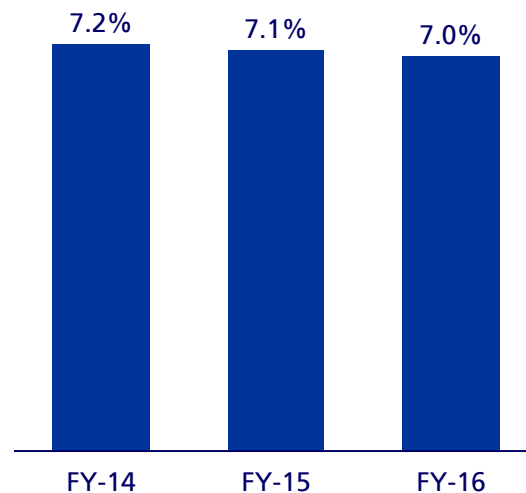
Higher fee income and special item drive FMS BOP

## BOP (USDm)

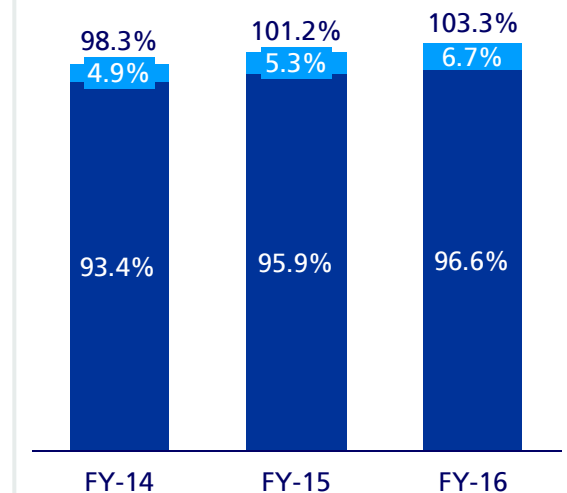


■ Farmers Management Services (FMS)  
■ Farmers Re

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



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



■ Catastrophes  
■ CR (excl. catastrophes)

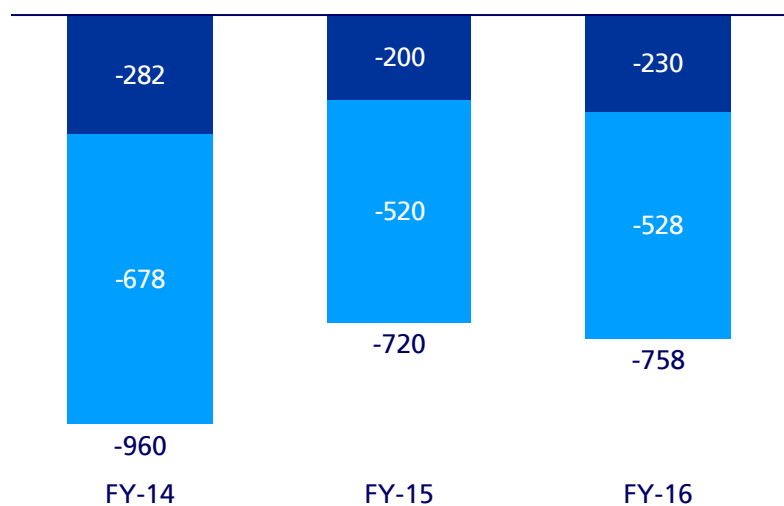
<sup>1</sup> Margin on gross earned premiums of the Farmers Exchanges. Regarding Farmers Exchanges see footnote 1 on slide 20.

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

# Other Operating and Non-Core Businesses – BOP

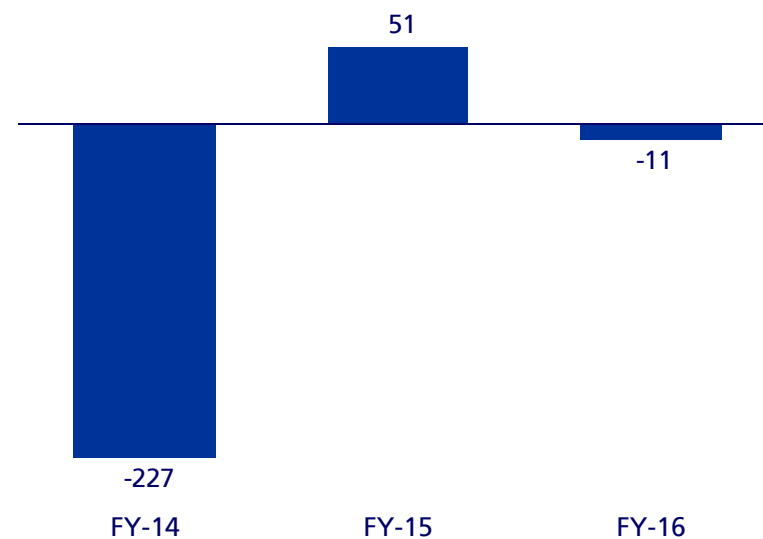
Lower gross HQ costs offset by reduced business unit recharges

## OOB BOP (USDm)



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

## NON-CORE BOP (USDm)



■ Non-Core Businesses

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



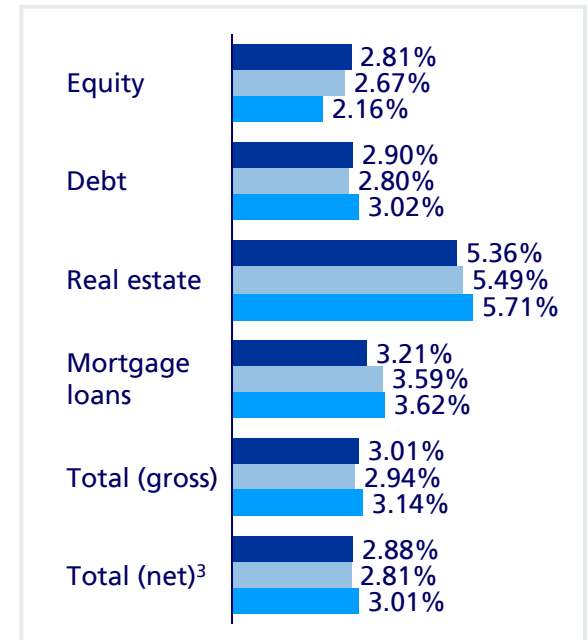
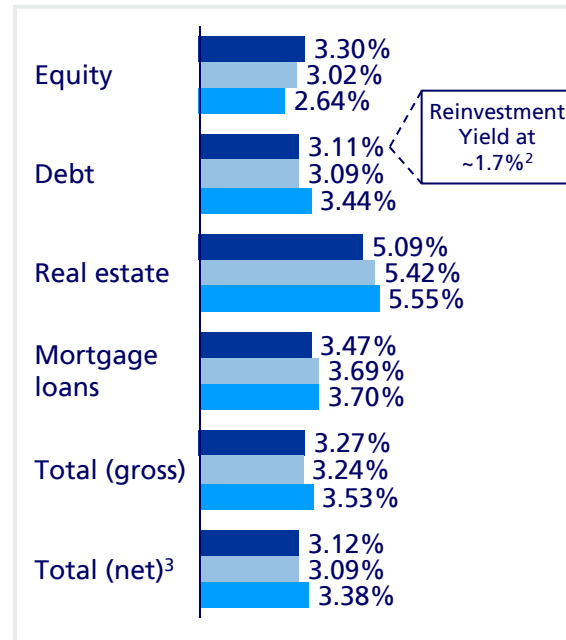
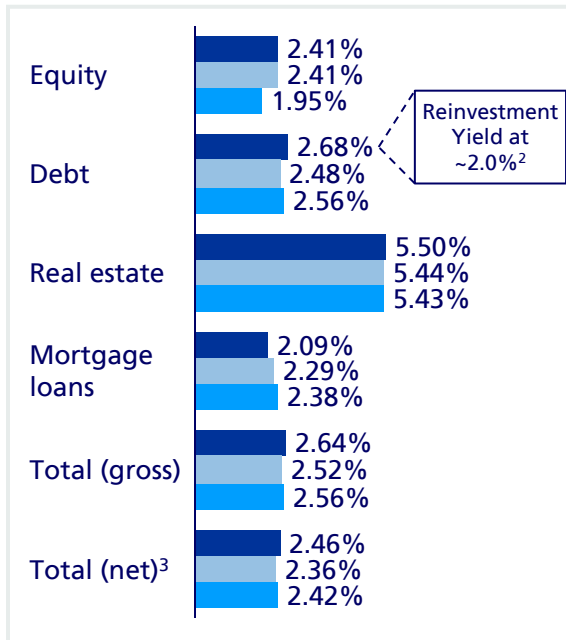
# Group Investments – Investment income yield<sup>1</sup>

Rising yields reduced the gap to accounting yield in Q4

## GENERAL INSURANCE

## GLOBAL LIFE

## GROUP



FY-16 FY-15 FY-14

<sup>1</sup> Calculated based on the asset class average (accounting view before eliminations).

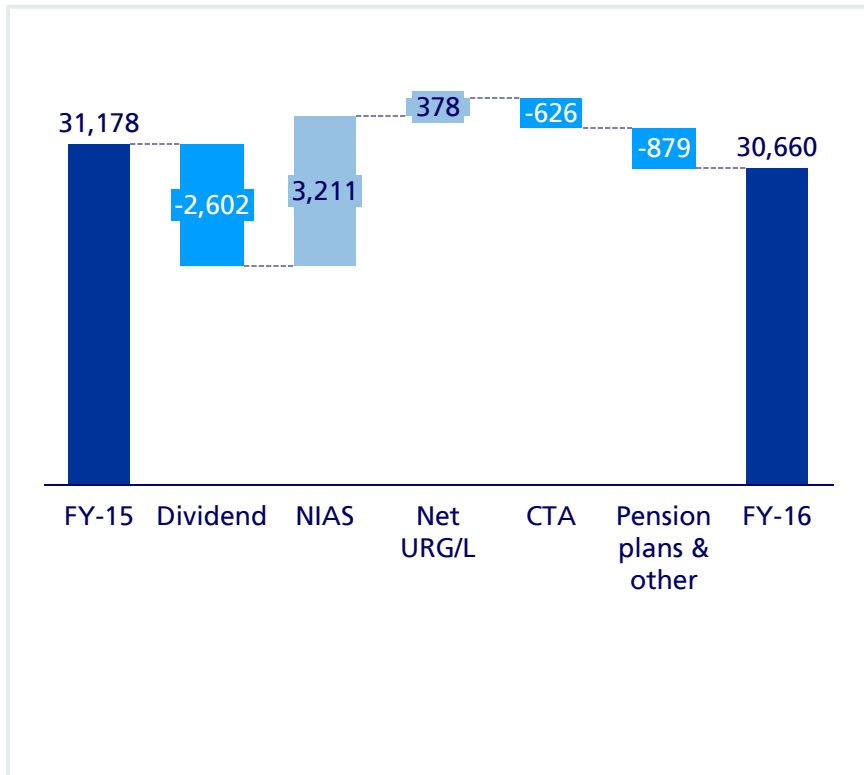
<sup>2</sup> Calculated as a weighted-average trade yield of purchased debt securities, on an annual basis.

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

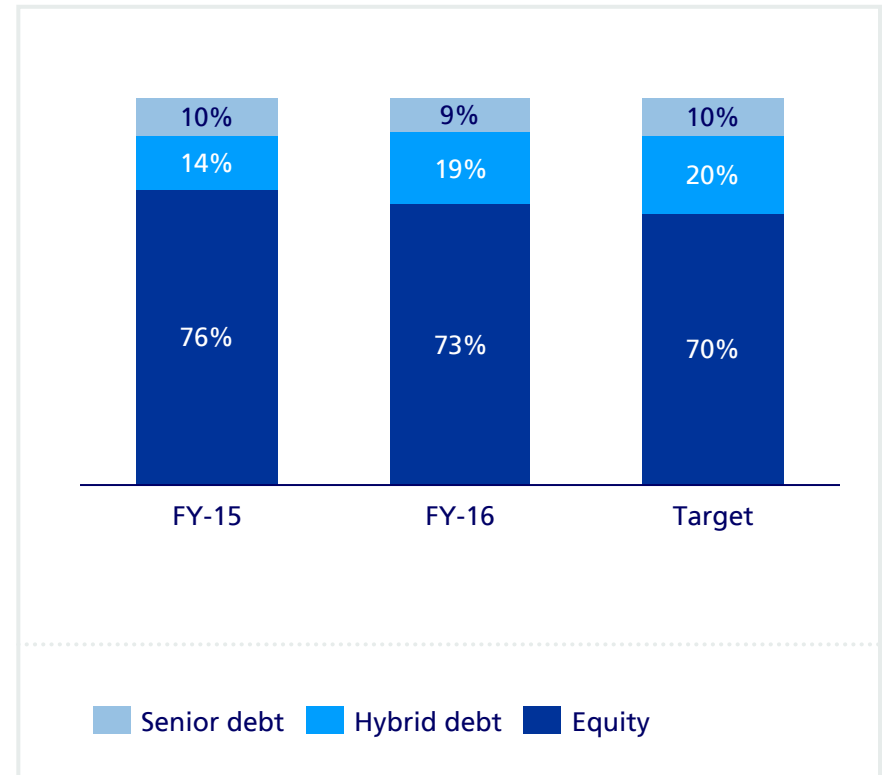
# Group – Balance sheet and capital structure

Decline of shareholders' equity driven by Q4 movements

## SHAREHOLDERS' EQUITY (USDm)



## CAPITAL STRUCTURE<sup>1</sup> (%)

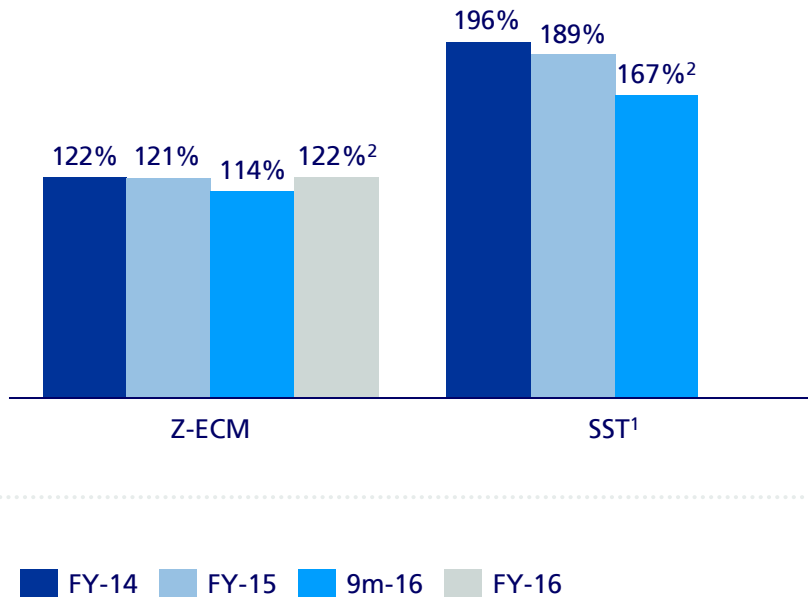


<sup>1</sup> Calculated based on Z-ECM AFR. FY-16 estimated.

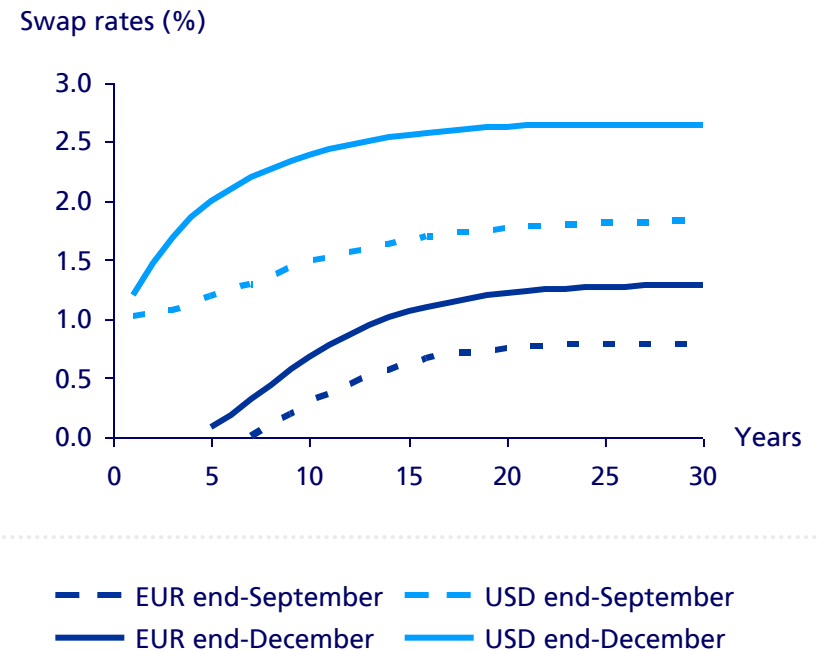
# Group – Solvency ratios

Strong capital position

## Z-ECM AND SST<sup>1</sup> RATIO (%)



## YIELD CURVE MOVEMENT



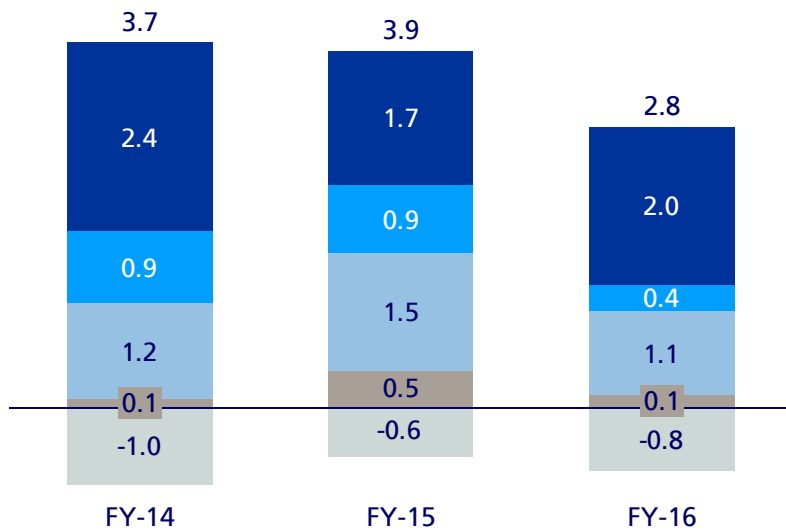
<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). Only the full year ratio is filed with FINMA and is subject to its approval.

<sup>2</sup> FY-16 Z-ECM and 9m-16 SST reflect midpoint estimates with an error margin of +/- 5ppts for Z-ECM and +/- 10ppts for SST.

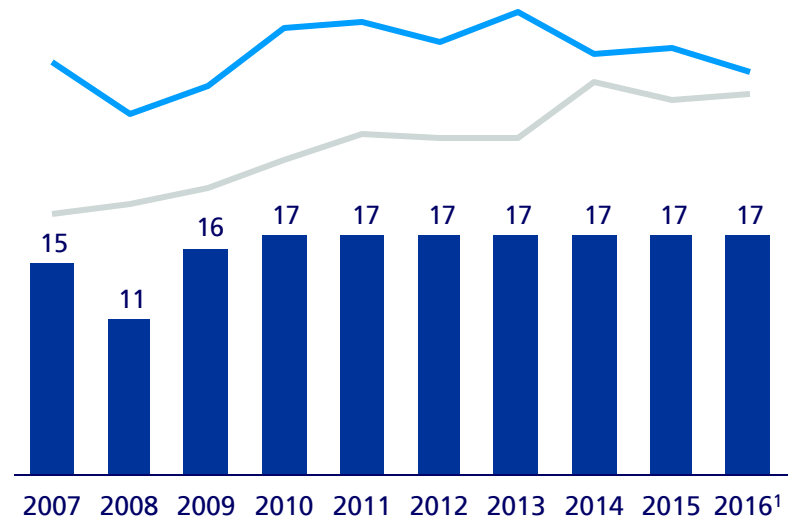
# Group – Cash remittances & dividend proposal

Overall good cash remittance, CHF 17 dividend maintained

## NET CASH REMITTANCES (USDbn)



## DIVIDEND PER SHARE (CHF)



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

■ Dividend    — USD/CHF<sup>2</sup>    — EUR/CHF<sup>2</sup>

<sup>1</sup> Proposed dividend, subject to approval by shareholders at the Annual General Meeting 2017.

<sup>2</sup> Based on exchange rates around respective dividend payment dates.

# Key messages

## Group

- Good profitability across the Group
- Cost savings delivered and on track to deliver 2017-2019 targets

## General Insurance

- Underwriting improved across all regions, absolute costs reduced
- Further progress expected

## Global Life

- Continued execution of unit-linked and protection strategy
- Ongoing underlying earnings growth

## Farmers

- Continued growth in fee revenue
- Steady growth in FMS BOP together with favorable special item

## Capital & Dividend

- Strong capital position with Z-ECM estimated at 122%
- Dividend of CHF 17 per share proposed

# Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the 'Group'). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent adviser.

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

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

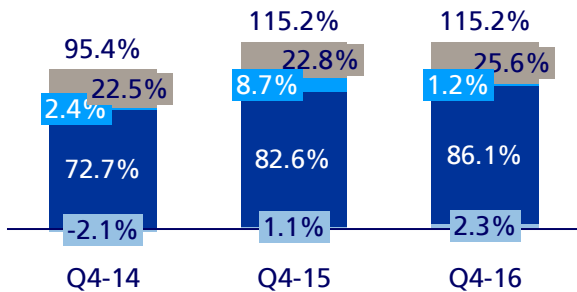
# Appendix



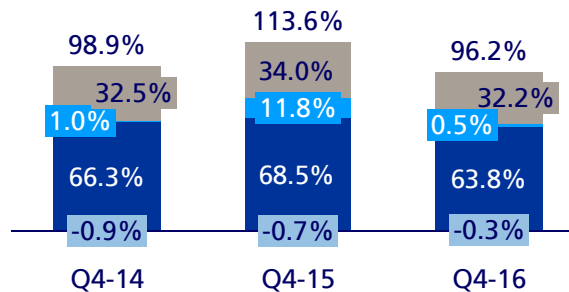
# GI – Q4-16 regional combined ratios

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

## GC CR SPLIT (%)



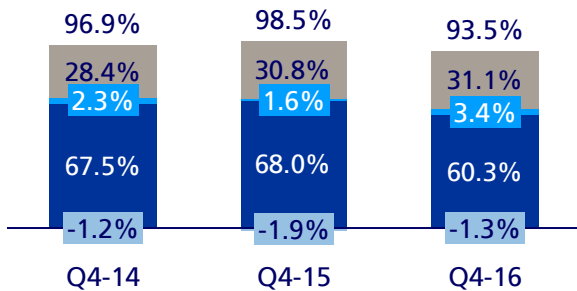
## EMEA CR SPLIT (%)



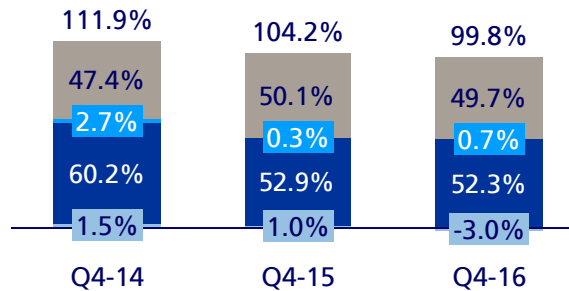
Size by regions, Q4-16 NEP (USDm):

- GC 1,148
- NAC 2,023
- EMEA 2,307
- IM 820

## NAC CR SPLIT (%)



## IM CR SPLIT (%)



- Expense Ratio
- 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.

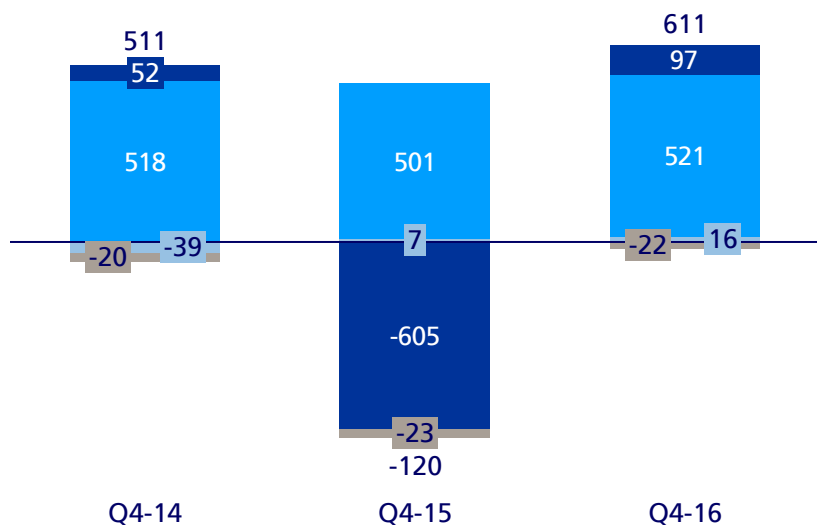
<sup>2</sup> Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).



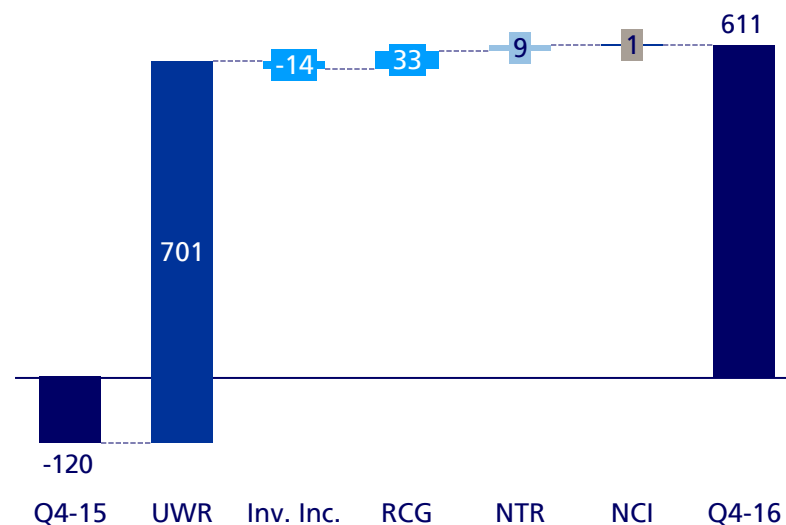
# GI – Q4-16 BOP components

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)

# GI – Loss and paid to ultimate triangles

Favorable run-off of reserves in most accident years

## ULTIMATE NET LOSS AND PAID TO ULTIMATE RATIOS (%)

	AY	2009	2010	2011	2012	2013	2014	2015	2016
Ultimate Net Loss Ratio <sup>1,2</sup>	In the year	74.5%	75.8%	76.1%	72.4%	70.7%	67.4%	71.8%	68.3%
	1 year later	74.5%	75.6%	75.7%	70.9%	70.2%	68.3%	70.7%	
	2 years later	72.9%	74.3%	75.4%	70.4%	70.3%	67.5%		
	3 years later	72.9%	73.8%	75.5%	70.5%	70.3%			
	4 years later	72.8%	73.7%	75.5%	70.7%				
	5 years later	72.5%	73.6%	75.5%					
	6 years later	72.2%	73.3%						
	7 years later	72.1%							
Paid to Ultimate Loss Ratio <sup>2,3</sup>	In the year	38.7%	38.3%	37.6%	36.9%	36.3%	36.2%	33.7%	37.5%
	1 year later	63.1%	63.4%	62.2%	63.3%	60.8%	59.6%	56.9%	
	2 years later	72.6%	73.0%	71.6%	72.1%	70.7%	68.9%		
	3 years later	79.9%	80.2%	77.7%	78.4%	77.3%			
	4 years later	85.3%	84.8%	83.0%	82.8%				
	5 years later	88.8%	88.3%	86.0%					
	6 years later	90.9%	90.5%						
	7 years later	92.4%							

## KEY TAKEAWAYS

- Favorable PYD in all regions and most accident years with overall PYD in 1-2% range
- No deterioration seen in problem areas of Q3-15
- 2016 Paid to Ultimate in line with historical levels, compared to 2015 impacted by mix effects

<sup>1</sup> In % of net earned premiums in the respective accident year.

<sup>2</sup> Refers to General Insurance only.

<sup>3</sup> Ratio of paid to ultimate losses shows cumulative losses paid out for a given accident year, divided by the ultimate losses for that accident year, expressed as a percentage. Approximations made for cumulative FX movements over time to improve comparability.

# GI – Ogden

We are reserved at an assumed 1% Ogden rate

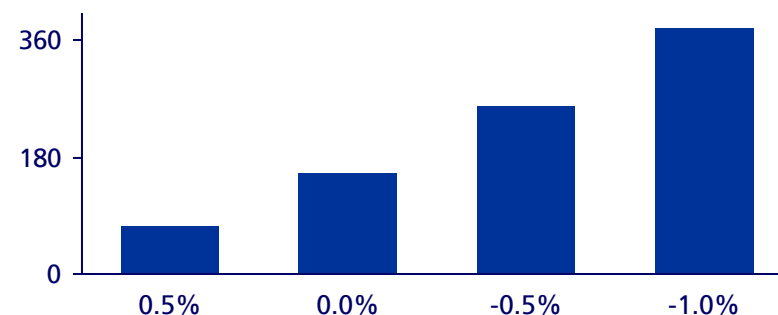
## CURRENT STATUS

- Announcement of the outcome of the Ogden Tables review for bodily injury claims by the UK Ministry of Justice still outstanding
- As of FY-16, Group is reserved at an assumed 1% Ogden rate
- No Group P&L impact in 2016, as change has been absorbed within our reserve strength

## SENSITIVITIES

- Group remains strongly reserved
- 1-2% PYD range means roughly USD 400m of reserve releases per year

**Expected Group reserves impact from different Ogden rates (USDm)**



# GI – P&L impact of RCIS acquisition

2016 was a very good year for crop insurance

## IMPACT GENERAL INSURANCE

FY-16	Total GI	RCIS <sup>1</sup>	GI ex. RCIS
GWP (USDm)	33,122	1,389	31,733
NEP (USDm)	26,102	329	25,773
LR (%)	66.6%	81.7%	66.4%
ER (%)	31.8%	-12.6%	32.3%
CR (%)	98.4%	69.1%	98.8%
BOP (USDm)	2,435	105	2,330

## IMPACT NAC

FY-16	Total NAC	RCIS <sup>1</sup>	NAC ex. RCIS
GWP (USDm)	11,917	1,389	10,528
NEP (USDm)	8,056	329	7,727
LR (%)	65.4%	81.7%	64.7%
ER (%)	30.7%	-12.6%	32.5%
CR (%)	96.1%	69.1%	97.2%
BOP (USDm)	973	105	868

### 2016 pro-forma crop business<sup>2</sup>

GWP: USD 1.7bn  
NEP: USD 1.4bn

### Seasonality of crop business<sup>2</sup>

	Q1	Q2	Q3	Q4
Gross written premium	10%	70%	5%	15%
Net earned premium	5%	30%	45%	20%

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

<sup>2</sup> Pro-forma incl. 99% of RCIS (effective as of January 1, 2017)

# GI – Rate change monitor

Rate increases driven by re-underwriting actions

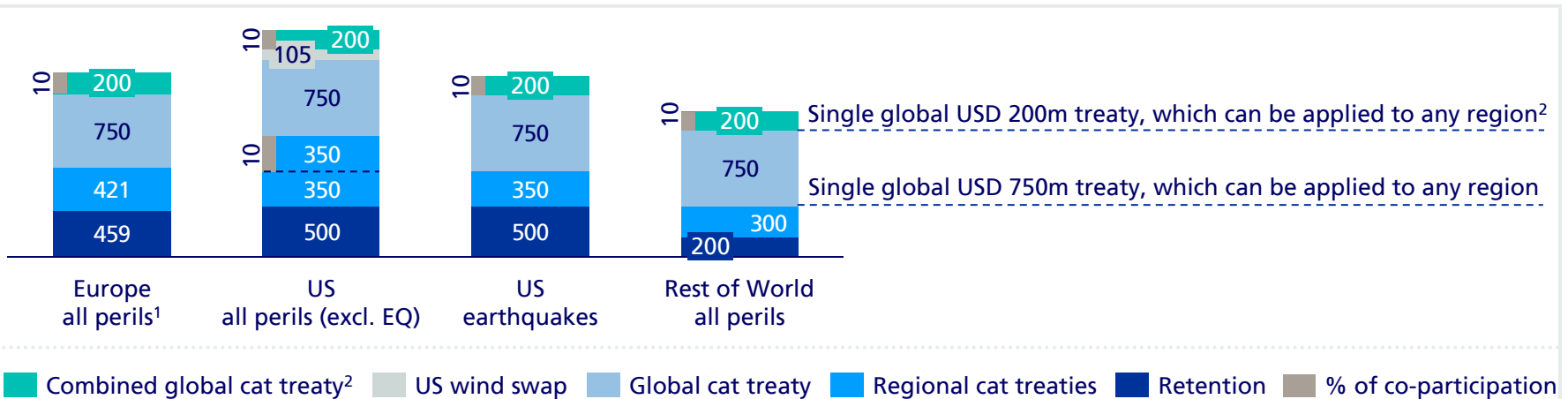
## Q4-16 ZURICH RATE CHANGE ASSESSMENT

Business	Assessment
Group	Solid rate increases reflecting focus on re-underwriting but below prior year levels with lower levels in Latin America due to market pressures.
Global Corporate	Rate increase at prior year levels with strong increases in EMEA offset by challenging market conditions in the US Property market.
North America Commercial	Continued positive rate increases, above prior year levels despite challenging market conditions.
EMEA	Fairly stable rate increases, below prior year and with different local market dynamics.
UK	Rate increases below prior year levels, particularly in Zurich Municipal and motor.
Germany	Solid rate increases above prior year levels, particularly in commercial lines.
Switzerland	Solid rate increases, ahead of our expectations.
Italy	Rate increases below prior year, with pressure on motor.
Spain	Strong rate increases above expectations and prior year.
International Markets	Increases in APAC, particularly in Australia, but overall below prior year levels.

# GI – Catastrophe reinsurance<sup>1</sup>

Lower retention on global aggregate cat treaty

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



## GLOBAL AGGREGATE CAT TREATY<sup>1</sup>



<sup>1</sup> As of January 1, 2017. Europe Cat Treaty calculated with EUR/USD exchange rate as of January 31, 2017.

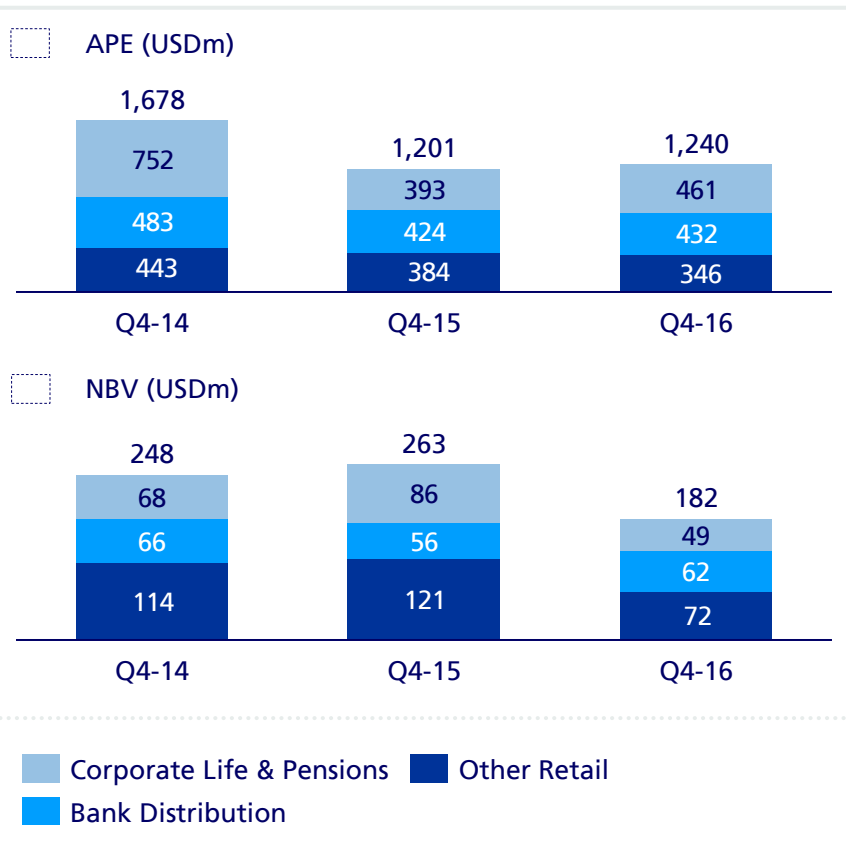
<sup>2</sup> This USD 200m cover is the same combined global occurrence / aggregate treaty presiding over the global catastrophe treaty. This cover can be used only once, either for aggregated losses or for an individual occurrence or event.

<sup>3</sup> For Canada earthquake losses the attachment point of the combined occurrence / aggregate treaty is USD 1,250m.

# GL – New business by pillar

APE increasing with lower NBM driven by yields and mix

## Q4-16 KEY FINANCIALS<sup>1</sup>



NBM	PVNBP	CLP single premium
17.0%	USD 13.1 bn	USD 1.7 bn

## KEY DRIVERS

NBV decreased mainly from adverse economic variances, deteriorated business mix and weaker GBP;

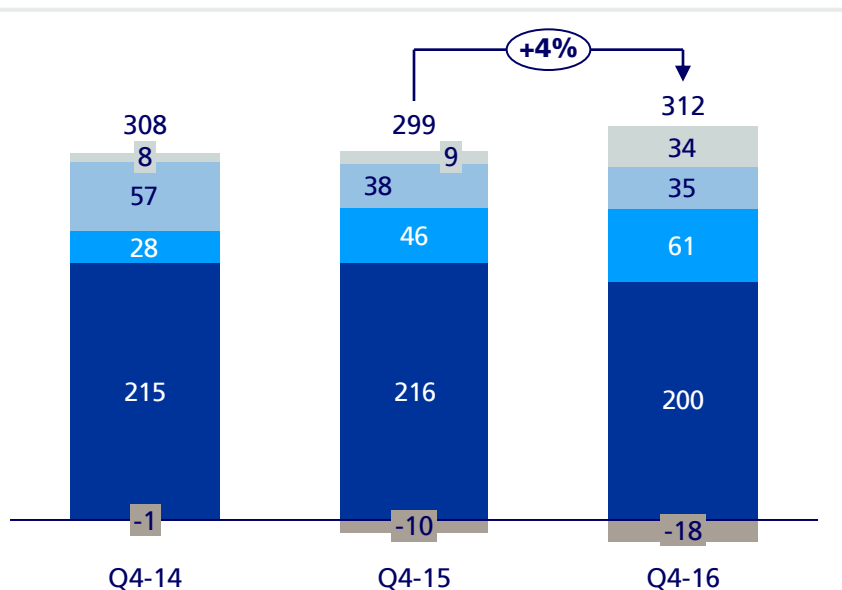
- In Corporate Life & Pensions: from weakened business mix in the UK and IGRS and lower volumes in Zurich International Life.
- In Other Retail: from lower volumes in North America and Japan, coupled with adverse economic variances in Japan, Switzerland and UK.
- In Bank Distribution: from higher sales combined with positive currency effects in Brazil, partially offset by higher volumes of low margin business in Spain.

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

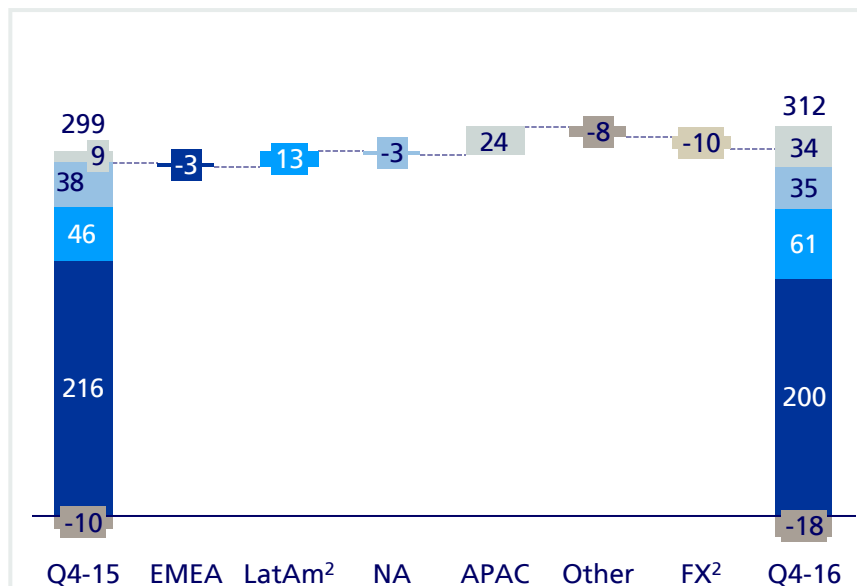
# GL – Q4-16 BOP by region

Good result in LatAm and APAC

## 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> Q4-16 adjusted for distorting currency impact from Venezuela.

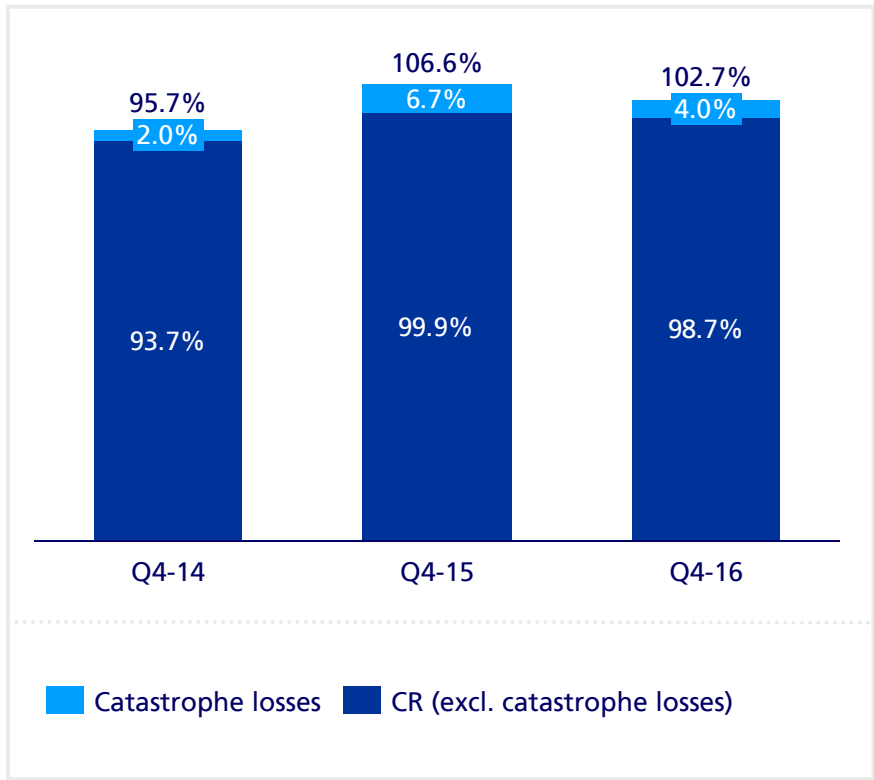


# Farmers Exchanges<sup>1</sup> – Profitability in Q4

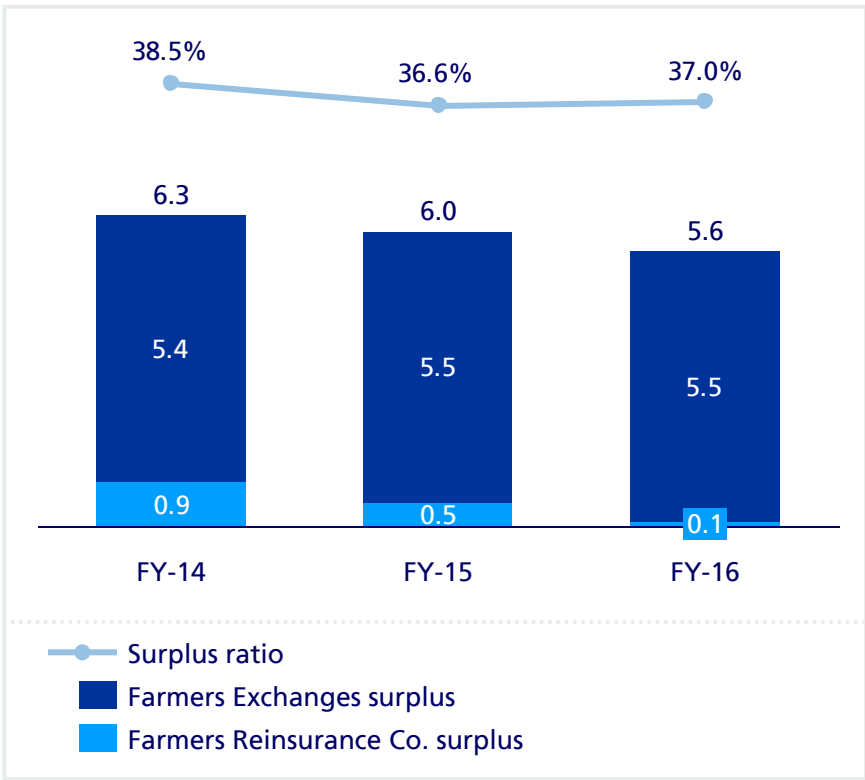


Aggregate cat cover triggered in Q4

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



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



<sup>1</sup> See footnote 1 on slide 20.

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



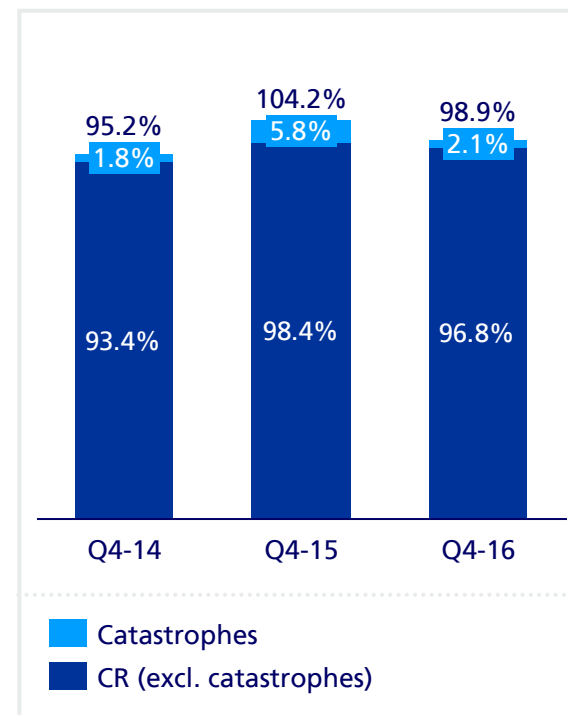
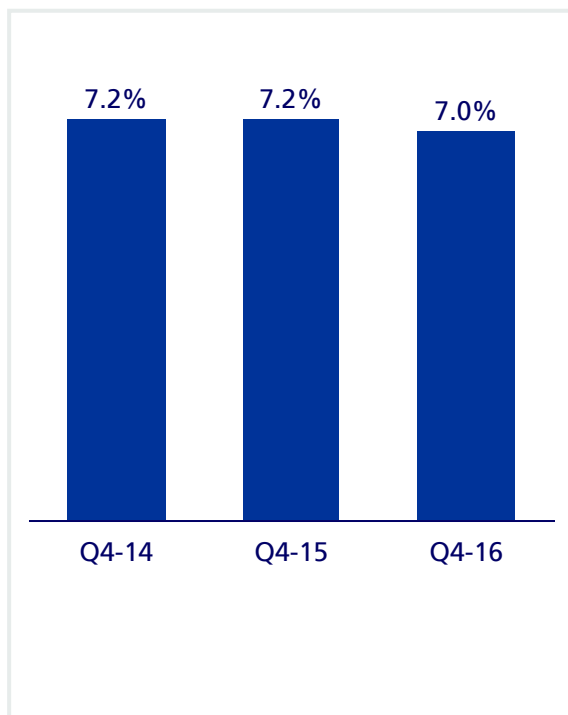
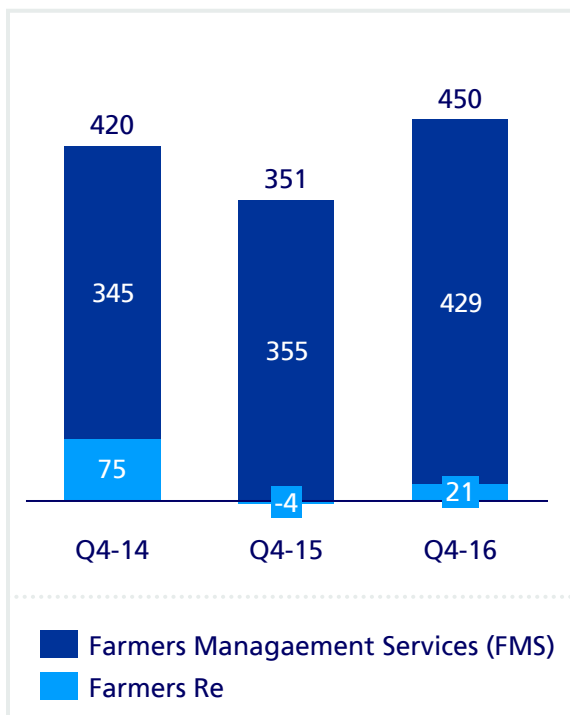
# Farmers – FMS and Farmers Re financials in Q4

Special item benefits FMS BOP, cat limit reached 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 footnote 1 on slide 20.

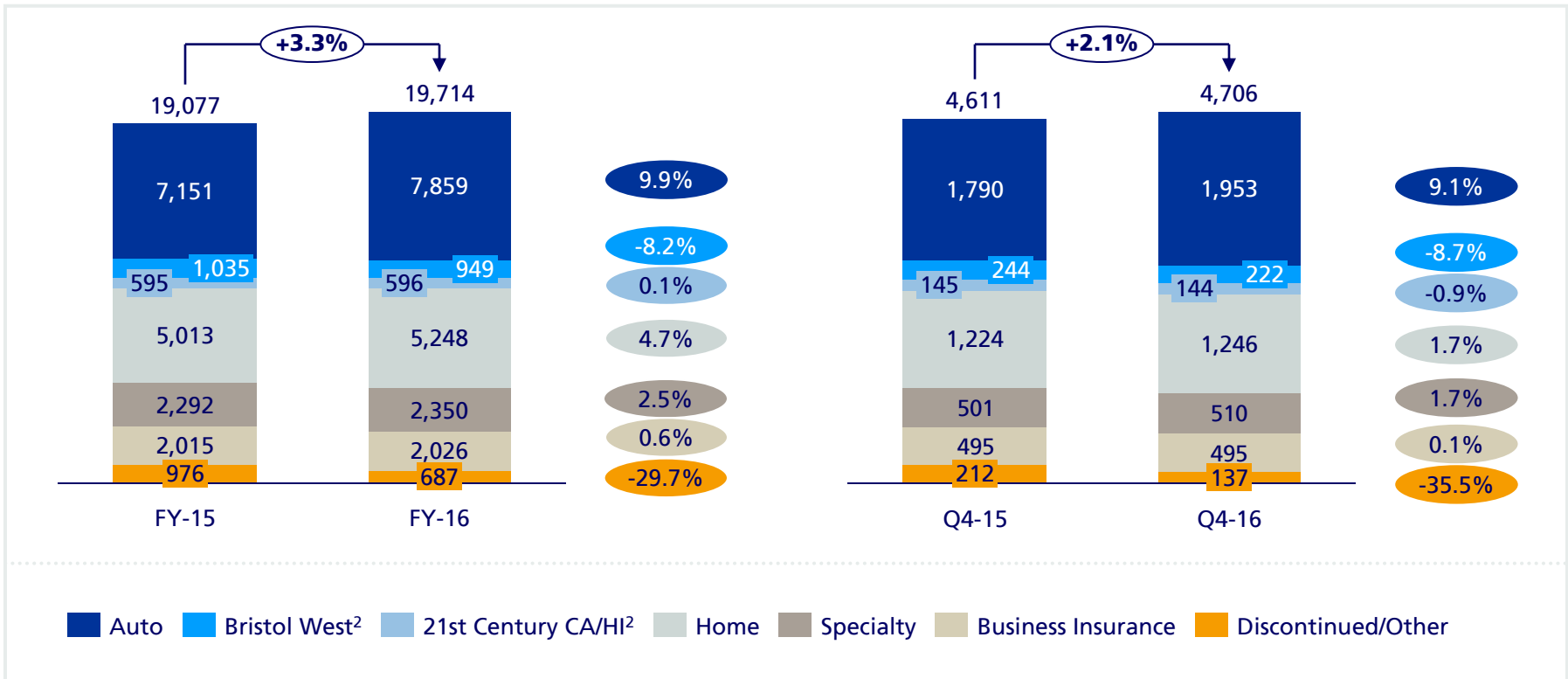
<sup>2</sup> Farmers Re includes all reinsurance assumed from the Farmers Exchanges by Zurich Insurance Group.

# Farmers Exchanges<sup>1</sup> – GWP

Rate increases in Auto continue to drive growth



## DEVELOPMENT OF GWP BY BUSINESS LINE (USDm)



<sup>1</sup> See footnote 1 on slide 20.

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

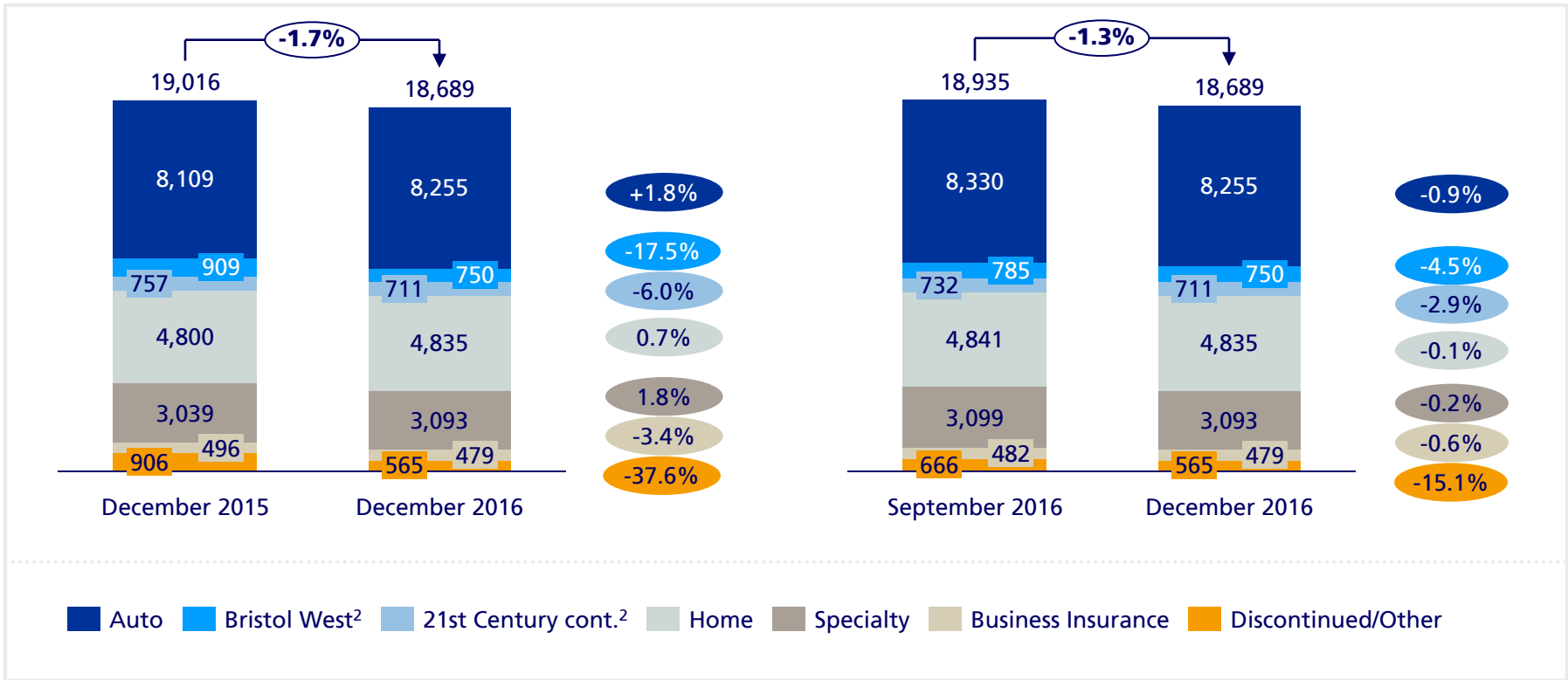


# Farmers Exchanges – PIF/VIF<sup>1</sup>

Rate increase take toll on Auto and Home PIF/VIF



## 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.

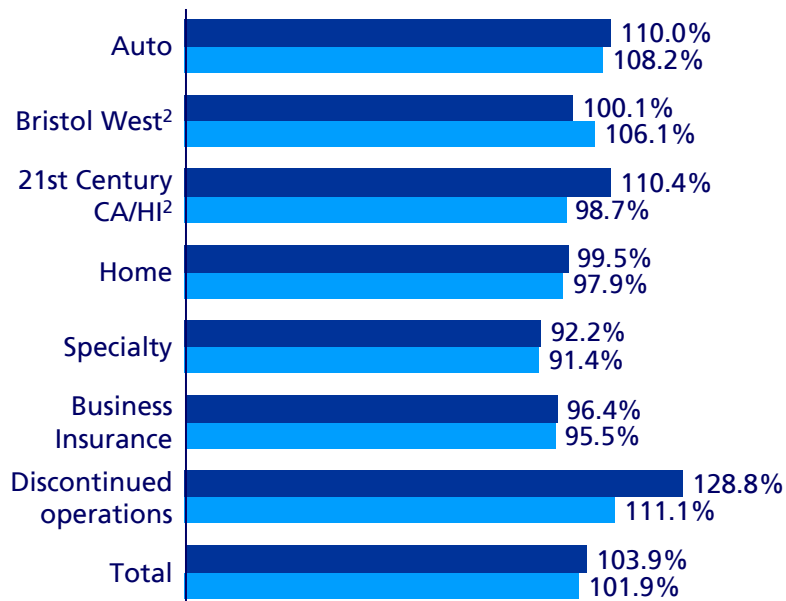


# Farmers Exchanges – Combined ratio

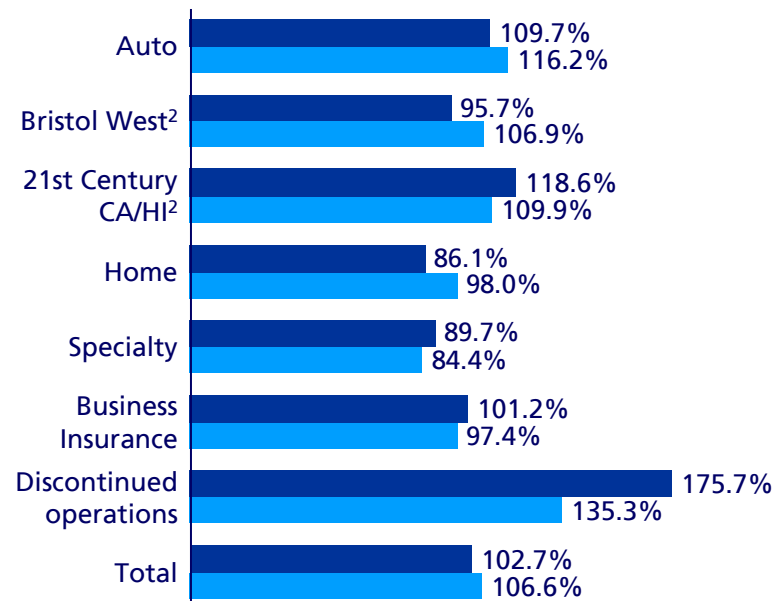
Exceptionally high cat losses, unfavorable claims trend in Auto



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



■ FY-16 ■ FY-15



■ Q4-16 ■ Q4-15

<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.

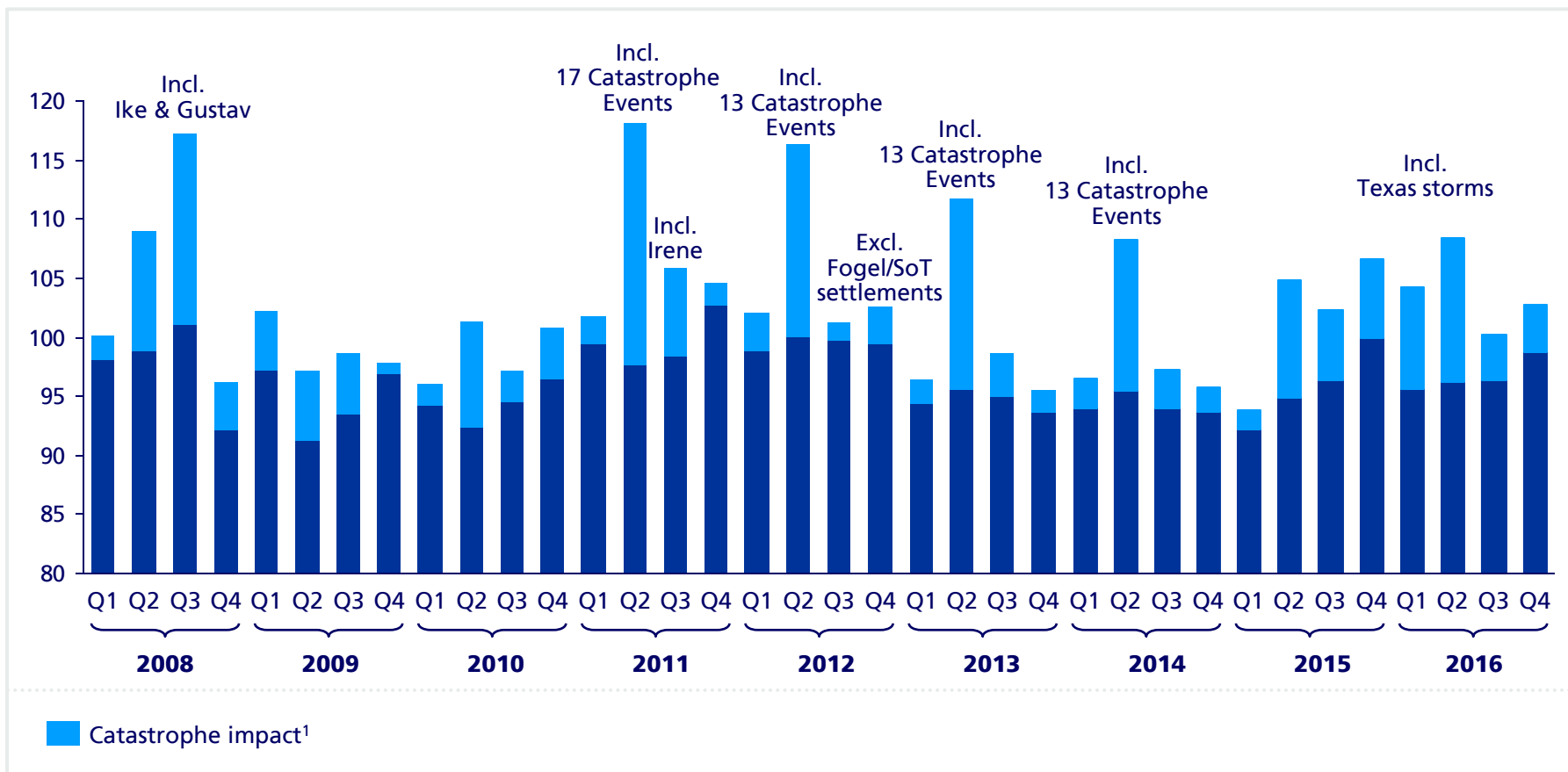


# Farmers Exchanges – Combined ratio history



Exceptionally high cat losses in 2016 due to Texas storms

## QUARTERLY COMBINED RATIO (%)



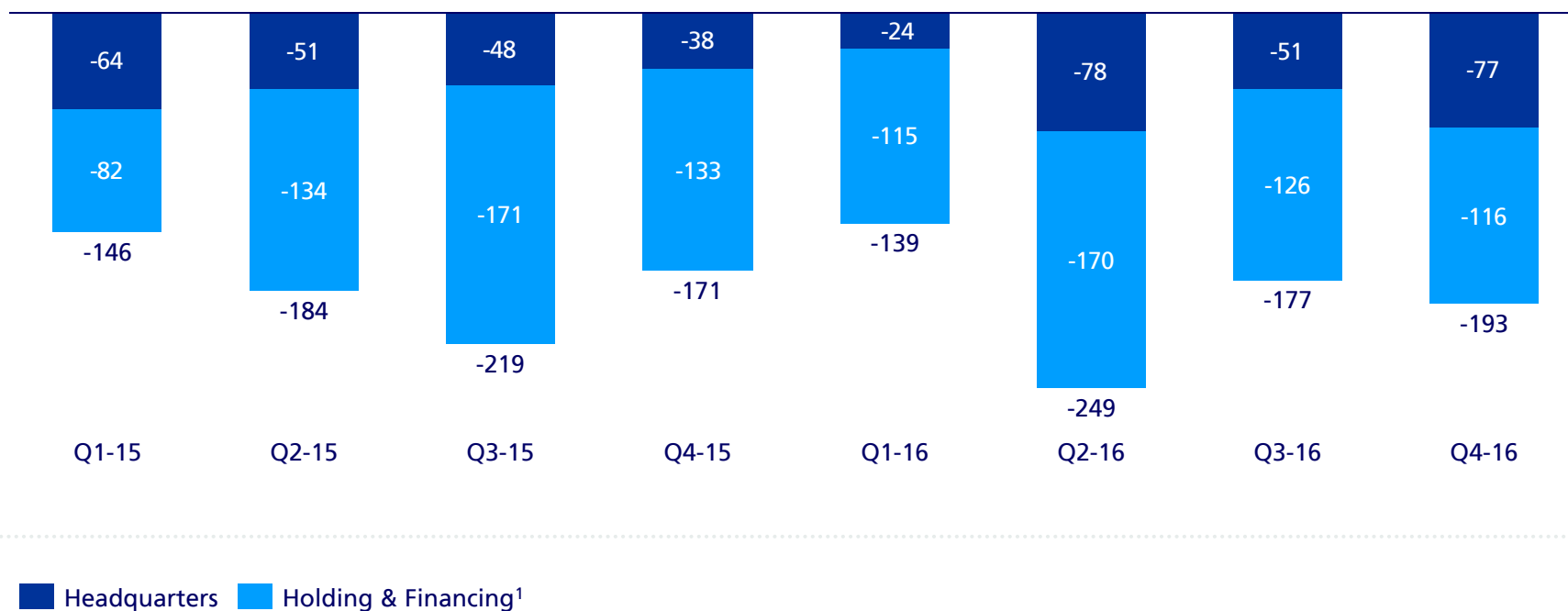
<sup>1</sup> Farmers Exchanges adopted industry standard ISO defined catastrophes as per July 2011.



# Other Operating Businesses

HQ cost savings passed on to business units

## QUARTERLY BOP SPLIT (USDm)



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

# Group Investments – Asset allocation

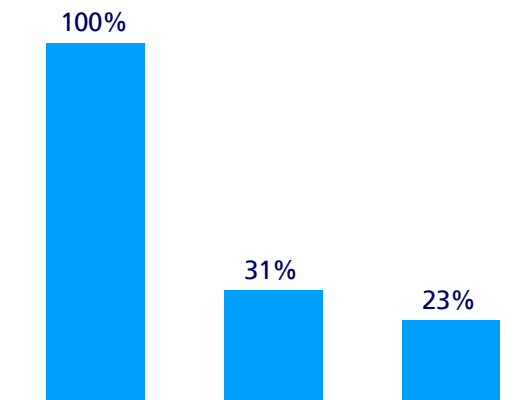
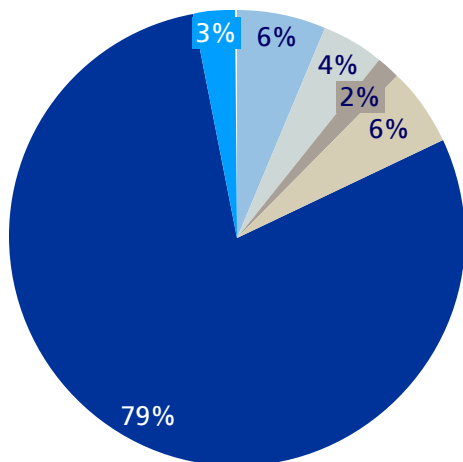
Sources of investment risk and return are balanced

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

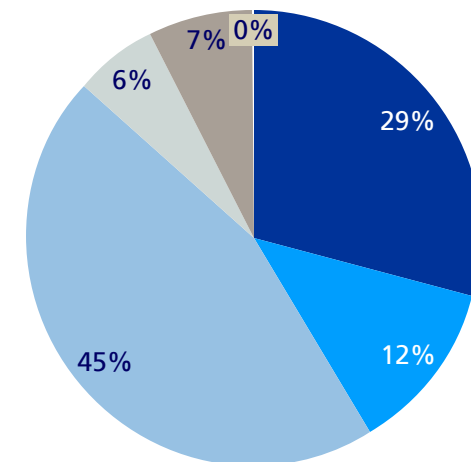
## RISK DIVERSIFICATION

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

Total Group Investments: USD 190bn



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



<sup>1</sup> Economic view before derivatives.

<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 and 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.

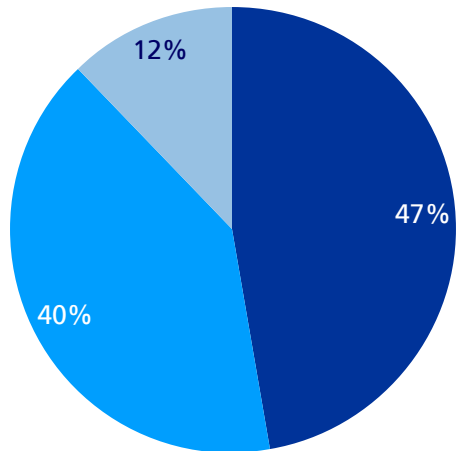


# Group Investments – Debt securities portfolio<sup>1</sup>

Debt securities portfolio is of a high quality

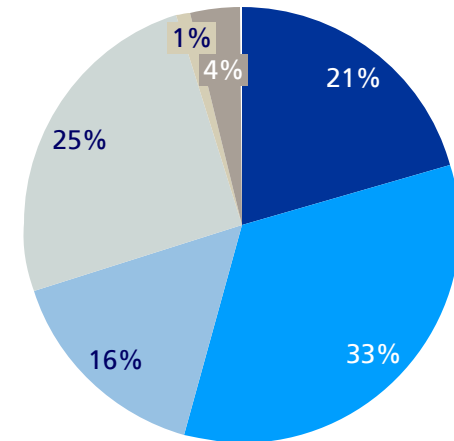
## BY CATEGORY

Total debt securities: USD 140bn



■ 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>

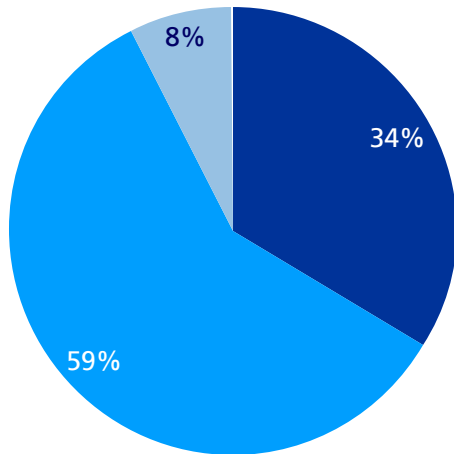
High quality and well diversified

## BY SEGMENT

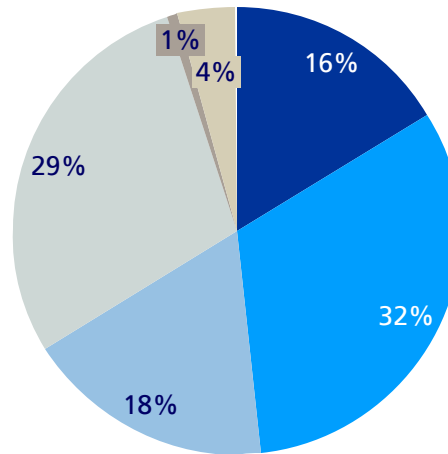
## BY RATING

## BY COUNTRY

Total bonds: USD 123bn



■ General Insurance    ■ Other  
■ Global Life



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

- 27% USA
- 9% United Kingdom
- 9% France
- 9% Italy
- 8% Switzerland
- 8% Spain
- 8% Germany
- 3% Netherlands
- 2% Australia
- 2% Belgium
- 2% Canada
- 2% Chile
- 2% Austria
- 10% Rest of World<sup>2</sup>

<sup>1</sup> Accounting view.

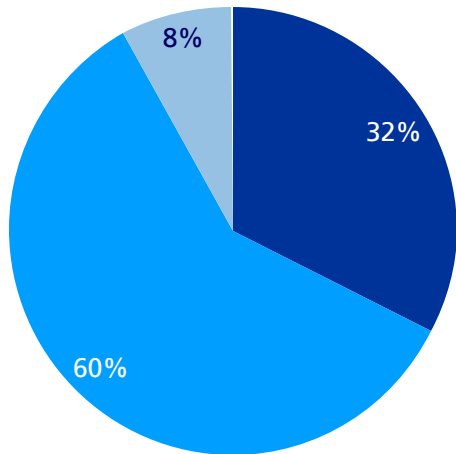
<sup>2</sup> All items with 1% share or lower.

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

High quality and well diversified

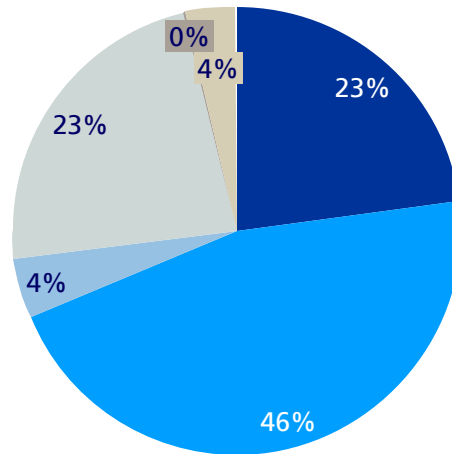
## BY SEGMENT

Total government bonds: USD 66bn



■ General Insurance    ■ Other  
■ Global Life

## BY RATING



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

## BY COUNTRY

- 23% USA
- 14% Italy
- 10% Spain
- 9% France
- 8% Switzerland
- 8% United Kingdom
- 5% Germany
- 3% Belgium
- 3% Austria
- 3% Brazil
- 2% Canada
- 2% Netherlands
- 2% Australia
- 8% Rest of World<sup>2</sup>

<sup>1</sup> Accounting view.

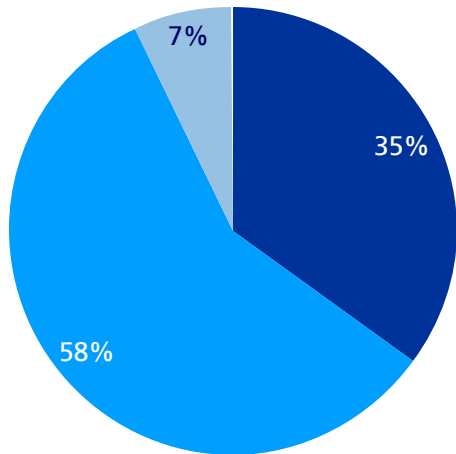
<sup>2</sup> All items with 1% share or lower.

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

High quality and well diversified

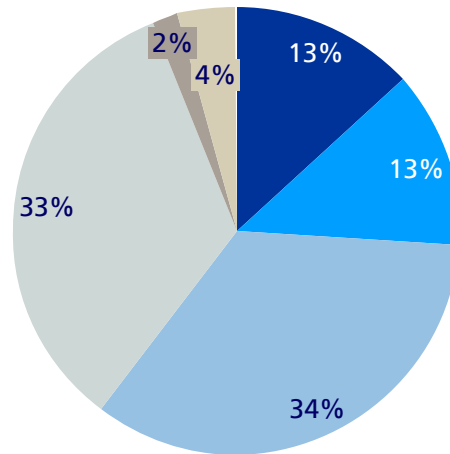
## BY SEGMENT

Total corporate bonds: USD 57bn



■ General Insurance    ■ Other  
■ Global Life

## BY RATING



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

## BY INDUSTRY

- 48% Financial Institutions  
o/w 89% Banks  
o/w 4% Insurance
- 18% Manufacturing
- 8% Utilities
- 5% Oil & Gas
- 4% Telecom
- 4% Chemicals & Pharmaceuticals
- 3% Transportation
- 3% Real Estate
- 2% Business Services & Products
- 6% Other<sup>2</sup>

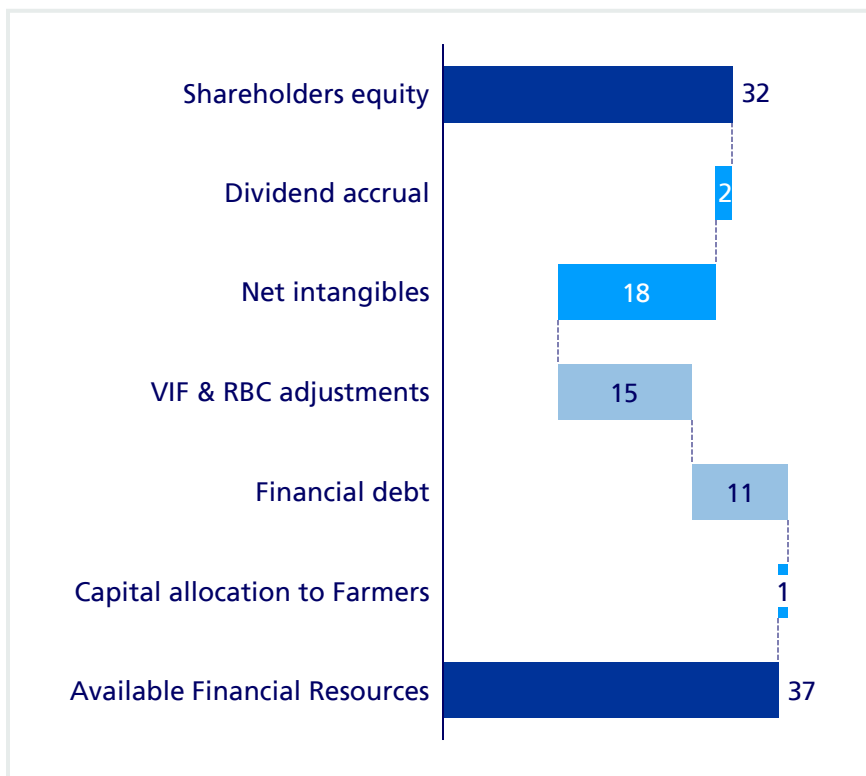
<sup>1</sup> Accounting view.

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

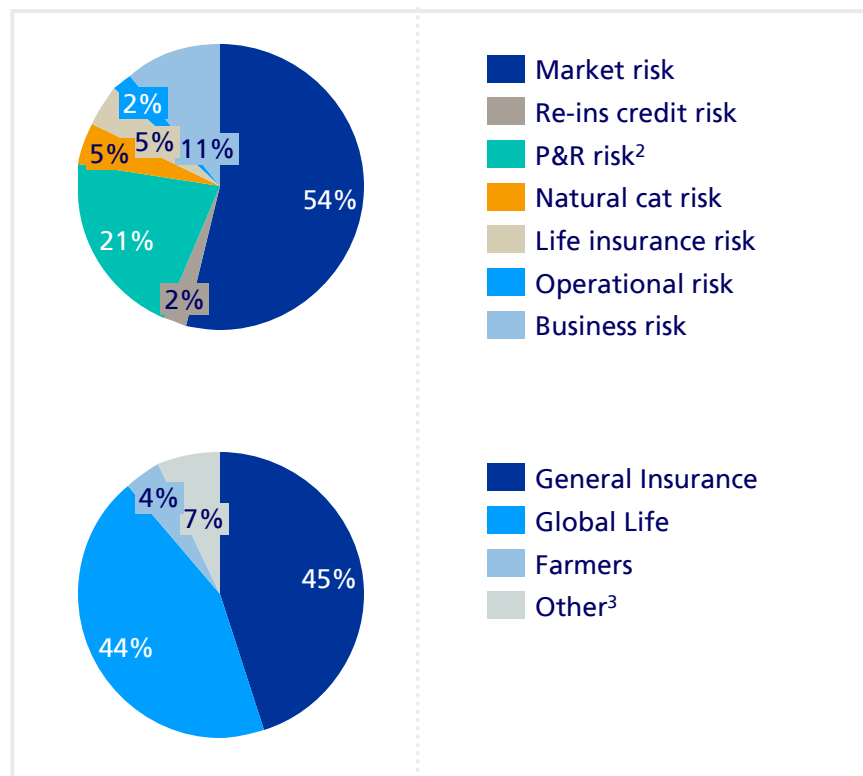
# Group – Z-ECM components

Well diversified capital base by risk type

## 9M-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).

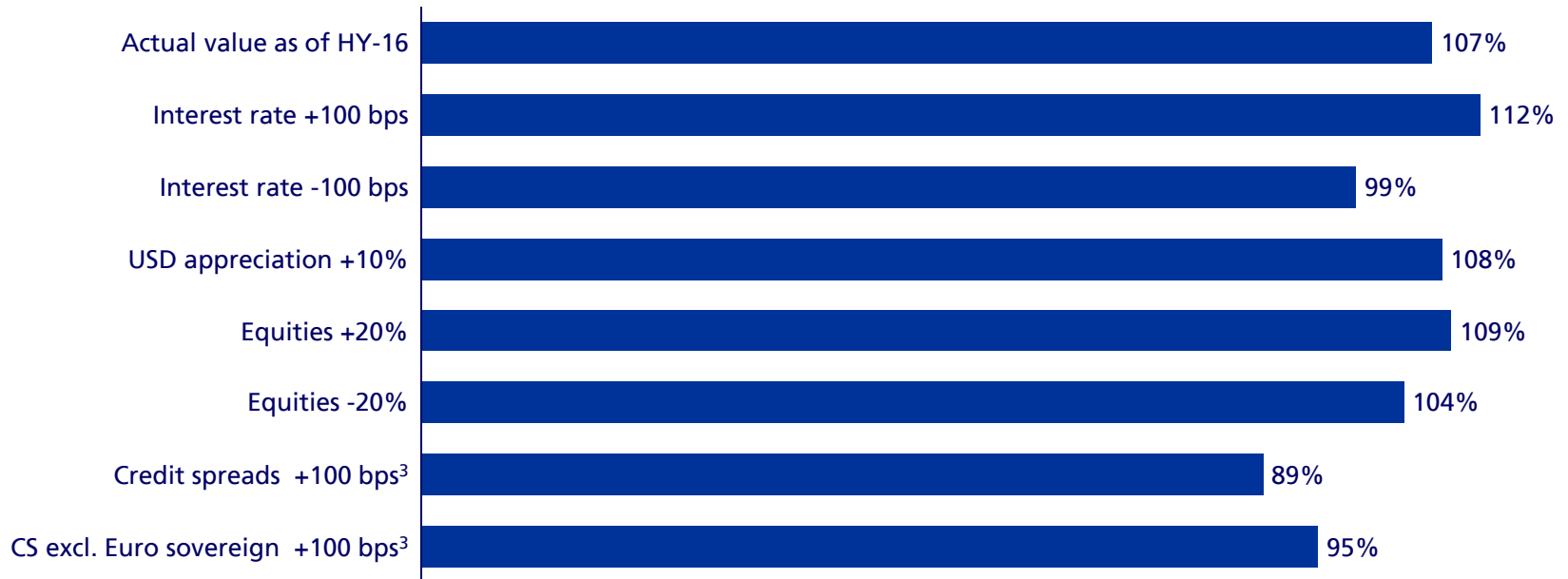
<sup>2</sup> Premium & Reserving risk (P&R).

<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	FY-16
Common shares issued	150.40m	150.61m
Treasury shares	1.24m	1.20m
Common shares outst.	149.16m	149.40m
WAvG for basic EPS	148.96m	149.29m
Dilution impact	0.36m	1.01m
WAvG diluted EPS	149.32m	150.30m
<b>NIAS (USDm)</b>	<b>1,842</b>	<b>3,211</b>
Avg USD/CHF rate	1.040	1.015
<b>Basic EPS</b>	<b>11.89</b>	<b>21.18</b>
<b>Diluted EPS</b>	<b>11.86</b>	<b>21.04</b>
<b>BVPS<sup>3</sup></b>	<b>209.27</b>	<b>208.44</b>

## BOPAT ROE AND ROE (%)

USDm, %	FY-15	FY-16
<b>SHE</b>	<b>31,178</b>	<b>30,660</b>
Net URGL / CF hedges	2,850	3,227
Adj. SHE	28,328	27,432
Avg. adj. SHE <sup>2</sup>	28,785	27,134
<b>BOP</b>	<b>2,916</b>	<b>4,530</b>
SH effective income tax rate	36.6%	30.7%
<b>BOP after tax</b>	<b>1,847</b>	<b>3,141</b>
NIAS	1,842	3,211
<b>BOPAT ROE<sup>2</sup></b>	<b>6.4%</b>	<b>11.6%</b>
NIAS ROE <sup>2</sup>	6.4%	11.8%

<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 0.985, respectively.

# Group – Currency impact

Unfavorable translational FX impact mainly in Global Life results

## FY-16 KEY RESULTS

	KPI	USDm	reported	at constant currency
<b>Group</b>	BOP	4,530	+55%	+62%
	NIAS	3,211	+74%	+82%
<b>General Insurance</b>	GWP	33,122	-3%	0%
	NEP	26,102	-7%	-4%
	Net underwriting result	412	+141%	+141%
	Investment income	2,019	+1%	+5%
	BOP	2,435	+182%	+199%
<b>Global Life</b>	APE	4,779	0%	+7%
	NBV	866	-5%	+1%
	BOP	1,344	+3%	+9%
<b>OOB</b>	BOP	-758	-5%	-9%
<b>NCB</b>	BOP	-11	nm	nm



# Commentary



2016 represents a good result with improved profitability across all areas of the group. With a strong balance sheet and cash generation, the Group is well positioned to deliver further improvement in 2017 towards the Group's targets and to execute on the strategic priorities outlined at the investor day in November 2016.

General Insurance has shown underlying improvement across all regions over the year with both absolute expenses and the loss ratio improving, while also benefiting from a benign year for catastrophe losses. Ongoing focused underwriting actions and expense initiatives are expected to lead to further improvement over the coming years as areas of weaker performance are being addressed. GI reserves remain strong as evidenced by ongoing favorable PYD in the 1-2% range, with this strength providing the ability to manage any potential change in the claims environment.

Global life has continued to build on its unit-linked and protection orientated strategy, with this delivering consistent underlying growth in earnings. Over the year results have also benefited from continued focus on in-force management, with this leading to positive experience variances.

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, while results have further benefited from a special item. Rate increases should continue to support growth into 2017. Surplus within the Farmers Exchanges remained flat despite exceptionally high catastrophe losses.

The Group's capital position is strong, which together with Zurich's cash generative business model, allows the Group to reward shareholders through an attractive dividend policy as outlined at the investor day in November 2016. The board will propose a CHF 17 per share dividend for 2016, which will be paid in part as a reduction in the capital contribution reserve and in part from retained earnings.

Business operating profit (BOP) for the Group was USD 4,530m for 2016 and net income attributable to shareholders (NIAS) was USD 3,211m, with the fourth quarter continuing the recent improvement in results.

The Group BOPAT ROE reached 11.6% for the year, moving towards the targeted level of in excess of 12% for the 2017 to 2019 period, while the group NIAS ROE was higher at 11.8% for the year.

The capital position of the Group is strong, with the Z-ECM ratio at the end of December estimated to be slightly above the target range at around 122%, while the year also saw S&P upgrade their view of the Group's economic capital modeling and enterprise risk management placing the Group among the best of its peers.

The Group has delivered USD 10.4bn of cumulative net remittances for the 2014-2016 period, well ahead of the original USD 9bn target.

2016 has seen significant improvement in profitability across the business, with the business showing a range of proof points against key management goals, including:

In General Insurance re-underwriting efforts have resulted in a 2.6pt improvement in the accident year loss ratio ex-cat. Prior year reserve development has been positive at 1.6pts and is in line with the expected 1-2pts per annum, while overall reserve strength has been increased further during the year.

Global Life has continued to execute on its product strategy focused on protection and unit-linked life business and has demonstrated strong development in local currency terms, with underlying BOP up 13%, in part supported by further execution on in force management initiatives.

The Farmers Exchanges have also continued to drive top line growth through a combination of rate increases and execution against their strategy, with the expansion into Eastern US states showing continued strong development.

The promised USD 300m of net cost savings across the Group have been delivered during the year.

The Group has also further strengthened and focused the business over 2016 through several carefully selected acquisitions, which have provided new products and customer segments in key geographies. Additionally the Group has reinforced its competitive position in Latin America through four new distribution agreements in the mass consumer segment and has made progress on the reallocation of capital through disposals of a number of smaller operations.

The FY-16 result includes net direct expense savings of USD 300m. These savings exclude Farmers, take into account FX and the impact of acquisitions and disposals during 2016, and come largely from General Insurance. These savings do not reflect the previously announced restructuring within the corporate center which was executed over the second half of 2016 and which will begin to flow through the results from the start of 2017.

When viewed on an IFRS basis 2016 net expense savings are higher, although it should be noted that the IFRS view includes capitalization and other accounting impacts. Over time it is expected that both views will converge.

This is good progress towards the goal to reduce expenses by USD 1.5bn vs. the 2015 baseline, and further proof of execution against the Group targets.

Going forward there are clear plans in place for Operations and IT, which shall deliver USD 500-700m in run-rate savings by 2019, and also for the Corporate Center which is expected to deliver roughly USD 250m. Further, the combination of the Corporate and Commercial business is expected to contribute USD 150m, with the remainder of the savings coming from the different business units.

Altogether these savings will additionally offset approximately USD 300m of expected inflationary increases over the 2017-2019 period.

Whilst there are uncertainties in the world, there are also signs of an improving backdrop in terms of growth both in the US and Europe. The precise direction of the new US administration on a range of issues from regulation to corporate taxation and infrastructure investment remains unclear, however, in general it is expected these if implemented to be supportive.

In General insurance higher retentions from the RCIS business in 2017 are expected to be offset by modest declines in other areas as we continue to focus on profitability over volume and to leave overall NEP broadly stable in 2017. The combined ratio is expected to improve further over the 2017-2019 period to the 95-96% range as outlined at the time of the investor day in November 2016. For 2017 it is expected that continued management actions lead to an improvement of roughly 1.5pts from a normalized combined ratio of approximately 99% in 2016. In terms of the expense ratio the FY-16 figure of 31.8% is more representative than the ratio for the standalone fourth quarter. The ongoing earn-through of lower new money yields and the impact of the asset reallocation are expected to result in a headwind to investment income of around USD 100-150m over the coming year.

For 2017 the overall Life BOP result is expected to be broadly stable accounting for the expected headwind from the German ZZR and current levels of key currencies compared to the U.S. dollar, which are expected to offset both underlying growth and ongoing in-force management activities.

Farmers Management Services is expected to continue to see positive growth in overall premium income in line with the trend experienced over the latter part of 2016, while margins are expected to remain stable.

OOB is expected to continue to show a run rate loss of USD 800m per annum with benefits from cost savings at the group largely offset through lower recharges to the business units.

The effective tax rate is anticipated to remain around the 29% level communicated at the time of the investor day.

Now turning to the four Group targets for the cycle 2017 to 2019.

First the Group targets a ROE in excess of 12% over the 2017-2019 period. This assumes no major improvement in investment yields or the current pricing environment across the core markets, and reflects the changed strategic asset allocation. As a result the Group is not only improving the ROE, but also improving its quality.

Second, the Group will look to significantly improve the relative cost efficiency. To this end the Group will target USD 1.5bn of net expense savings against the 2015 baseline by 2019, of which USD 300m have been achieved already in 2016. The savings will not be eroded by incremental investment.

Thirdly, the Group targets cash remittances in excess of USD 9.5 bn over the next 3 years, after the cost of restructuring.

Lastly, the Group will continue to manage the overall capital position within the 100-120% range based on the internal Z-ECM capital model, which is calibrated to an AA level.

BOP and NIAS both show a strong recovery in 2016 reflecting the improved profitability of General Insurance and solid delivery from Global Life and Farmers.

The recovery in NIAS is more pronounced with lower restructuring costs and a lower tax rate together with the absence of 2015's large goodwill impairment, more than offsetting losses from disposals and higher charges related to earn-outs on major distribution agreements.



FY-16 gross written premium (GWP) was down 3% on a reported basis and flat compared to the prior year in local currency terms. Adjusted for the RCIS acquisition, GWP was 4% lower in local currency. This reduction is in line with expectations and driven by the ongoing focus on profitability against the backdrop of a competitive market. For Q4-16 GWP was flat, adjusted for RCIS and in local currency.

The net earned premium for the year was down 4% in local currency, in line with the underlying growth rate on a gross basis. For Q4-16 NEP was down 9% in local currency. The higher decline is driven by all regions apart from International Markets, and mainly in Global Corporate.

Global Corporate (GC)'s GWP was down 8% in local currency for FY-16 and reflects the Group's focus on actions to improve performance, together with lower new business volumes reflecting market competition in the US and the UK.

North America Commercial (NAC)'s full year GWP decreased 2% in local currency excluding the impact of the RCIS acquisition as a result of tiering actions and general market conditions.

In local currency FY-16 GWP for EMEA declined 4%, less than 3% excluding the disposed businesses. This is driven by both the competitive environment mainly in the UK and Italy, and premium declines in Switzerland due to the re-underwriting of the Health business and portfolio exits.

International Markets GWP for FY-16 was flat in local currency. Underlying growth in Latin America was offset by the exit of lines of business in Australia that did not meet required profitability levels.

# Page 12: General Insurance – Combined ratio over time

The reported combined ratio (CR) for Q4-16 was 98.5%, which is slightly higher than the expected range of 97-98% and significantly improved compared to the same quarter in 2015.

The quarter saw a lower accident year (AY) loss ratio excluding catastrophes of 65.0% and a benign quarter of catastrophes of 1.6pts, with these offset by a higher expense ratio mainly driven by lower levels of premium.

The FY-16 CR of 98.4% is more than 5 percentage points below the prior year. The AY loss ratio excluding catastrophes is 2.7 percentage points better, with both lower attritional and large loss ratios contributing to the improvement. This steady improvement throughout the quarters is visible in all regions and driven by the actions taken in 2015 and 2016.

# Page 13: General Insurance – Combined ratio details

Looking at the AY loss ratio in more detail, large man-made losses in 2016 were 1.6 percentage points lower than in 2015, considering also the port explosions in Tianjin in Q3-15. In Q4-16 large losses were on a similar level as in Q3-16 and significantly lower than the experience seen in Q3-15 and Q4-15. Generally speaking large losses were still higher than expected and further actions are needed to lower these losses further.

Actions implemented towards the end of 2015 delivered a 1.1 percentage point improvement in the attritional loss ratio compared to FY-15, with reductions in most regions. The Q4-16 discrete attritional loss ratio was at the lowest level seen in three years and almost 1 percentage point better than at 9m-16.

2016 was benign in terms of natural catastrophes and other weather events in most regions, contributing 2.6 percentage points to the combined ratio for FY-16 and 1.6 percentage points to the quarter.

Prior year reserves developed favorably in all regions and for each of the quarters, with the 1.6 percentage point reduction in the full year combined ratio in line with the expected range of 1-2%.

The outcome of the current UK review of the Ogden Tables for bodily injury claims by the UK Ministry of Justice remains uncertain, the Group is reserved at an assumed discount rate of 1%. Each 1ppt of further reduction in the level of the discount used within the tables would add approximately USD 180m to the cost of reserves.

The expense ratio of 31.8% for FY-16 is on a similar level as in 2015. Considering the benefit from RCIS and some other effects, the expense ratio is slightly higher driven by shifts in business mix and the lower level of premium earned, which offset the absolute reduction in other underwriting costs. The increase in the commission ratio is mainly driven by the beforehand mentioned change in business mix.

# Page 14: General Insurance – Regional combined ratios



Looking at the performance by region:

Global Corporate's combined ratio of 104.2% for FY-16 is significantly lower than in FY-15. This is mainly driven by a favorable impact from prior year reserves, the absence of major catastrophes and exposure to 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 in the portfolio.

NAC's combined ratio of 96.1% for FY-16 is lower than in FY-15, driven by improvements in the AY LR ex-cat mainly in property, liability and special lines. The catastrophe impact was at an expected level and almost 2 percentage points higher than in 2015, driven by the wind and hail storms and the Canadian wildfires in the second quarter. These were largely offset by the higher level of favorable prior year reserve development. The reduction in the expense ratio is mainly driven by the inclusion of RCIS and some other effects.

EMEA's combined ratio in FY-16 is significantly lower than the level seen in 2015, driven by improvements of the AY loss ratio excluding catastrophes in all major countries and a lower level of catastrophes.

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 full year was USD 2.4bn, which is a sharp improvement compared to the BOP result and the underwriting loss in 2015. This is also reflected in the combined ratio improvement of 5 percentage points. For Q4-16 BOP is USD 611m which reflects the improved underwriting result compared to the previous year.

The FY-16 investment result includes an improvement in the hedge fund portfolio, which generated net capital gains of USD 67m versus a zero result in the prior year. Investment income is up 1% on a reported basis and 5% in local currency compared to the prior year. This is driven by generally higher rates in Latin America, and improved dividend income from higher allocation to equities in the first couple of quarters of 2016 in the other regions.

On a FY-16 basis the non-technical result is USD 98m better, driven by FX gains in Venezuela mainly in the second quarter, and the sale of own used real estate in Germany in the fourth quarter of which the benefit was USD 34m.

FY-16 Global Life new business APE volumes increased 7% in local currency compared to the prior year, with strong growth in LatAm driven by a large corporate protection contract in Zurich Chile, and in Spain where increases in individual savings volumes at Banco Sabadell more than offset declines in Germany.

Viewed by product, protection APE increased by 23% compared to the prior year in local currency. When combined with unit-linked and corporate pensions volumes, capital-light products accounted for nearly 80% of APE in the year.

An increase in savings & annuity product volumes was driven by Banco Sabadell in Spain, where low margin but BOP accretive traditional products have achieved good sales.

New business value was flat in local currency year on year, with stronger volumes, favorable business mix and modeling enhancements offsetting negative assumption changes and lower swap rates in certain markets.

New business margins decreased by 0.6 pts overall, with favorable mix shifts in individual protection and unit linked products combined with modeling enhancements in corporate pensions offset by yield-related reductions in savings & annuities and unfavorable mix shifts in corporate protection.

Global Life BOP increased 9% in local currency, or 3% compared to the prior year in US dollars, to USD 1.3bn.

In EMEA, local currency BOP earnings increased by 6%, growing 2% in USD, where favorable experience relative to assumptions in the UK and positive market movements contributed to the result.

In Latin America Zurich Santander earnings increased by 32% in local currency, while the Zurich branded business also saw improved performance against a prior year impacted by balance sheet adjustments in Brazil.

Asia Pacific BOP more than doubled to USD 92m, driven mainly by a growing business in Japan and positive persistency in Hong Kong, coupled with the transfer of the loss-making Singapore life portfolio to Non-Core Businesses. The positive BOP contribution from recent acquisitions in Malaysia and Australia was more than offset by the cost of integration in 2016.

In North America earnings were down 34% compared to the prior year due to adverse persistency in the Zurich branded business.

Adjusting for one-off Special Operating Items (SOIs) in both the current and prior years, the local currency BOP increase was 13%.

Viewed by margin excluding SOIs, and beginning with revenues, loadings and fees decreased by 5 percent as reported, but remained broadly flat on a local currency basis. In local currency, volume growth in Latin America and Asia Pacific were offset by lower fees in EMEA, largely from lower single premium business in Germany and maturing of the in-force book in the UK.

Investment margin improved 12 percent, or 18 percent on a local currency basis, mainly in EMEA and Latin America. This was mainly driven by lower policyholder crediting in Switzerland and Germany and by higher investment returns in Brazil and Mexico.

The technical margin deteriorated by 10 percent in U.S dollar terms and 7 percent on a local currency basis, which was mainly due to adverse claims experience in EMEA and in the International Group Risk business.

On the expense side, operating costs decreased by 10 percent, or 5 percent on a local currency basis. In local currency, the positive impacts of expense reductions across EMEA and the one-off release of a provision relating to unit-linked funds in the UK were partly offset by costs related to acquisitions in Asia Pacific.

Acquisition costs decreased by 9 percent as reported and by 5 percent on a local currency basis, mainly due to changes in business mix in EMEA and North America, while the contribution from the impact of deferrals decreased by 27 percent both as reported and on a local currency basis. The reduction in deferrals was mainly seen in EMEA from changes in product mix, and in North America following a review of expected persistency in certain universal life books of business.



# Page 19: Global Life – Net inflows & AuM



Net inflows were positive for the year, largely driven by sales through Bank Distribution partners in LatAm and EMEA, and Corporate Life & Pensions volumes in Switzerland.

AuM increased by 1% during the year, as strong in flows and positive market movements were mostly offset by FX impacts.

The Farmers Exchanges have continued to show good growth throughout 2016, particularly in Auto but also in Home. Growth in continuing operations was 5.1% for the year and 3.9% in the discrete fourth quarter.

This is driven by higher average premiums in Auto and Home as a result of strong rate increases. Vehicles-in-force declined by 0.6% for the year and 1.3% for the quarter. Similarly Home experienced a small decline in policies-in-force in the fourth quarter.

The run-off of the 21<sup>st</sup> Century Direct Auto portfolio outside California and Hawaii reduced overall reported growth to 3.3% for the year and 2.1% for the quarter. The headwind to growth from the 21<sup>st</sup> Century run-off is expected to be substantially complete by the end of the first half of 2018.

Eastern expansion is progressing well and premiums reached almost USD 0.7bn. This is 3.6% of premiums of overall continuing operations and illustrates the potential of this initiative.

Farmers Exchanges will continue to focus on underwriting actions and obtaining rate increases in 2017 to restore the profitability of Auto.

The Farmers Exchanges Net Promotor Score and retention have been relatively stable despite the level of rate increases taken over the past year.

New business production has declined in the latter part of the year as Farmers Exchanges continues to focus on pushing through rate and tightening underwriting to improve profitability across its Auto business.

The number of agents increased by 246 or 1.8% to 13,780.

Farmers Exchanges combined ratio for the year deteriorated by 2.0pts to 103.9% driven by a 2.7pts higher loss ratio for the following reasons:

- Exceptionally high cat losses exceeding USD 1.3bn, of which more than half related to Texas storms. There were recoveries on the Farmers Exchanges aggregate catastrophe reinsurance treaty for the first time since it was put in place three years ago as its USD 1.25bn cat deductible was surpassed.
- Further deterioration in the overall combined ratio for Auto by 1.7pts to 109% as rate actions take time to offset the impact of the unfavorable claims trends experienced since early 2015.
- A deterioration of the loss ratio in the 21<sup>st</sup> Century Direct Auto run-off portfolio as a result of Farmers strengthening reserves to reflect changes in bodily injury claims frequency and severity.

Management's efforts will continue to focus on restoring the profitability of Auto and expects that growth in premium per policy will lead to a gradual improvement of underwriting results.

Despite exceptionally high catastrophe losses Farmers Exchanges' surplus remained unchanged over the year as the underwriting loss was compensated by investment income and capital gains.

Despite higher premium volumes, the surplus ratio increased slightly reflecting the changes made to the Quota Share reinsurance treaties a year ago and an overall increase in the All Lines Quota Share reinsurance treaty participation from 20% to 24% at year-end 2016, of which the 8% to Farmers Re remains unchanged.

# Page 23: Farmers – FMS and Farmers Re financials

Farmers BOP increased USD 99m or 7.0% to USD 1.5bn, driven by a strong increase at FMS which was partly offset by a decline at Farmers Re. Fourth quarter FMS BOP of USD 429m included a USD 86m favorable impact of freezing the company's pension plan effective end-December 2018. Adjusting for this special item FMS BOP grew 2.4% for the year, largely in line with gross earned premiums.

The Farmers Re All Lines Quota Share reinsurance treaty catastrophe achieved its loss limit of USD 100m in November for the first time since its inception. This aided Farmers Re BOP in the discrete fourth quarter, and highlights the exceptionally high level of catastrophe losses experienced in 2016.

Farmers Re BOP declined 32% to USD 42m reflecting a 2.1ppt deterioration in the combined ratio and lower investment income as a result of the capital repatriation out of Farmers Reinsurance Company late in 2015, which was partially offset by the USD 25m accounting adjustment taken in the third quarter. A further USD 400m dividend was paid out of Farmers Reinsurance Company towards the end of 2016.

# Page 24: Other Operating and Non-Core Businesses – BOP

Other Operating Businesses BOP loss of USD 758m was higher than previous year but below the guidance of USD 800m.

At a gross level headquarter costs reduced by ~USD190m despite higher levels of performance related staff expenses, which were depressed in 2015 following the weak group performance. However, lower recharges to business units led to an increase in the reported net figure.

In Holding & Financing lower FX gains outweighed a modest reduction in external debt expense, despite higher debt levels as a result of the Group remaining ahead of its 2017 financing plan.

Non-Core Businesses BOP decreased to a loss of USD 11m largely due to market movements, and where the previous year benefitted from the release of long-term reserves as a consequence of a buy-back program for a variable annuity product in the U.S.

# Page 25: Group Investments – Investment income yield

Annualized reinvestment yields for debt securities were around 2.0% for General Insurance and around 1.7% for Life, with the difference reflecting primarily the geographic composition of the two businesses. In Q4 the gap to the annualized accounting yield has narrowed by 10 bps reflecting higher yields across the Group's major geographies.

# Page 26: Group – Balance sheet and capital structure

Shareholders' equity declined slightly given the reduction of net unrealized capital gains in the fourth quarter, reflecting increases in yields and spreads and the negative impact of currency and the pension deficit movements over the year.

The estimated year-end capital structure is close to the target structure. The calculation is based on an economic balance sheet and is thus sensitive to market movements. Debt levels at the end of 2017 also included an element of pre-financing.



The end-September Z-ECM ratio came in at 114%, in line with the estimate at the time of the Q3 results in November.

By the end of the year the Z-ECM ratio is expected to have improved to 122%. The increase is mainly due to the increase in yields – particularly at the long end of the curve as shown on the chart. Other positive factors include the equity market performance, capital remittance out of Farmers Reinsurance Company and the disposals of Morocco and South Africa.

# Page 28: Group – Cash remittances & dividend proposal

Cash remittance over the 2014-16 period of USD 10.4bn exceeds the original target of USD 9bn and is in line with the revised guidance of greater than USD 10bn. Cash remittance in 2016 was USD 2.8bn.

Looking at the segments, remittances from General Insurance partially reflect the low profitability in 2015 but also includes the benefit of the disposals of Morocco and South Africa of some USD 0.4bn. As mentioned at the investor day the Global Life remittance in 2016 is negatively impacted by some timing effects. Farmers includes an USD 0.4bn dividend out of Farmers Reinsurance Company, with a lower contribution from Farmers Management Services due to capital expenditure. The surplus of Farmers Reinsurance Company has been reduced to less than USD 100m as shown on a previous slide.

The Board proposal to the AGM is to pay an unchanged dividend of CHF 17 for the seventh consecutive time, of which CHF 5.70 will be paid out of the remaining capital contribution reserve with the balance of CHF 11.30 paid out of Group earnings. While in Swiss Francs and US Dollars the dividend has been very stable over the past 10 years, it has increased by 66% in Euros given the appreciation of the Swiss Franc.

In summary, this result points to the improvement in General Insurance gaining traction, while both Global Life and Farmers continue to deliver steady growth.

Management has also continued to execute against key strategic priorities, including:

- The simplification of the Group structure and the strengthening of the Executive Committee;
- The integration of Global Corporate and Commercial insurance operations, which is progressing well;
- Progress has been made on the reallocation of capital through disposals of a number of smaller operations while strengthening the Group's US, Australian and Latin America operations;
- Delivery on the first USD 300m of cost savings with plans identified to deliver the remainder of the USD 1.5bn of cost savings over the 2017-2019 period.

The Group expects to deliver further operational improvement through 2017 with particular focus on improvement in the underlying combined ratio in General Insurance and continued underlying growth in Farmers and Global Life.

The Group's capital position is strong, with the estimated Z-ECM ratio of 122% slightly above the upper end of the target range at the end of the year.

# For further information

## CALL US

### Investor Relations

Richard Burden	+41 44 628 96 40
Aaron Beharelle	+41 44 625 25 50
André Meier	+41 44 625 37 75
Gianni Vitale	+41 44 625 48 26

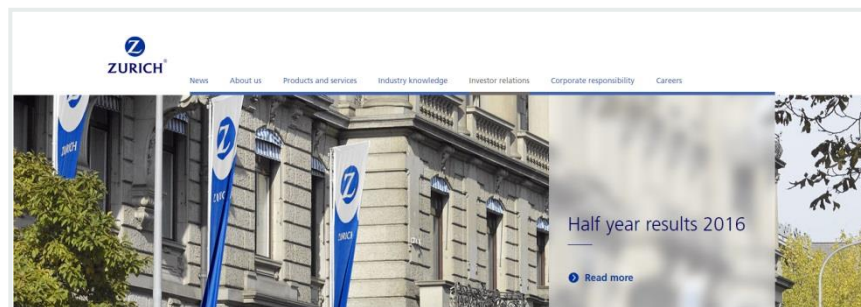
### Rating Agency Management

Michèle Matlock	+41 44 625 28 50
-----------------	------------------

### Events

Patricia Heina	+41 44 625 38 44
----------------	------------------





## VISIT OR FOLLOW US



Navigation menu: News, About us, Products and services, Industry knowledge, Investor relations, Corporate responsibility, Careers

Half year results 2016  
[Read more](#)

- ▶ **Investor Relations website**
- ▶ **Financial results and reports**

Follow us    

**Calendar:**

- 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

