Half year results 2019 – Delivering on our targets

Investor presentation
August 8, 2019

Zurich Insurance Group
# Content

## MAIN SECTION

(Use symbols to navigate through the document)

- Key highlights
- Group results and outlook
- Property & Casualty (P&C)
- Life
- Farmers
- Group Functions and Operations & Non-Core Businesses
- Group solvency
- Group balance sheet and capital
- Disclaimer

## APPENDIX

(Use symbols to navigate through the document)

- Group financial targets
- P&C catastrophe reinsurance program
- Farmers Exchanges
- Group solvency
- Group debt
- Commentary
- Contacts
- Calendar

Other symbols

- Back to content page
- Back to slide
Delivering on our targets and ready for the next phase

<table>
<thead>
<tr>
<th>2017-19 Plan</th>
<th>Fully on track to exceed all Group targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>BOP up 16% and at highest level for a decade, BOPAT ROE 15.0%, EPS up 18%</td>
</tr>
<tr>
<td>P&amp;C</td>
<td>46% increase in BOP, combined ratio of 95.1%, Commercial strongly improved</td>
</tr>
<tr>
<td>Life</td>
<td>Positive underlying performance offset by adverse FX development</td>
</tr>
<tr>
<td>Farmers</td>
<td>BOP up 7% driven by continued growth at Farmers Exchanges(^1) and favorable performance in Farmers Management Services and Farmers Life</td>
</tr>
<tr>
<td>Cash &amp; Capital</td>
<td>Cumulative 2017-19 cash remittances of USD 9.2bn(^2), very strong Z-ECM of 121%</td>
</tr>
</tbody>
</table>

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\(^1\) For all references to Farmers Exchanges see the disclaimer and cautionary statement.

\(^2\) As of June 30, 2019.
KEY HIGHLIGHTS

On track to exceed all Group targets

**BOPAT ROE (%)**

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.2%</td>
<td>12.1%</td>
<td>15.0%</td>
<td>&gt;12.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Z-ECM RATIO (%)**

<table>
<thead>
<tr>
<th></th>
<th>HY-19e</th>
<th>Target range</th>
</tr>
</thead>
<tbody>
<tr>
<td>121%</td>
<td>120%</td>
<td></td>
</tr>
</tbody>
</table>

**CUMULATIVE CASH REMITTANCES (USDm)**

- **FY-17 - HY-19:** 9.2
- **2017 - 2019 Target:** >9.5

**CUMULATIVE NET EXPENSE SAVINGS (USDm)**

<table>
<thead>
<tr>
<th></th>
<th>Achieved</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>~USD 1.3bn as of HY-19</td>
<td>~300</td>
<td>~700</td>
<td>~1,100</td>
<td>1,500</td>
<td></td>
</tr>
</tbody>
</table>

1 HY-19 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.
KEY HIGHLIGHTS

Continued strong performance across all segments

P&C

COMBINED RATIO (%)

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>97.5%</td>
<td>95.1%</td>
<td>64.5%</td>
</tr>
<tr>
<td>ER</td>
<td>3.0%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Cat</td>
<td>32.5%</td>
<td>32.6%</td>
<td></td>
</tr>
<tr>
<td>PYD</td>
<td>-2.5%</td>
<td>-1.6%</td>
<td></td>
</tr>
</tbody>
</table>

LIKE-FOR-LIKE GWP GROWTH (%)

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY-17</td>
<td>1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY-18</td>
<td>0.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HY-19</td>
<td></td>
<td></td>
<td>4.3%</td>
</tr>
</tbody>
</table>

LIFE

BOP LIKE-FOR-LIKE (%)²

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HY-19</td>
<td>763</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HY-19 APE SHARE OF NON-TRADITIONAL PRODUCTS

- UL, protection
- Corporate Life & Pension

87%

FARMERS EXCHANGES¹

COMBINED RATIO (CR) (%)

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>98.3%</td>
<td>91.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>HY-19</td>
<td>100%</td>
<td>92.4%</td>
<td></td>
</tr>
</tbody>
</table>

GWP GROWTH (USDm)³

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>10,233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HY-19</td>
<td></td>
<td>10,449</td>
<td></td>
</tr>
</tbody>
</table>

1 For all references to Farmers Exchanges see the disclaimer and cautionary statement.
2 In local currency and adjusted for closed acquisitions and disposals.
3 Continuing operations only, excludes discontinued operations (21st Century outside of California and Hawaii, business insurance independent agents, and other businesses).
Continued execution on all strategic priorities

NEW DISTRIBUTION PARTNERSHIPS

INNOVATIVE PROPOSITIONS

Cover•More

Klinc

coverwallet

Other SME propositions

STRENGTHENED CUSTOMER FOCUS

REALLOCATION OF CAPITAL

ACQUISITIONS

DISPOSALS

SUPPORTING A BETTER SOCIETY

Signatory of UN business pledge to limit global temperature rise

NPS²

RETENTION²

1 For Cover•More, sales and customer count growth HY-19 vs HY-18. For Klinc, customer count since launch in July 2018, as of HY-19.

2 Retail NPS (HY-19 vs. FY-18) and customer retention (HY-19 vs. HY-18). For Farmers Exchanges, retention refers to the rolling 3-months periods (i.e. discrete Q2-19 vs. Q2-18).

3 For all references to Farmers Exchanges see the disclaimer and cautionary statement.
The P&C strategy is working with improved profitability and reduced volatility, and strong improvement in Commercial

**P&C BUSINESS MIX (% NEP)**

<table>
<thead>
<tr>
<th></th>
<th>FY-15</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialties</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Property</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Liability</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Motor</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>10%</td>
<td>9%</td>
</tr>
</tbody>
</table>

**AY COMBINED RATIO EXCLUDING CATASTROPHES (%)**

- **COMMERCIAL**
  - FY-16: 99.1%
  - HY-19: 94.8%
  - Change: -4.3ppts

- **RETAIL AND OTHER**
  - FY-16: 94.8%
  - HY-19: 93.2%
  - Change: -1.7ppts

**LARGE LOSS VOLATILITY (ppts)**

- **Q1-14**
  - 8ppts

- **Q2-19**
  - 2ppts

1. Accident year combined ratio excludes prior year reserve development (PYD). Catastrophes (Cat) include major and mid-sized catastrophes including significant weather-related events.
2. Volatility is measured as difference between lowest and highest ratio for the indicated period.
We have a large and growing Life protection business

**KEY HIGHLIGHTS**

**LIFE GWP SPLIT (%)**

<table>
<thead>
<tr>
<th>Region</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>33%</td>
<td>90%</td>
</tr>
<tr>
<td>Latin America</td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>North America</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>Total</td>
<td>92%</td>
<td>99%</td>
</tr>
</tbody>
</table>

**PROTECTION GWP (USDbn)**

- **EMEA**: HY-18 = +10%, HY-19 = +8%
- **Latin America**: HY-18 = +22%, HY-19 = +24%
- **North America**: HY-18 = 0.5, HY-19 = 3.5
- **Total**: HY-18 = 3.5, HY-19 = 4.0
Consistent progress against key strategic priorities

KEY HIGHLIGHTS – FARMERS EXCHANGES

Consistent progress against key strategic priorities

EASTERN EXPANSION

- Established state
- Eastern expansion state
- Eastern expansion state + Commercial rideshare (& delivery)

AGENCY MODEL

CAPITALIZED AGENTS (number)

- HY - 18
- HY - 19

CUSTOMER RELATIONSHIPS

NEW BUSINESS HOUSEHOLDS PURCHASING A SECOND PRODUCT IN FIRST 30 DAYS (%)

- HY - 18
- HY - 19

INNOVATION

- Policies >10,000
- 23 states

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1 For all references to Farmers Exchanges see the disclaimer and cautionary statement.
2 GWP in the Eastern expansion states, excluding discontinued operations.
HY-19 CFO update
Strong performance with all regions contributing to growth

BOP BY REGION (USDm)

BOP BY BUSINESS (USDm)

1 Includes Group Functions and Operations, Non-Core Businesses and Group Reinsurance.
2 In local currency and adjusted for closed acquisitions and disposals.
14% increase in net income attributable to shareholders driven by higher BOP and lower effective tax rate, EPS up 18%

BOP TO NIAS WALK (USDm)

-258m Venezuela
24.9% Tax rate
+14% vs. HY-18

Non-controlling interests
## GROUP – OUTLOOK
### 2019 updated outlook

| **P&C** | • NEP expected to be slightly below prior year level due to FX movements  
|         | • Combined ratio expected to be around the mid-point of the 95-96% range  
|         | • Investment income excl. hedge fund gains expected to be stable versus the prior year |
| **Life** | • Second half BOP expected to be around USD 750m |
| **Farmers** | • Steady growth expected in Farmers Exchanges\(^1\) GWP  
|            | • Stable managed gross earned premium margin at Farmers Management Services |
| **Other** | • Group Functions and Operations loss expected to be in the range of USD 750-800m  
|           | • Expect USD 400m in cost savings and USD 150-200m in restructuring and integration costs  
|           | • Effective tax rate of around 25% |

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\(^1\) For all references to Farmers Exchanges see the disclaimer and cautionary statement.
Strong GWP growth and continued positive rate trend

<table>
<thead>
<tr>
<th>HY-19 TOPLINE DEVELOPMENT</th>
<th>RATE CHANGE (%)(^1)</th>
<th>NORTH AMERICA RATE CHANGE (%)(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GWP (USDm)</td>
<td>Like-for-like GWP growth (%)(^2)</td>
</tr>
<tr>
<td>EMEA</td>
<td>8,265</td>
<td>5%</td>
</tr>
<tr>
<td>North America</td>
<td>8,189</td>
<td>2%</td>
</tr>
<tr>
<td>APAC</td>
<td>1,491</td>
<td>8%</td>
</tr>
<tr>
<td>Latin America</td>
<td>1,454</td>
<td>14%</td>
</tr>
<tr>
<td>Total(^3)</td>
<td>18,555</td>
<td>4%</td>
</tr>
</tbody>
</table>

1 GWP development due to premium rate change as a percentage of the renewed portfolio (excl. the crop business) against the comparable prior year period.
2 In local currency and adjusted for closed acquisitions and disposals.
3 Total includes Group Reinsurance and Eliminations.
Strong performance in P&C driven by improved underwriting result and positive investment performance

BOP BREAK DOWN (USDm)

- Underwriting result
- Investment income
- Realized capital gains
- Other

BOP CHANGE BY SEGMENT (USDm)

- Underwriting result
- Investment income
- Realized capital gains
- Other

COMBINED RATIO (%)

- Expense ratio
- Loss ratio

---

1 In local currency and adjusted for closed acquisitions and disposals.
2 Includes non-technical result and non-controlling interest.
3 Group Reinsurance.
4 Expense ratio includes premium tax and levies (1.7% for HY-19 and 1.4% for HY-18).

August 8, 2019
Half year results 2019
Lower accident year loss ratio and reduced other underwriting expense ratio drive improvement

**Accident Year Loss Ratio Excluding Catastrophes (%)**

- HY-17: 65.2%
- HY-18: 64.5%
- HY-19: 61.8%

- Cat: 2.9% (HY-17), 3.0% (HY-18), 2.3% (HY-19)
- PYD: -1.0% (HY-17), -2.5% (HY-18), -1.6% (HY-19)

**Other Underwriting Expense (OUE) Ratio (%)**

- HY-17: 14.9%
- HY-18: 14.3%
- HY-19: 13.7%

- HY-17: -0.6ppt
- HY-18: -2.7ppt
- HY-19: -2.7ppt

**Commission Ratio (%)**

- HY-17: 15.7%
- HY-18: 16.8%
- HY-19: 17.2%

- HY-17: +0.4ppt
- HY-18: +0.4ppt
- HY-19: +0.4ppt

---

1. Accident year loss ratio (AY LR) excludes prior year reserve development (PYD). Catastrophes (Cat) include major and mid-sized catastrophes including significant weather-related events.
2. Excludes premium tax and levies (1.7% for HY-19 and 1.4% for HY-18).
Improvement in underlying combined ratio across all regions, with particularly strong improvement in Commercial

**ACCIDENT YEAR COMBINED RATIO (AY CR) EXCLUDING CATASTROPHES BY SEGMENT (%)**

- **EMEA**
  - HY-18: 95.2%
  - HY-19: 93.8%
  - Improvement: -1.4ppts

- **North America**
  - HY-18: 96.4%
  - HY-19: 92.7%
  - Improvement: -3.7ppts

- **Asia Pacific**
  - HY-18: 98.4%
  - HY-19: 94.6%
  - Improvement: -3.7ppts

- **Latin America**
  - HY-18: 99.6%
  - HY-19: 97.6%
  - Improvement: -2.0ppts

**AY CR EXCL. CATASTROPHES BY CUSTOMER UNIT (%)**

- **Commercial**
  - HY-18: 99.6%
  - HY-19: 94.8%
  - Improvement: -4.8ppts

- **Retail and Other**
  - HY-18: 99.6%
  - HY-19: 94.0%
  - Improvement: -0.8ppts

---

1. Excludes Group Reinsurance and Eliminations.
2. Other includes small & medium enterprises, direct market and other program business.

August 8, 2019

Half year results 2019
Higher investment result driven by strong hedge fund performance

INVESTMENT RESULT IN BOP (USDm)

INVESTMENT INCOME YIELD

INVESTMENT INCOME YIELD OF GROUP INVESTMENTS (%)

<table>
<thead>
<tr>
<th></th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.7%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

BOOK & REINVESTMENT YIELD OF DEBT SECURITIES (%)

<table>
<thead>
<tr>
<th></th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.6%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Realized capital gains Investment income

Net of investment expenses, investment income yield calculated based on average Group Investments (accounting view).

Book yield calculated as weighted-average portfolio yield of debt securities during the period on an annual basis, 2018 figures have been restated. Reinvestment yield calculated as weighted-average trade yield of purchased debt securities with maturity >90 days during the period on an annual basis.
LIFE – OVERVIEW

Solid underlying Life performance across all metrics

### BOP (USDm)

- HY-17: 650
- HY-18: 760
- HY-19: 701

### APE (USDm)

- HY-17: 2,275
- HY-18: 2,291
- HY-19: 2,229

### NBM (%) & NBV (USDm)

- HY-17: 503
- HY-18: 522
- HY-19: 505

**Notes:**
1. Annual premium equivalent (APE) is reported before non-controlling interests.
2. New business margin (NBM) and value (NBV) are reported net of non-controlling interests.
3. In local currency and adjusted for closed acquisitions and disposals.
Sales and new business value driven by protection and capital efficient savings products

APE PRODUCT MIX (USDm)

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,275</td>
<td>2,291</td>
<td>2,229</td>
<td></td>
</tr>
<tr>
<td>250</td>
<td>374</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>317</td>
<td>315</td>
<td>607</td>
<td></td>
</tr>
<tr>
<td>317</td>
<td>627</td>
<td>640</td>
<td></td>
</tr>
<tr>
<td>787</td>
<td>919</td>
<td>834</td>
<td></td>
</tr>
</tbody>
</table>

LIFE – PRODUCT MIX

NBV PRODUCT MIX (USDm)

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>503</td>
<td>32</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>389</td>
<td>78</td>
<td>85</td>
<td>74</td>
</tr>
<tr>
<td>314</td>
<td>5</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

1 Annual premium equivalent (APE) is reported before non-controlling interests.
2 New business value (NBV) is reported net of non-controlling interests.
Continued strong net inflows and positive markets drive strong AUM growth

**NET INFLOWS BY SEGMENT (USD bn)**

- **HY-18**
  - Latin America: 0.0
  - Asia Pacific: 1.1
  - North America: 3.2
  - EMEA: 4.3

- **HY-19**
  - Latin America: 0.1
  - Asia Pacific: 1.7
  - North America: 2.3
  - EMEA: 4.5

**AUM DEVELOPMENT (USD bn)**

- **as of January 1 2019**
  - 3rd party investments: 254
  - Group investments: 5
  - Unit-linked: 44
  - as of June 30 2019
  - 3rd party investments: 282
  - Group investments: 115
  - Unit-linked: 51

**AUM +5%**

- **HY-18**
  - 3.2

- **HY-19**
  - 4.5

**AUM +11%**

- **as of January 1 2019**
  - Net inflows: 24
  - Market movements and other: 5
  - FX: 0
  - as of June 30 2019
  - Net inflows: 282
  - Market movements and other: 24
  - FX: 5
Continued underlying revenue growth from loadings & fees and technical margins

**BOP BY SOURCE OF EARNINGS (USDm)**

<table>
<thead>
<tr>
<th>Source</th>
<th>HY-18</th>
<th>HY-19</th>
<th>HY-19 VS. HY-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loadings &amp; fees</td>
<td>1,255</td>
<td>1,656</td>
<td>-6% 2%</td>
</tr>
<tr>
<td>Investment margin</td>
<td>401</td>
<td>287</td>
<td>-15% -7%</td>
</tr>
<tr>
<td>Technical margin</td>
<td>503</td>
<td>-664</td>
<td>-3% 1%</td>
</tr>
<tr>
<td>Operating costs</td>
<td>3%</td>
<td>9%</td>
<td>-1% 5%</td>
</tr>
<tr>
<td>Acquisition costs¹</td>
<td>-1,338</td>
<td>257</td>
<td>3% 9%</td>
</tr>
<tr>
<td>Deferral impacts¹</td>
<td></td>
<td></td>
<td>109% 121%</td>
</tr>
<tr>
<td>HY-19 BOP</td>
<td>701</td>
<td></td>
<td>-8% 2%</td>
</tr>
</tbody>
</table>

**KEY DRIVERS**

- Revenues from loadings & fees and technical margins: **88%**
- GWP & life insurance deposits: **+7%**
- Average unit-linked assets under management: **+3%**
- Average non unit-linked reserves: **+2%**

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¹ Prior year acquisition costs and deferral impact adjusted by an upfront reinsurance commission paid in 2018 for the acquisition of OnePath Life from ANZ.
² Like-for-like (L-for-L) is in local currency and adjusted for closed acquisitions and disposals.
Lower investment income due to unfavorable market yields developments in EMEA

INVESTMENT RESULT IN BOP GROSS OF PH (USDm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Realized capital gains</th>
<th>Investment income</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>1,903</td>
<td>328</td>
</tr>
<tr>
<td>HY-19</td>
<td>1,860</td>
<td>376</td>
</tr>
</tbody>
</table>

INVESTMENT INCOME YIELD

INVESTMENT INCOME YIELD OF GROUP INVESTMENTS (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>2.9%</td>
</tr>
<tr>
<td>HY-19</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

BOOK & REINVESTMENT YIELD OF DEBT SECURITIES (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Book yield</th>
<th>Reinvestment yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY-18</td>
<td>3.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>HY-19</td>
<td>2.9%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

1 Gross of policyholder participation (PH).
2 Net of investment expenses, investment income yield calculated based on average Group Investments (accounting view).
3 Book yield calculated as weighted-average portfolio yield of debt securities during the period on an annual basis, 2018 figures have been restated. Reinvestment yield calculated as weighted-average trade yield of purchased debt securities with maturity >90 days during the period on an annual basis.
Continued growth at Farmers Exchanges supported by strong customer KPIs

**GWP (USDm)**

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,775</td>
<td>10,233</td>
<td>10,449</td>
<td></td>
</tr>
<tr>
<td>10,047</td>
<td>10,335</td>
<td>10,458</td>
<td></td>
</tr>
</tbody>
</table>

**HY-19 VS. HY-18 (%)**

- Discontinued operations: +1.2%
- Continuing operations: +2.1%

**NET PROMOTER SCORE³ AND RETENTION (%)⁴**

<table>
<thead>
<tr>
<th></th>
<th>Q3-17</th>
<th>Q4-17</th>
<th>Q1-18</th>
<th>Q2-18</th>
<th>Q3-18</th>
<th>Q4-18</th>
<th>Q1-19</th>
<th>Q2-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS³</td>
<td>42.6</td>
<td>43.3</td>
<td>44.6</td>
<td>45.3</td>
<td>45.6</td>
<td>46.1</td>
<td>48.4</td>
<td>47.9</td>
</tr>
<tr>
<td>Retention⁴</td>
<td>81.5%</td>
<td>81.9%</td>
<td>82.2%</td>
<td>82.5%</td>
<td>82.7%</td>
<td>83.1%</td>
<td>83.1%</td>
<td>82.9%</td>
</tr>
</tbody>
</table>

1. For all references to Farmers Exchanges see the disclaimer and cautionary statement.
2. Includes 21st Century business outside of California and Hawaii, business insurance independent agents, and other businesses.
3. Survey based measure of customer loyalty for Farmers exclusive agent customers (personal lines and business insurance) on a YTD average basis.
4. Reflects rolling 3-months 13/1 combined policy survival rate for the Farmers exclusive agent channel, excluding Bristol West and Farmers Specialty Auto; based on weighted average GWP.
Continued improvement in Farmers Exchanges surplus ratio

**COMBINED RATIO (%)**

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR (excl. catastrophe losses)</td>
<td>104.9%</td>
<td>98.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Catastrophe losses</td>
<td>10.5%</td>
<td>6.6%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

**SURPLUS**

<table>
<thead>
<tr>
<th></th>
<th>FY-17</th>
<th>FY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus ratio (%)</td>
<td>38.7%</td>
<td>39.5%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Farmers Exchanges surplus (USD bn)</td>
<td>5.5</td>
<td>5.5</td>
<td>5.7</td>
</tr>
</tbody>
</table>

---

For all references to Farmers Exchanges see the disclaimer and cautionary statement.

1 Combined ratio before quota share reinsurance.
2 Surplus ratio based on Farmers Exchanges surplus.
Stable margin and continued growth in BOP

**BOP (USDm)**

- **HY-17**: BOP 688, Margin 13%
- **HY-18**: BOP 698, Margin 14%
- **HY-19**: BOP 709, Margin 28%

**MGEP MARGIN (%)**

- **HY-17**: 7.0%
- **HY-18**: 7.0%
- **HY-19**: 7.0%

1 Margin on gross earned premiums of the Farmers Exchanges. For all references to Farmers Exchanges see the disclaimer and cautionary statement.
Strong result at Farmers Life supported by favorable experience

BOP (USDm)

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Re</td>
<td>94</td>
<td>106</td>
<td>129</td>
</tr>
<tr>
<td>Farmers Life</td>
<td>87</td>
<td>25</td>
<td>9</td>
</tr>
</tbody>
</table>

FARMERS LIFE AND FARMERS RE – OVERVIEW

FARMERS LIFE NEW BUSINESS

APE (USDm)$^1$

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Re</td>
<td>46</td>
<td>45</td>
<td>39</td>
</tr>
<tr>
<td>Farmers Life</td>
<td>49</td>
<td>64</td>
<td>45</td>
</tr>
</tbody>
</table>

NBM (%) & NBV (USDm)$^2$

<table>
<thead>
<tr>
<th></th>
<th>HY-17</th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Re</td>
<td>106%</td>
<td>144%</td>
<td>115%</td>
</tr>
<tr>
<td>Farmers Life</td>
<td>64</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

$^1$ Annual premium equivalent (APE).
$^2$ New business margin (NBM) and value (NBV).
Headquarters costs further reduced, with Non-Core impacted by reinsurance of legacy U.S. asbestos and environmental liabilities.
Very strong capital position supported by operating capital generation pre-dividend

**Z-ECM AND SST RATIO (%)**

1. The Swiss Solvency Test (SST) ratio as of January 1, 2019 has been calculated based on the Group’s internal model, as agreed with FINMA. The full year ratio has to be filed with FINMA by end of April of each year and is subject to review by FINMA. 2015 and prior years not restated for latest methodology and model changes.

2. HY-19 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

3. Other includes model and assumption changes and capital movements.
Higher unrealized gains drive increase in shareholders’ equity

**SHAREHOLDERS’ EQUITY (USDm)**

- FY-18: 30,114
- NIAS: 2,041
- Dividend: -2,819
- Currency translation adjustment: 30
- Net unrealized gains/losses: 3,383
- Pension plans & other: 179
- HY-19: 32,929

**CAPITAL STRUCTURE (%)**

- FY-18: 12% Senior debt, 72% Subordinated debt, 16% Equity
- HY-19: 12% Senior debt, 72% Subordinated debt, 16% Equity

1 Based on IFRS balance sheet.
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, management, 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.

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Appendix
2017-2019 Financial targets

- BOPAT ROE\(^1\) in excess of 12% and increasing, despite higher equity base

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

- Z-ECM target ratio of 100-120%

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

\(^1\) Business Operating Profit after tax return on equity, excluding unrealized gains and losses.
We are focused on continuing to reward our shareholders, ~76% NIAS payout ratio for 2018 dividend

ZURICH’S DIVIDEND POLICY

- NIAS payout ratio of approximately 75%
- Dividend increases based on sustainable earnings growth
- Target minimum of prior year dividend per share

DIVIDEND PER SHARE (CHF)

FY-08 11  
FY-09 16  
FY-10 17  
FY-11 17  
FY-12 17  
FY-13 17  
FY-14 17  
FY-15 17  
FY-16 18  
FY-17 19  
+6%
Reinsurance program in line with Group risk appetite

GROUP CATASTROPHE REINSURANCE PROTECTION (USDm)

Europe all perils\(^1\)
- Global aggregate cat treaty: 200
- Combined global cat treaty: 440
- US wind swap: 600
- Global cat treaty: 1,000
- Regional cat treaties: 200
- Retention: 250
- 10% co-participation: 750\(^3\)

US all perils
- Global aggregate cat treaty: 200
- Combined global cat treaty: 600
- US wind swap: 1,000
- Global cat treaty: 1,000
- Regional cat treaties: 300
- Retention: 200
- 10% co-participation: 600

Rest of World all perils
- Global aggregate cat treaty: 200
- Combined global cat treaty: 480
- US wind swap: 600
- Global cat treaty: 1,000
- Regional cat treaties: 300
- Retention: 200
- 10% co-participation: 480

---

1. Europe cat treaty calculated with EUR/USD exchange rate as of July 31, 2019.
2. This USD 200m cover can be used only once, either for aggregated losses or for an individual occurrence or event.
3. Franchise deductible of USD 25m, i.e., losses greater than USD 25m count towards erosion of the retention (annual aggregate deductible).
Top-line growth across all continuing operations

### GWP (USDm)

<table>
<thead>
<tr>
<th></th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>10,335</td>
<td>10,458</td>
</tr>
<tr>
<td>Home</td>
<td>5,000</td>
<td>5,051</td>
</tr>
<tr>
<td>Auto</td>
<td>1,126</td>
<td>1,149</td>
</tr>
<tr>
<td>Specialty</td>
<td>2,651</td>
<td>2,724</td>
</tr>
<tr>
<td>Other</td>
<td>1,332</td>
<td>1,383</td>
</tr>
</tbody>
</table>

### PIF (000’s)

<table>
<thead>
<tr>
<th></th>
<th>December 2018</th>
<th>June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>14,038</td>
<td>13,912</td>
</tr>
<tr>
<td>Home</td>
<td>5,154</td>
<td>5,049</td>
</tr>
<tr>
<td>Auto</td>
<td>406</td>
<td>401</td>
</tr>
<tr>
<td>Specialty</td>
<td>4,698</td>
<td>4,640</td>
</tr>
<tr>
<td>Other</td>
<td>504</td>
<td>406</td>
</tr>
</tbody>
</table>

### COMBINED RATIO (%)

<table>
<thead>
<tr>
<th></th>
<th>HY-18</th>
<th>HY-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>102.0%</td>
<td>101.0%</td>
</tr>
<tr>
<td>Home</td>
<td>97.7%</td>
<td>102.0%</td>
</tr>
<tr>
<td>Specialty</td>
<td>90.8%</td>
<td>93.0%</td>
</tr>
<tr>
<td>Business Insurance</td>
<td>98.2%</td>
<td>101.9%</td>
</tr>
<tr>
<td>Total</td>
<td>98.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

---

1. For all references to Farmers Exchanges see the disclaimer and cautionary statement.
2. Effective Jan. 2019, policy counts are based on Policies-in-Force (PIF) for all books, including Auto which was previously based on Vehicles-in-Force (VIF). December 2018 was restated to reflect this change.
3. Includes 21st Century business outside of California and Hawaii, business insurance independent agents, and other businesses.

August 8, 2019

Half year results 2019
Available Financial Resources as of HY-19 (estimated); Risk Based Capital (RBC) as of Q1-19.

Includes subordinated debt of USD 6.9bn and senior financial debt not maturing within the next year of USD 2.7 billion (since Q2 2018, excluding net new issued senior debt).

Includes Group Functions and Operations & Non-Core Businesses.
### Z-ECM Impact

<table>
<thead>
<tr>
<th>Factor</th>
<th>Solvency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual value as of FY-18</td>
<td>124%</td>
</tr>
<tr>
<td>Interest rate +100 bps</td>
<td>134%</td>
</tr>
<tr>
<td>Interest rate -100 bps</td>
<td>107%</td>
</tr>
<tr>
<td>USD appreciation +10%</td>
<td>125%</td>
</tr>
<tr>
<td>Equities +20%</td>
<td>127%</td>
</tr>
<tr>
<td>Equities -20%</td>
<td>120%</td>
</tr>
<tr>
<td>Credit spreads +100 bps$^3$</td>
<td>109%</td>
</tr>
<tr>
<td>CS excl. Euro sovereign +100 bps$^3$</td>
<td>113%</td>
</tr>
</tbody>
</table>

### SST Impact

<table>
<thead>
<tr>
<th>Factor</th>
<th>Solvency Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual value as of FY-18</td>
<td>221%</td>
</tr>
<tr>
<td>Interest rate +100 bps</td>
<td>235%</td>
</tr>
<tr>
<td>Interest rate -100 bps</td>
<td>189%</td>
</tr>
<tr>
<td>USD appreciation +10%</td>
<td>224%</td>
</tr>
<tr>
<td>Equities +20%</td>
<td>227%</td>
</tr>
<tr>
<td>Equities -20%</td>
<td>213%</td>
</tr>
<tr>
<td>Credit spreads +100 bps$^3$</td>
<td>194%</td>
</tr>
<tr>
<td>CS excl. Euro sovereign +100 bps$^3$</td>
<td>202%</td>
</tr>
</tbody>
</table>

---

1. 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); SST is calibrated at 99.0% Expected Shortfall.
2. The impact of the changes to the required capital is approximated and takes into account market and insurance risks.
3. Credit Spreads (CS) include mortgages and including/excluding Euro sovereign spreads. Z-ECM sensitivity is net of profit sharing with policyholders.
Low average debt cost and balanced maturity profile

**DEBT (USDbn) AND AVERAGE DEBT COST (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt (USDbn)</th>
<th>Average Debt Cost (%)</th>
<th>2018</th>
<th>2019e</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY-18</td>
<td>12.0</td>
<td>Senior</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>HY-19</td>
<td>13.0(^1)</td>
<td>Subordinated</td>
<td>4.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>3.5%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

\(^1\) Includes USD 0.5bn of pre-financing for dated subordinated notes which were redeemed on July 24, 2019.

**MATURITY PROFILE (USDbn)\(^2\)**

- Senior
- Subordinated

Maturity profile based on first call dates for subordinated debt and maturity date for senior debt.

---

1 Includes USD 0.5bn of pre-financing for dated subordinated notes which were redeemed on July 24, 2019.

2 Maturity profile based on first call dates for subordinated debt and maturity date for senior debt.
The half year 2019 results show a very strong performance with business operating profit (BOP) increasing 16% as reported and 20% on a like-for-like basis, adjusting for FX movements, acquisitions and disposals. Earnings per share in Swiss Francs increased 18% compared to the prior year.

The results show the Group to be exceeding the BOPAT ROE target and to be close to achieving the cumulative cash remittances for the 2017-2019 period already as of 30 June. Net expense savings reached USD 1.3bn as of June 30. Management expects to exceed all targets for the 2017 to 2019 plan period by the end of the year.

The P&C results demonstrate strong progress across all regions, with BOP up 46%. Gross written premiums grew 4% on a like-for-like basis, while the combined ratio improved to 95.1%, the lowest level in the past decade. Investment income and fair value gains recognized in BOP also contributed to the performance. The results clearly shows the effectiveness of the Group’s underwriting actions over recent years and the efforts to reduce administration costs. In the first half year the accident year loss ratio ex-catastrophes improved by 2.7pts and the other underwriting expense ratio by 0.6pts, with these partially offset by a slight increase in the commission ratio. Results benefited from improvement across the business with the commercial segment seeing a particular improvement.

The Group’s Life business delivered another strong underlying result. Life BOP of USD 701m was 8% below the prior year with the first half comparison impacted by lower favorable one off items than in the prior year and the stronger U.S. dollar. On a like-for-like basis business operating profit grew 2%. The quality and resilience of the life performance remained high, with 88% of life revenues on a sources of earnings basis coming from either loadings and fees or technical margins. The first half saw the group continue to focus on protection and capital light savings products, with these equating to 87% of annual premium equivalent (APE) sales. New production remained positive with 4% growth in APE sales on a like-for-like basis and 3% growth in new business on the same basis.

At Farmers, business operating profit grew 7%. Growth came from underlying growth at Farmers Management Services together with favorable mark to market performance on employee benefit plans and strong results at Farmers Life following favorable experience over the first half. The Farmers Exchanges, which are owned by their policyholders, improved key customer metrics year-over-year, resulting in growth of gross written premiums from continuing business of 2%.

Very strong Z-ECM of 121%. The reduction from the full year is attributable to falls in yields year to date.
The first half 2019 results show the group to be on track to exceed all targets for the 2017 to 2019 plan period.

In terms of the Group's four financial targets,

1. **BOPAT ROE**: Annualized BOPAT ROE as reported was 15.0% for HY-19 and was comfortably above the Group's target to deliver a BOPAT ROE in excess of 12% and growing over the 2017-19 period.

2. **Expense savings**: The Group delivered a further USD 0.2bn of cost savings over the course of the first half of the year, with cumulative net savings of approximately USD 1.3bn achieved to date. Management expects to exceed the target of USD 1.5bn of savings by the end of 2019.

3. **Cash remittances**: Including the first half of 2019, cumulative cash remittances to the Group were USD 9.2bn. The Group expects to exceed the USD 9.5bn target for the 2017-2019 period.

4. **Capital**: As of June 30, 2019 the estimated Group Z-ECM ratio at 121% is slightly above the 100-120% target range.
The half-year results show a range of financial proof points against key management goals, including:

Property & Casualty (P&C) gross written premiums returned to growth. Growth was 4% on a like-for-like basis, adjusting for FX movements, acquisitions and disposals, and were stable on a reported basis. The combined ratio improved 2.4 percentage points on a headline basis. The accident year loss ratio ex-catastrophes improved by 2.7 percentage points, while the other underwriting expense ratio also improved by 0.6 percentage points. Offsetting this was a slightly higher commission ratio and an increase in premium taxes and levies. Prior year reserve development at 1.6% remained in line with the indicated 1-2 percent range, but was 0.9 percentage points below 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 first half the Group continued to focus on protection and capital light savings business, with these making up 87% of APE sales. On a like-for-like basis, adjusting for foreign exchange and acquisitions and disposals, APE growth was 4% with the new business value increasing 3% on the same basis.

At the Farmers Exchanges, strong customer retention and higher average premiums led to 2.1% growth in gross written premiums from continuing business. The combined ratio of 100% was 1.7 percentage points above prior year primarily due to higher catastrophes and weather related losses. Higher premium volumes continued to support growth in management fees and business operating profits at Farmers Management Services.
COMMENTARY

Page 6: Key highlights – Strategic update

The Group continues to make strong progress on key strategic priorities. During the first half year the Group added a number of significant distribution partnerships. In EMEA, the Group entered into an agreement with MediaMarkt Saturn, a leading retailer of electronic goods, to provide protection for customer purchases in Germany. In Switzerland, the Group acquired 33.3% of Autosense, a collaboration in the area of mobility between Zurich, Swisscom and a leading Swiss auto dealer AMAG. In Asia Pacific the Group entered into a 15 year distribution agreement to provide insurance and Takaful products through Alliance Bank in Malaysia, while the completion of the OnePath Life acquisition in Australia saw the launch of the distribution partnership with ANZ bank. In Latin America, the Group announced an extension of the Via Varejo relationship to bring insurance products to customers of banQi, Via Varejo’s digital bank.

The Group has also continued to reallocate capital by strengthening key businesses while exiting non-core operations. At the end of May, the Group completed the previously announced acquisition of OnePath Life in Australia. Following this transaction, Zurich becomes a leading player in the Australian individual life market. The Group also completed the sale of Venezuela and announced the reinsurance of the Group’s legacy portfolio of asbestos and environmental risks in North America.

In June, the Group underlined its commitment to supporting the societies in which it operates by 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 is also proactively engaging with its customers and investee companies to assist them with their mid-to long term transition plans to reduce their exposure to thermal coal and carbon intense fossil fuels.

The Group has continued to develop a range of innovative customer solutions. Cover-More, the Group’s travel and assistance business, continued to grow and increase customer count in the first half of the year. Klinc, an innovative provider of on demand coverage for personal possessions in Spain, has already on-boarded more than 4,100 new customers since its launch in July 2018. Building on this success, the Group launched Zurich Now in Argentina, a similar proposition aimed at millennials and anyone who wants freedom to choose coverage on demand. Following the successful launch in 2018 of the collaboration with Coverwallet, offering tailored online cover to small and medium-sized businesses in Spain, the collaboration expanded to Switzerland over the first half of 2019. Further, a number of new and innovative customer propositions for small and medium-sized businesses were launched in Switzerland, UK, Italy, Spain and other European countries. In the first half, the Group also introduced several new digital offerings, including LiveWell, a new wellness proposition in Australia, Homeflix a household proposition targeted at millennials in Italy, as well as a new connected car solution through auto-dealers in the United States. The first half of 2019 also saw the Group receive the gold award in the EFMA Accenture Innovation in Insurance Awards 2019 in recognition of the strength of its innovation.

Key customer metrics in the Group’s larger retail markets generally improved, with higher levels of retention than in the prior year in most markets.
Over the first half of 2019 the Group continued to execute against the key strategic priorities of improving profitability while reducing overall volatility of P&C results. The first half shows clearly that 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.

In the first half the Group has continued to adjust the overall P&C business mix towards specialty and shorter tail lines. In the first half of the year specialty and property lines of business accounted for 50% 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 2.9 percentage points. Within this commercial achieved a 4.3 point improvement and retail has seen a 1.7 percentage points improvement to 93.2%.

Volatility of the P&C book has also reduced. In the period Q1-16 to Q2-19 quarterly large losses have varied within a 2 percentage points range compared to 8 percentage points in the Q1-14 to Q4-15 period.
Life continues to progress in line with the Group’s strategy of focusing on higher margin protection business and capital light savings business. Gross written premiums for protection business have continued to grow strongly across all regions and account for more than half of the Group’s life premiums. Latin America, Asia Pacific and North America are strong protection players with 90% or more of their life business in protection.
Farmers Exchanges continue to progress against all the key strategic priorities outlined at the 2017 Investor Day. The expansion into the eastern U.S. continues to deliver strong growth, with gross written premiums exceeding USD 700m in the first half. Farmers Exchanges remain focused on improving the quality and performance of their agents. The shift towards a capitalized agency model is well on track, with the number of capitalized agents increasing by more than 500 units in the first half. Farmers’ experience shows that capitalized agents are able to provide better customer experience, reflected in higher net promoter scores, and show higher retention and productivity levels. Larger and better quality agencies have also the highest potential to serve customers across multiple lines of business.

Farmers Exchanges continue to innovate to deliver better value to customers and pursue growth opportunities. ToggleSM, a new and innovative offering aimed at millennials, was rolled out to twenty one additional states since the beginning of the year and has passed over 10,000 policies. The agreement with Uber to provide commercial rideshare insurance in two U.S. states was expanded to cover also Uber Eats drivers. A collaboration was established with Talespin, a leading provider of enterprise extended reality solutions. A refreshed auto proposition was launched with improved segmentation, as well as new property propositions with simplified contract and home-share endorsement to cover short term rentals.
Overall BOP growth was 16% on a reported basis and 20% on like-for-like basis, with all regions contributing to the strong performance.

Growth in EMEA was driven primarily by a strong underwriting performance in P&C as a result of lower natural catastrophe losses and higher prior year development, while the life result showed a slight decline with foreign exchange movements offsetting positive underlying growth.

In North America growth was driven principally by an improved underwriting performance as a result of a lower accident year loss ratio excluding natural catastrophes and higher levels of gains from fair value movements on hedge fund investments. The Farmers business also contributed a positive performance as a result of continued underlying growth and favorable items within the results of both Farmers Management Services and Farmers Life.

In Asia Pacific, top line growth and improved underwriting results in P&C more than compensated a slightly weaker overall life result, while in Latin America, the inclusion of the acquired QBE business together with an improved underwriting performance more than compensated a weaker overall life result and translation effects related to exchange rate movements.

By business, P&C and Farmers were the main contributors to growth.
COMMENTARY

Page 12: Group – NIAS

Net income attributable to shareholders (NIAS) increased 14% in the first half, with growth driven by the increase in business operating profits together with a reduction in the effective tax rate. Earnings per share in Swiss Francs increased 18% compared to the prior year. Items recognized outside of BOP totaled to a loss of USD 123m compared to a gain of USD 6m in the prior period, largely reflecting the negative impact of currency translation adjustments relating to the sale of the Group's Venezuelan business.

Key items outside of BOP included:

- Net realized capital gains of USD 247m.
- A loss on disposal of businesses of USD 186m, of which USD 258m relating to non-cash currency translation adjustments on completion of the sale of the Group's Venezuelan business.
- Restructuring costs of USD 56m compared to USD 102m in the prior year.
- Other charges of USD 128m, of which USD 26m relates to hyperinflation accounting in relation to the Group's operations in Argentina.

The effective tax rate in the first half was 24.9% down from 26.8% in the prior year. The decline in the tax rate was driven by a more favorable geographic mix of earnings together with a small 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.
Over 2019 the Group expects to exceed the targets laid out in December 2016.

Property & Casualty: The lagged effect of specific portfolio actions and the impact of foreign exchange movement’s year to date are expected to offset underlying growth to leave net earned premiums slightly below the prior year level.

Following the positive first half performance and assuming normalized levels of natural catastrophes and PYD over the second half of the year, management expects the combined ratio to be around the mid-point of the 95-96% range.

P&C investment income is expected to be broadly stable compared to prior year level, as the gap between new money and reinvestment yields remains small.

Life: BOP for the second half of the year is expected to be around USD 750m, with underlying growth expected to be offset by unfavorable currency developments. Together with the first half result of USD 701m, this is expected to give rise to a result in-line with the prior year adjusted for FX developments.

Farmers: The Farmers Exchanges are expected to see steady growth driven both by improved customer metrics and the continued earn through of rate increases. Combined with stable margins, this should continue to support top-line and earnings development at FMS.

Group Functions and Operations: Are expected to continue to show a run rate BOP loss of around USD 750 – 800m per annum.

Restructuring charges and integration costs: As indicated previously, the Group expects 2019 to see a significant reduction in the overall level of restructuring charges from the USD 500m run rate recognized in 2017 and 2018. For 2019, the Group expects restructuring and integration charges to be in a range of USD 150-200m and fully recognized outside of BOP.

Other adjustments outside of BOP: Over the second half of 2019, the Group expects to incur costs of around USD 50-100m in relation to the implementation of IFRS 17.

Based on current inflation expectations, the impact of hyperinflation accounting for the Group’s Argentinian business in the second half of the year is expected to be at a similar level to the first half, before declining with inflation expectations over 2020.

Tax: Following the positive performance in the first half year, the Group expects the effective tax rate for 2019 to be around 25%.
Gross written premiums in Property & Casualty (P&C) for the first half of 2019 increased 4% on a like-for-like basis, adjusting for FX movements, acquisitions and disposals, with growth across all regions. In U.S. dollars gross written premiums were flat.

The level of rate increases improved across most regions compared to the previous year, with the Group achieving rate increases of around 3% overall. In the second quarter, rates further accelerated especially in North America where the Group achieved rate increases of just under 7%.

Net earned premiums were up 1% on a local currency basis and down 5% on a reported basis.

In EMEA, gross written premiums increased 5% on a like-for-like basis, with strong growth in the Swiss commercial business as well as in Italy and a number of smaller European retail markets.

North America grew by 2% compared to the previous year. The increase was driven mainly by rate increases on property lines, partly offset by continuing portfolio reshaping activities.

Asia Pacific increased 8% on a like-for-like basis, driven mainly by growth in Australia, Malaysia, and Japan retail while Latin America was up 14%, on a like-for-like basis, driven by growth in Argentina, partly driven by the inflationary environment, together with growth in Brazil.
COMMENTARY

Page 15: P&C – BOP components

For HY-19 P&C BOP on a reported basis was USD 1,656m, 46% higher than in the previous year. The underwriting result increased strongly by USD 285m. In line with this, the combined ratio for HY-19 improved by 2.4 percentage points to 95.1%, the lowest level achieved over the last decade.

Investment income for the half year increased by 2% on a reported basis, with growth in investment income across North America, Latin America and Asia Pacific, more than offsetting a decline in EMEA. The strong performance of financial markets in the first half year led to an increase in fair value gains on the Group’s hedge fund portfolio to USD 162m compared to USD 45m in the first half of 2018.

Other items, which include the net non-technical result and non-controlling interests, were USD 95m higher than in the previous year. Within this, the net non-technical loss of USD 38m benefitted from an FX gain of USD 19m.

All regions contributed to the P&C performance, with North America and EMEA in particular standing out. BOP growth in the regions was partly offset by higher losses in the Group Reinsurance unit.
The accident year loss ratio excluding catastrophes reduced by 2.7 percentage points compared to HY-18, driven by an improved underwriting performance across all regions. Catastrophe losses for the half year totaled 2.3%, 0.7 percentage points below the previous year and below 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. Prior year development at 1.6% for the half year was in line with the indicated range of 1-2% with all regions contributing. Overall, the Group's reserve strength remained stable over the year. The other underwriting expense ratio for HY-19 improved 0.6 percentage points to 13.7% compared to the same period in 2018. In the second half of 2019 the Group expects to deliver further improvements in the absolute level of expenses, with this expected to lead to a further reduction in the OUE ratio. The commission ratio increased slightly by 0.4 percentage point, mainly driven by business mix changes in EMEA. As anticipated, the overall increase has further moderated after the increases of 1.1 percentage points and 0.9 percentage points in the first and second half of last year.
The EMEA accident year combined ratio ex-catastrophes of 93.8% was lower than in the previous year, with underlying improvements in the loss ratio the main driver.

In North America, the accident year combined ratio ex-catastrophes was 92.7% and improved strongly compared to the prior year.

The Asia Pacific accident year combined ratio showed a significant reduction to 94.6%, mainly driven by improvements in the other underwriting expenses.

In Latin America, the accident year combined ratio ex-catastrophes for the half year was 97.6%, 2.0 percentage points lower than in the previous year, driven by reduced large losses in Argentina and Mexico 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 4.8 percentage points to 94.8%, mainly due to improvements in North America, UK and Germany.

For the retail and other business, the accident year combined ratio excluding catastrophes was 93.2% for HY-19, 0.8 percentage points below the prior year.
The HY-19 investment result of USD 1,129m included favorable fair value movements of USD 162m, mainly from the Group's hedge fund portfolio. Investment income rose 2% on a reported basis while fair value items showed an increase of USD 117m year on year due to favorable market developments.

Reinvestment yields for debt securities remained stable at around 2.6% compared to HY-18.
Life continued to deliver a robust underlying performance against a high prior year comparative. As reported in U.S. dollars, business operating profit declined 8% due to the strengthening of the U.S. dollar compared to the first half of 2018. On a like-for-like basis, adjusting for FX movements, acquisitions and disposals, Life BOP increased 2%.

In EMEA, BOP declined 3% due to currency movements and increased 3% on a like-for-like basis, with Switzerland and Spain in particular contributing to the underlying growth. The result also benefitted from a number of favorable items amounting to USD 22m compared to USD 30m within the prior year period.

In Latin America, BOP decreased 25% and to a lesser extent by 7% on a like-for-like basis. Growth across the region was offset by higher claims on corporate protection business in Chile. Asia Pacific BOP decreased 8% but grew by 2% in like-for-like terms, with growth across the region partially outweighed by one-time deal related costs of USD 18m relating to the OnePath Life acquisition.

In North America, excluding Farmers Life, which is reported under Farmers, the BOP loss improved by USD 10m compared to the prior half year largely driven by a reserving methodology change.

HY-19 Life new business APE decreased 3% in U.S. dollars and increased 4% on a like-for-like basis. In like-for-like terms, EMEA saw a decline of 5%. Strong growth in corporate life and pension business in Switzerland and Ireland was more than offset by reduced volumes of lower margin traditional savings business and the absence of a large corporate protection scheme in the prior year. In Latin America APE sales increased 24% like-for-like, with positive developments in Brazil, Mexico and Argentina complemented by a large corporate protection scheme in Chile. Growth in protection business in Southeast Asia and Australia drove a 5% like-for-like increase in Asia Pacific, while North America experienced continued growth in all product lines.

New business value (NBV) decreased 3% in U.S. dollars and increased 3% on a like-for-like basis. EMEA saw a like-for-like decrease of 4% due to changes in business mix and modelling enhancements. In Latin America, like-for-like growth of 5% was driven by higher volumes and improved business mix, which offset adverse changes in economic assumptions. On a like-for-like basis, Asia Pacific grew 11% reflecting a mix of underlying portfolio growth and positive updates to assumptions, while volume growth and an improved business mix led to a trebling in the new business value in North America on a like-for-like basis.

The new business margin remained at a healthy level of 25.9%, a slight decrease by 0.5 percentage points on a headline basis and 0.3 percentage points on a like-for-like basis.
The Group continues to focus on protection, unit-linked and corporate pension business, with these products accounting for 87% of APE sales. Protection business contributed 81% of the overall new business value reflecting the higher margin nature of this business.
Net inflows increased by 5% compared to the prior year. The increase was primarily driven by higher volumes of unit-linked business in Latin America which were partially offset by a reduction of traditional savings business in EMEA.

Assets under management (AuM) increased by 11%, driven by the combination of positive net inflows, which were 2% of start of year AuM, favorable market movements and USD 3bn of AuM resulting from the acquisition of OnePath Life in Australia.
The Group’s Life business continued to be driven by stable revenue streams, with 88% of Life revenues coming from loadings and fees together with technical margins. Viewed by margin on a like-for-like basis, adjusting for FX movements, acquisitions and disposals, loadings and fees increased 2%, with underlying growth across all regions offset by reduced volumes of lower margin traditional savings business and the absence of a large corporate protection scheme in the prior year in EMEA. The technical margin increased 1%, driven by continued growth in protection portfolios across the Group. The investment margin decreased 7%, mainly driven by the unfavorable development of yields in EMEA.

On the expense side, operating costs increased 5% driven largely by inflation in Latin America while acquisition costs increased 9% reflecting higher business volumes in Latin America, Asia Pacific and North America.
Life investment result, which is gross of policyholder sharing, decreased by 2% to USD 1.9bn in U.S. dollars, driven mainly by unfavorable market yields developments, particularly in Germany, UK and Switzerland.
The Farmers Exchanges showed continued growth in the first half of the year. Gross written premiums for continuing operations increased by 2.1% compared to prior year, with growth coming from all lines of business and driven by a combination of rate increases, improved retention and further expansion into the eastern United States. Overall reported gross written premiums were up 1.2%, reflecting the impact from the run-off of discontinued operations, which has now been completed, but which continues to impact the prior year comparisons.

Key customer metrics remained strong as a result of the Farmers’ Exchanges customer focused strategy, with both Net Promoter Score and retention close to record high levels in the second quarter of 2019.
The Farmers Exchanges combined ratio stood at 100.0% in the first half, up 1.7 percentage points compared to the prior year. This reflects continued underlying improvement in the auto book, more than offset by increases in the home and specialty books and higher catastrophe losses.

The Farmers Exchanges' surplus ratio increased by 1.6 percentage points to 41.1%, one of the highest levels recorded in recent years. The improvement was entirely driven by organic capital generation.
Farmers Management Services (FMS) BOP grew 5% in the first half. This was driven by 2% growth in the gross management result, in line with Farmers Exchanges gross earned premiums, and a USD 14m favorable mark to market impact on a deferred compensation plan, compared to a USD 7m unfavorable impact in the prior year.

The managed gross earned premium margin remained stable at 7.0%. 
Farmers Life BOP of USD 120m was USD 39m higher than in the prior year. Around half of the improvement was driven by favorable mortality experience over the first half of the year. A further USD 9m came from lower amortization of deferred acquisition costs resulting from positive market movements and better lapse experience on some older blocks of business. New business APE was USD 6m lower than in the prior year, while new business value decreased by USD 20m driven by lower sales volumes and assumption updates.

Farmers Re BOP of USD 9m was USD 16m lower than in the prior year. This reflects the ongoing impact of the reduced participation in the all lines quota share from 8% to 1%, effective December 31, 2017, and higher levels of natural catastrophe losses in the period.
The business operating loss reported under Group Functions & Operations increased by USD 37m to USD 371m. The increase was driven by higher Holding & Financing costs due to lower gains on currency hedges compared to the prior year and an increase in external debt expenses for recent acquisitions, while headquarter expenses were 3% lower than 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 37m. The loss reflected the net impact of previously announced transactions to exit legacy liabilities related to UK employer’s liability and U.S. asbestos and environmental business.
The Group’s Z-ECM ratio remained very strong at 121% as of the end of June. Strong operational capital generation from the businesses added 8 percentage points off-set by 4 percentage points of dividend accrual. Negative market movements in the first half of the year reduced the ratio by 7 percentage points, largely due to falling interest rates. Other movements netted to a zero impact.
Shareholders’ equity increased by USD 2.8bn over the first half mainly due to an increase in unrealized gains and losses, with net income of USD 2.0bn more than offset by the capital returned to shareholders through dividends.

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

- September 5, UBS Best of Switzerland Conference, Zurich
- September 23, Baader Investment Conference, Munich
- September 24-25, Bank of America Merrill Lynch Conference, London
- November 7, Update for the nine months ended September 30, 2019
- November 14, Investor Day 2019
- February 13, 2020, Annual results 2019