Commentary on annual results 2019

Slide 3: Key messages

The Group's full year 2019 results show a further strong performance, with the Group having exceeded all its 2017-2019 targets, while net income attributable shareholders (NIAS) of USD 4.1bn was at the highest level for the last decade. Business operating profit (BOP) increased 16% year on year with the business operating profit after tax (BOPAT) ROE at 14.2%. These results, together with the Group's customer focused strategy and simplified operating model, position the Group well to take advantage of ongoing change within the global insurance industry and to deliver further value to shareholders.

Property & Casualty (P&C) results showed further strong year-on-year progress with BOP up 38% driven by an improved underlying underwriting performance and higher investment results, which more than compensated for a challenging year in the Group's North American crop business. Top line growth improved sequentially over the year driven by hardening pricing and underlying growth, with current pricing trends expected to continue through 2020. The accident year combined ratio excluding catastrophes reduced by 0.6 percentage points, with an improvement of 1.5 points excluding the North American crop portfolio. The results demonstrate the strength of the Group's reserves, with prior year reserve development of 2.3 points at the same level as the prior year, while the Group's reserve strength remained unchanged. In 2020, the Group expects to deliver further improvement in the underwriting performance as the benefits of portfolio shifts, lower expenses and price increases in excess of loss cost inflation earn through.

The Group's Life business delivered a strong performance against a high prior year comparative. Overall Life BOP increased by 2% on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. The Group's strategy of focusing on protection business and capital efficient savings products leaves the Group well positioned for the ongoing low yield environment, with 85% of annual premium equivalent (APE) sales from protection and capital efficient savings products and 87% of life income on a source of earnings basis from loadings, fees and technical margins.

Farmers delivered business operating profit growth of 4% driven by the combination of top-line growth in the Farmers Exchanges, which are owned by their policyholders, a strong performance at Farmers Life and favorable mark to market impact on a deferred compensation plan at Farmers Management Services (FMS). The Farmers Exchanges continued to deliver steady and consistent growth supported by the continued execution of the Farmers strategy to deepen customer relationships, broaden product offerings and expand in the eastern United States.

The Group's balance sheet remains very strong, with Zurich's economic capital model (Z-ECM) ratio estimated to be 129% as of the full year. Conversion of earnings into distributable cash remained very strong with USD 3.4bn of cash remittances in 2019, bringing the total over the three-year plan period to USD 10.9bn. In line with the stated dividend policy the Group proposes a 5% increase in the dividend to CHF 20 per share.

Slide 4: Key highlights – All targets exceeded

2019 saw the Group exceed all targets set out for the 2017 to 2019 period creating significant value for the shareholders.

In 2019 the Group achieved a further expense savings bringing the cumulative savings for the period 2016 – 2019 to slightly in excess of the targeted USD 1.5bn by the end of 2019.

The Group's BOPAT ROE for 2019 improved to 14.2% in 2019, an increase of 2.2 percentage points relative to 2018 and comfortably ahead of the target of in excess of 12% and growing over the 2016 – 2019 period.

Cash remittances of USD 3.4bn in 2019 resulted in cumulative cash remittances of USD 10.9bn over 2017 – 2019, comfortably ahead of the USD 9.5bn target.

The Group's Z-ECM ratio finished the year at a strong level of 129%, above the upper end of the target range of 100-120%.

Slide 5: Key highlights – Business performance

P&C gross written premiums returned to growth over 2019. Growth was 6% on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals, and up 2% on a reported basis with the business accelerating over the second half of the year.

The combined ratio improved 1.4 percentage points on a headline basis, with the year-on-year improvement impacted by adverse development of the North American crop business which added 0.6 percentage points to the combined ratio compared to normal expectations. The accident year loss ratio ex-catastrophes improved by 0.3 percentage points. The expense ratio improved by 0.3 percentage points, with a 0.6 percentage point improvement in the other underwriting expense ratio offset by a slightly higher commission ratio and an increase in premium taxes and levies. Prior year reserve development at 2.3% was in line with the prior year and reflects the continued strength of the Group's reserves.

Life business operating profit grew 2% on a like-for-like basis. During the year the Group continued to focus on protection and capital light savings business, with these making up 85% of APE sales. On a like-for-like basis, APE declined 3% with the new business value increasing 4% on the same basis.

At the Farmers Exchanges, gross written premiums grew approximately 2% compared to the prior year, with the combined ratio remaining stable at 100%. Higher premium volumes continued to support growth in management fees and business operating profits at FMS.

Slide 6: Key highlights – Strategic priorities

During 2019, the Group continued to execute against its key strategic priorities.

During the year the Group's customer focus continued to deliver tangible benefits with key customer metrics in the Group´s largest retail markets improved, with higher levels of retention than in the prior year in most markets. As outlined at the Group's investor day in November 2019, the Group will further enhance disclosure on customer KPIs going forward and will start reporting on the number of net new customers and brand consideration.

The previously announced acquisitions of OnePath Life in Australia and of an 80% stake in PT Asuransi Adira Dinamika (Adira Insurance) in Indonesia were completed. These position the Group as a leading retail life insurer in Australia and the largest international P&C insurer in Indonesia.

In addition, the Group also added a series of new distribution agreements with companies across a range of industries and banks, giving potential to access over 40 million customers.

These included agreements with retailers, Havan in Brazil and MediaMarkt Saturn in Germany, the utility Tokyo Gas in Japan and in Switzerland with telecom company Swisscom and auto-dealer AMAG.

The Group also continued with its successful bancassurance strategy, entering into a 15-year distribution agreement with Alliance Bank in Malaysia. The completion of the acquisitions of OnePath Life in Australia and PT Asuransi Adira Dinamika (Adira Insurance) in Indonesia saw the launch of the respective distribution partnerships with ANZ bank, PT Bank Danamon and Adira Finance. The Group also more recently announced an agreement to collaborate with UBS in offering insurance and banking solutions to SMEs in Switzerland.

As outlined at the Group's investor day, the Group continues to focus on improving capital allocation while strengthening key businesses and exiting non-core operations. During 2019, capital was reallocated from commercial to retail in P&C, while the Group also announced a series of transactions aimed at releasing capital from non-core operations including the completion of the sale of Venezuela, the reinsurance of a number of legacy P&C portfolios reported under non-core businesses and the announced sale of the UK retail wealth platform.

In support of the customer focused strategy, the Group continued to develop a range of innovative solutions aimed at the evolving needs of its customers. Cover-More, the Group's travel and assistance business, continued to evolve its propositions while driving growth. In Australia, LiveWell, a new wellness proposition that offers benefits to customers, has been taken up by around 30% of new life policyholders, while the Group has launched usage-based insurance offerings in Argentina and Brazil.

Following the successful conclusion of the inaugural Zurich Innovation Championship in early 2019, the Group continues to work with 10 of the winners and finalists. A second edition of the championship has received more than 1,300 entries from startups in 68 countries and territories.

In 2019 the Group continued to deepen its commitment to supporting the societies in which it operates and embed sustainability within all aspects of the Group's operations. This was underlined by the Group becoming the first insurance company to commit to the UN Global Compact Business Ambition Pledge that aims to limit global temperature rise to 1.5 degrees above pre-industrial levels. The Group also committed to move to a zero-emission investment portfolio by 2050 and source 100 percent of the Group's electricity usage from renewable sources by the end of 2022.

Slide 7: Key highlights – P&C

Over 2019 the Group continued to execute against the key strategic priorities of improving profitability while reducing overall volatility of P&C results. The year demonstrates improvements in underwriting and the use of reinsurance have led to a more profitable and less volatile business, with the commercial segment showing a particularly strong improvement.

The Group has continued to adjust the overall P&C business mix towards specialty and shorter tail lines. Specialty and property lines of business accounted for 51% of net earned premiums, up from 42% in 2015, with a commensurate reduction in motor and casualty business.

Since 2016 the Group has made significant progress in improving the profitability of the P&C portfolio, with the accident year combined ratio excluding catastrophes improving by 1.9 percentage points, with both the commercial business and retail and other business showing improvement.

Volatility of the P&C book has also reduced. In the period Q1-16 to Q4-19 quarterly large losses have varied within a range of 2 percentage points compared to 8 percentage points in the Q1-14 to Q4-15 period.

Slide 8: Key highlights – Life

Life continues to progress in line with the Group's strategy of focusing on higher margin protection business and capital light savings business with the Group well positioned for ongoing low yields.

Gross written premiums for protection business have continued to grow strongly across all regions over 2019 and account for more than half of the Group's life premiums. Excluding acquisitions, growth rates remain positive across all regions with total growth of 12% versus prior year. Latin America, Asia Pacific and North America are strong protection players with most of their life business in protection.

Slide 9: Key highlights – Farmers

Farmers Exchanges have put in place initiatives to achieve all strategic priorities outlined at the 2017 Investor Day and are now well positioned to focus on growth and taking advantage of new opportunities.

The shift towards a capitalized agency model is well on track. Farmers' experience shows that capitalized agents provide a better customer experience, reflected in a higher net promoter score, and show higher retention and productivity levels. Larger and higher quality agencies have also the highest potential to serve customers across multiple lines of business.

Farmers Exchanges have completed their plans for expanding in the Eastern U.S. The exclusive agency network now spans 36 states, with the eastern expansion states generating USD 1.1bn of gross written premiums in FY-19, while independent channels are active across all states.

Farmers Exchanges continue to innovate to deliver better value to customers and pursue growth opportunities. The agreement with Uber to provide commercial rideshare insurance has been broadened to 12 additional states and the District of Columbia, building on the experience in the two states of Pennsylvania and Georgia. After a successful launch, Toggle℠, a new and innovative rental insurance offering aimed at millennials, has been rolled out to 23 additional states in 2019, including California, and already counts 15 thousand policies in-force.

Slide 10: Key highlights – Ambition

Over the last years the Group has successfully executed against all key strategic priorities and exceeded all targets set in 2016. The Group is now simpler, more agile and efficient. Key businesses as well as the Group culture have also been strengthened. These successes position the Group well for the next phase of development and the delivery of the ambitious 2020 – 2022 targets, which include:

1) A BOPAT ROE in excess of 14% and rising over the strategic period.

2) Cash remittances on a cumulative basis are targeted to be in excess of USD 11.5bn over the course of the next three years.

3) Earnings per share growth of at least by 5% per annum on an organic basis.

4) Group capital within the range of 100% to 120% under the Z-ECM model, with 100% being roughly equivalent to an AA on the rating scales.

ZURICH

Slide 12: Group – BOP

Overall Group BOP increased 16% on a reported basis.

EMEA grew 16% despite adverse currency developments, with P&C the largest driver of growth. In P&C results benefited from an improved underwriting performance as well as lower non-technical charges which were higher in the prior year due to charges related to the Group's efficiency programs.

The Group's operations in North America saw growth of 17%, with this driven by growth in the Group's P&C business as well as at Farmers, which more than compensated for a decline in the North American life results. P&C results in North America benefited from a combination of improved underwriting and more favorable fair value gains on the Group's hedge fund portfolio as well as the absence of charges related to the Group's restructuring in 2018. Farmers results benefited from continued underlying growth together with favorable items at both FMS and Farmers Life.

An improved P&C underwriting performance and steady growth in the Life business as well as the inclusion of the acquired OnePath Life business in the second half of the year led to a 62% increase in BOP in Asia Pacific, while improvements in the P&C underwriting performance more than offset adverse currency movements and weaker Life results in Latin America.

By business, P&C was the principal driver of growth in the year. This together with growth in Farmers and a reduced loss related to Group Functions and Operations more than compensated for weaker Life and Non-Core results.

Slide 13: Group – NIAS

Net income attributable to shareholders (NIAS) increased 12% in the year, with growth driven by the increase in BOP, higher realized gains and a reduced tax rate which more than offset higher losses on disposal and other charges. Key items outside of BOP included:

- Net realized capital gains of USD 845m driven by the continued strong performance of most asset classes, with gains realized across equities, debt instruments and investment property.

- Losses on disposal of businesses amounted to USD 295m. USD 258m of this related to the non-cash currency translation adjustment recognized on completion of the sale of the Group's Venezuelan business and reported in the first half year. In addition to this a loss on the sale of the UK retail wealth platform was in part compensated by gains on other smaller disposals in the year.

- Restructuring costs of USD 160m compared to USD 350m in the prior year.

- Other charges amounted to USD 316m, including USD 15m relating to hyper-inflation accounting in relation to the Group's operations in Argentina, USD 57m of integration costs for the acquisition of OnePath Life and USD 114m of charges related to the implementation of IFRS 17 with the balance spread across a range of other items.

The effective tax rate for the full year was 23.6% down from 24.9% in the prior year. The decline in the tax rate was driven by a more favorable geographic mix of earnings together with a positive one-time effect from changes relating to Swiss tax reforms. These were partly offset by the absence of tax relief on the Venezuelan currency translation adjustment.

Slide 14: Group – Outlook

Over 2020 the Group expects to show progress against the targets laid out in November 2019.

P&C: The Group expects further hardening of pricing over 2020 with price increases expected to remain ahead of loss cost inflation. This is expected to support improved top-line growth with net earned premiums expected to grow in the mid-single digits before FX movements. Together with changes in portfolio mix and cost efficiencies, these are expected to support further improvement in the underlying Group combined ratio. P&C investment income excluding fair value gains on hedge-funds is expected to decline modestly reflecting lower reinvestment rates and the development of P&C investment balances.

Life: BOP is expected to grow by a high single digit percentage from the reported FY-19 level, reflecting both underlying growth and inclusion of a full year of the OnePath Life business.

Farmers: The Farmers Exchanges are expected to see steady growth in top-line. Combined with stable margins, this is expected to continue to support revenue and earnings development at FMS. The further reduction in the all lines quota share to Farmers Re is expected to further the downward trend in reported earnings at Farmers Re.

Group Functions and Operations: The Group functions are expected to show a run rate loss of around USD 750 – 800m per annum.

Restructuring charges: For 2020, restructuring charges and other costs recognized outside of BOP are expected to be around USD 250m.

Tax: The Group effective tax rate for 2020 is expected to be around 24 – 25%.

Slide 15: P&C – Top line

Gross written premiums in Property & Casualty (P&C) for 2019 increased 6% on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. Strong growth was achieved in all regions. In U.S. dollars gross written premiums grew 2%.

The level of rate increases improved across most regions compared to the previous year, with the Group achieving rate increases of around 4% overall. Throughout 2019 rates accelerated especially in North America where the Group achieved rate increases of 10% in the fourth quarter. For 2020 rates are expected to further improve.

Net earned premiums for the year were up 1% on a like-for-like basis and down 3% in U.S. dollars, with growth lagging gross premiums due to the earn through of prior year reductions in gross written premiums and the impact of changes in reinsurance.

In EMEA, gross written premiums increased 6% on a like-for-like basis, with strong growth in the Swiss and UK commercial business as well as in Italy and some smaller European retail markets.

North America grew by 4% compared to the previous year on a like-for-like basis. The increase was driven mainly by rate increases across different lines, but also by higher retention and increased new business.

Asia Pacific increased 7% on a like-for-like basis, driven mainly by growth in Australia, Malaysia, and Japan retail while Latin America was up 23%, on a like-for-like basis, mainly driven by growth in Brazil and higher premiums in Argentina, mainly due to the elevated level of inflation.

Slide 16: P&C – BOP components

FY-19 P&C BOP was USD 2,878m, 38% higher than in the previous year.

The underwriting result increased strongly by USD 348m. In line with this, the combined ratio for FY-19 improved by 1.4 percentage points to 96.4%.

Investment income for the year increased by 1% on a reported basis, with growth in investment income across North America and Latin America more than offsetting a decline in EMEA. The strong performance of financial markets in the year led to an increase in fair value gains on the Group’s hedge fund portfolio to USD 211m compared to a loss of USD 48m in 2018.

The contribution of other items, which include the net non-technical result and non-controlling interests, was USD 158m higher than in the previous year, mainly driven by the absence of major restructuring charges included within BOP. The net non-technical loss of USD 131m benefitted from an FX gain of USD 29m.

All regions contributed to the P&C performance, with North America and EMEA in particular standing out. Growth in the regions was partly offset by higher losses in the Group Reinsurance unit.

Slide 17: P&C – Combined ratio details

The accident year loss ratio excluding catastrophes reduced by 0.3 percentage points compared to FY-18 and 0.7 percentage points when normalizing the FY-19 ratio for the challenging crop year. The reduction is driven by an improved underwriting performance across most regions.

Catastrophe and weather-related losses for the year totaled 3.2%, 0.8 percentage points below the previous year and slightly above the normal expectation of around 3%. In the first half of the year catastrophe losses were particularly benign in Europe and Asia-Pacific while North America was in line with expectations. In the second half experience was slightly above normal expectations especially in Europe and North America.

Prior year development of 2.3% remained on the same level as 2018. Over the year the Group's reserve strength remained unchanged.

Additional cost savings achieved in the year are visible in the development of the expense ratio. The other underwriting expense ratio for FY-19 improved 0.6 percentage points to 13.5% compared to the same period in 2018, with reductions mainly in EMEA and APAC. The commission ratio increased slightly by 0.1 percentage point, mainly driven by business mix changes in EMEA.

Slide 18: P&C – Crop business

Following strong performances in 2017 and 2018, 2019 was a more challenging year for the crop business in North America.

The crop results in 2019 were mainly impacted by claims related to prevented and delayed planting following extreme flooding in the Midwest during the first half of the year as well as by an early freeze which damaged sugar beet crops later in the year. Due to the elevated losses the FY-19 combined ratio for the crop business was significantly higher than in the previous years and the normal expectation of around 95%.

Excluding crop, the AY combined ratio excluding catastrophes on the remainder of the P&C business improved by around 1.5 percentage points, continuing the trend seen in the previous year, with a proportionally larger impact on the North American combined ratio.

Slide 19: P&C – Combined ratio by segment and customer unit

The EMEA accident year combined ratio ex-catastrophes of 94.8% for FY-19 was lower than in the previous year, with underlying improvements in the expense ratio the main driver.

In North America, the accident year combined ratio ex-catastrophes of 94.2% was slightly below the prior year, with FY-19 impacted by weaker results for crop insurance.

The Asia Pacific accident year combined ratio showed a significant reduction to 94.8%, mainly driven by improvements in other underwriting expenses.

In Latin America, the accident year combined ratio ex-catastrophes for the year was 98.0%, 2 percentage points lower than in the previous year, driven mainly by an improved accident year loss ratio in Mexico and Argentina and a lower commission ratio due to a favorable business mix.

Commercial Insurance delivered a strong performance with the accident year combined ratio excluding catastrophes improving by 2.8 percentage points to 96.7%, mainly due to improvements in North America and UK.

For the retail and other business, which includes the North American crop business, the accident year combined ratio excluding catastrophes was 94.3% for FY-19, 1.1 percentage higher than the prior year. Excluding the crop business, the combined ratio would have been lower year on year.

Slide 20: P&C – Investment result

FY-19 investment income rose 1% to USD 1,961m while fair value items of USD 211m increased USD 258m year on year driven by more favorable market developments.

Reinvestment yields for debt securities were around 2.4% over the year. The gap to the annualized portfolio yield increased from 21bps to 41bps during the second half of 2019 mainly as a result of decreasing yield levels in Q3-19 across the Group’s major geographies.

Slide 21: Life – Overview

Life continued to deliver a strong underlying performance against a high prior year comparative. Life BOP decreased 4% to USD 1,486m due to strengthening of the U.S. dollar compared to the prior year and increased 2% on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. Within the results, net positive one-off items added around USD 70m compared to USD 125m in the prior year.

In EMEA, BOP increased 3% in U.S. dollars and 9% on a like-for-like basis. Underlying growth was driven by a combination of a more favorable business mix and expense savings, together with favorable one-off items amounting to USD 54m.

In Latin America, BOP decreased 16% in U.S. dollars compared to an increase of 6% on a like-for-like basis as a result of the devaluation of several Latin American currencies. Growth in the largest market Brazil was partially offset by higher claims in corporate protection business in Chile.

Asia Pacific BOP increased 10% in U.S. dollars, with a decrease of 4% on a like-for-like basis. The underlying reduction was driven primarily by weaker results in Australia which more than offset a positive one-off benefit of USD 21m from a gain related to a property sale and lease-back transaction.

In North America, which excludes Farmers Life, which is reported separately under Farmers, earnings decreased by USD 61m due to a combination of higher mortality claims and unfavorable assumption updates offsetting the HY-19 gain derived from a reserving methodology change.

FY-19 Life new business annual premium equivalent (APE) decreased 3% on a like-for-like basis with a reduction of 7% on a reported basis. In EMEA, like-for-like new business APE was flat as strong growth in corporate pension business in Switzerland, higher unit linked sales in Italy, and higher retail protection sales in the UK were offset by the absence of a large corporate protection scheme in the prior year. In Latin America APE sales decreased 15% on a like-for-like basis. Strong growth in Brazil was more than offset by the absence of a large corporate protection scheme offered for tender on a two-year basis in Chile. Asia Pacific remained flat on a like-for-like basis, with growth in protection business in most geographies being almost fully offset by lower sales in Japan. North America delivered continued growth in all product lines.

New business value (NBV) increased 4% on a like-for-like basis and decreased 1% in U.S. dollars. Underlying improvements in business and country mix as well as positive operating assumptions were partially offset by adverse economic assumption updates.

The new business margin (NBM) increased 2.2 percentage points on a like-for-like basis and improved by 1.8 percentage points to 25.8% on a headline basis.

Slide 22: Life – Product mix

The Group continues to focus on protection, unit-linked and corporate pension business, with these products accounting for 85% of APE sales. Compared to FY-18, this represents a 1 percentage point reduction.

Protection business contributed 82% of the overall NBV, an increase of 7% compared to prior year.

Slide 23: Life – Net inflows & AuM

Net inflows decreased 15% compared to the prior year. The decline was primarily driven by lower volumes of savings business in EMEA partially offset by higher volumes of unit-linked business in Latin America.

Assets under management increased 8% mainly due to favorable market movements compared to prior year and USD 3bn of AuM resulting from the acquisition of OnePath Life in Australia partially offset by the sale of the UK retail wealth business resulting in the reclassification of USD 16bn from AuM to assets held for sale.

Slide 24: Life – BOP by source

The Group's life business continued to be driven by stable income streams on a, sources of earnings view, with 86% of income coming from loadings and fees together with technical margins on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals.

Viewed by margin on a like-for-like basis, loadings and fees increased 4%. Growth in the year was driven by higher gross written premiums and policy fees as well as increased loadings and fee margin ratios. Strong growth in Asia Pacific, Latin America and North America were partially offset by lower fee revenue in the UK.

The investment margin increased 38% mainly driven by a refinement of the accounting methodology regarding policyholder bonus allocations.

The technical margin decreased 11%. Positive contributions from the growing protection portfolio in Asia Pacific were more than offset by lower margins in EMEA and weaker results in Asia Pacific and Latin America.

On the expense side, operating costs deteriorated by 2%. While the EMEA result was positively impacted by expense savings initiatives, the strong business growth in Asia Pacific and Latin America more than offset the achieved benefits. Acquisition costs increased 7% reflecting shifting business mix effects in Latin America and EMEA.

Slide 25: Life – Investment result

Life investment result, which is gross of policyholder sharing, increased by 13% to USD 3.8bn in U.S. dollars, driven mainly by favorable market developments compared to prior year.

Slide 26: Farmers Exchanges – Growth

The Farmers Exchanges showed continued growth in top-line through 2019. Gross written premiums increased by 2% with growth across all lines of business. Growth was also supported by the expansion of the Farmers Exchanges in the Eastern U.S., with gross written premiums up 6% in the expansion states, and a broadening of the agreement with Uber to provide commercial rideshare insurance in 12 additional states and the District of Columbia, building on the experience in the two states of Pennsylvania and Georgia.

Key customer metrics remained strong as a result of the Farmers Exchanges' customer focused strategy, with both Net Promoter Score and retention above prior year levels.

Slide 27: Farmers Exchanges – Profitability

The Farmers Exchanges combined ratio stood at 100.0%, broadly in line with the prior year. The Farmers Exchanges' surplus ratio increased by 2 percentage points to 41.5%. This was driven by organic growth of surplus which more than offset the impact of a reduction in the all lines quota share treaty from 29% to 26% effective December 31, 2019.

Slide 28: FMS – Overview

Farmers Management Services (FMS) BOP increased 2% compared to the prior year. This was driven by 1% growth in the gross management result, in line with Farmers Exchanges gross earned premiums, and USD 19m of favorable mark to market impact on a deferred compensation plan, compared to a USD 10m unfavorable impact in the prior year.

The managed gross earned premium margin remained stable at 7.0%.

Slide 29: Farmers Life and Farmers Re – Overview

Farmers Life BOP of USD 236m was USD 59m higher than in the prior year. Results benefited from a combination of continued growth in the in-force portfolio, favorable experience and a positive year over year impact from annual assumption updates. Within this, favorable mortality experience and lower amortization of deferred acquisition costs accounted for around half of the improvement.

Farmers Re BOP of USD 15m was USD 28m lower than in the prior year. This reflects the ongoing impact of the reduction in the all lines quota share participation, further reduced to 0.25% effective December 31, 2019, as well as higher natural catastrophe losses and adverse prior year development from periods with a higher quota share participation. Farmers Re BOP is expected to continue to gradually decline in the coming years, reflecting lower net earned premiums and lower investment income as asset balances reduce in line with the reduction in liabilities.

Slide 30: Group Functions and Operations & Non-Core Businesses – BOP

The business operating loss reported under Group Functions and Operations improved by USD 36m to USD 716m. This was driven by a USD 43m reduction in headquarter expenses, while Holding and Financing costs remained in line with the prior year.

The Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 52m. The loss primarily reflected the net impact of previously announced transactions to exit legacy portfolios related to UK employer's liability, U.S. asbestos and environmental business, and German professional architects' and engineers' professional indemnity, as well as reserve strengthening in selected portfolios.

Slide 31: Group – Solvency ratios

The Group's balance sheet remains very strong, with Group's Z-ECM ratio estimated at 129% as of the end of December.

Strong operational capital generation from the businesses added 14 percentage points offset by 9 percentage points of dividend accrual. Market movements over the year reduced the ratio by 2 percentage points. The impact of a reduction in risk free rates was partly offset by increased hedging and asset sales. Movements in insurance risk and other items added a further percentage point to the ratio.

Slide 32: Group – Balance sheet and capital structure

Shareholders' equity increased by USD 4.9bn over the year mainly due to an increase in unrealized gains and losses, with net income of USD 4.1bn largely offset by the payment of the Group dividend.

The Group capital structure remains broadly unchanged from the one reported at the FY-18 results.

Slide 33: Group – Cash remittances & dividend proposal

Conversion of earnings into distributable cash remains strong bringing the cumulative total for the 2017 – 2019 period to USD 10.9bn and exceeding the target of USD 9.5bn.

During the year the Group saw net remittances of USD 3.4bn, in-line with the prior year and represent roughly 82% of net income attributable to shareholders. The level of remittances has been driven both by operational earnings and capital released as a result of the Group's continued efforts to improve allocation of capital and extract capital from non-core and underperforming areas of business.

Cash remittances from P&C were higher than in the previous year reflecting negative one-off items in 2018, including cash payments related to the hurricanes in 2017. In 2019 life cash remittances were lower than in 2018 which benefited from the extraction of excess capital from a number of European balance sheets as well as changes in the level of key currencies.

In line with the stated dividend policy the Board proposal to the AGM is to pay a dividend of CHF 20 per share, representing a 5% increase, with the dividend paid fully out of Group retained earnings.

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 services and ancillary 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. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

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

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