

# Financial overview 2021

Results for the six months ended June 30, 2021

## Financial overview

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The information contained within the financial review is unaudited and is based on the consolidated results of the Group for the six months ended June 30, 2021 and 2020. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2020 of the Group and in particular with its consolidated financial statements and embedded value report for the year ended December 31, 2020.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 14 (table 14.4) of the unaudited consolidated financial statements for the six months ended June 30, 2021.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

## Financial overview (continued)

## Financial highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2021	2020	Change <sup>1</sup>
Business operating profit	<b>2,714</b>	1,702	60%
Net income attributable to shareholders	<b>2,193</b>	1,181	86%
P&C business operating profit	<b>1,559</b>	751	108%
P&C gross written premiums and policy fees	<b>22,034</b>	18,937	16%
P&C combined ratio	<b>93.9%</b>	99.8%	6.0 pts
Life business operating profit	<b>802</b>	559	44%
Life gross written premiums, policy fees and insurance deposit	<b>14,603</b>	13,008	12%
Life new business annual premium equivalent (APE) <sup>2</sup>	<b>1,911</b>	1,673	14%
Life new business margin, after tax (as % of APE) <sup>2</sup>	<b>30.5%</b>	23.9%	6.5 pts
Life new business value, after tax <sup>2</sup>	<b>500</b>	348	44%
Farmers business operating profit	<b>778</b>	779	(0%)
Farmers Management Services management fees and other related revenues	<b>2,004</b>	1,807	11%
Farmers Management Services managed gross earned premium margin	<b>6.8%</b>	6.6%	0.2 pts
Farmers Life new business annual premium equivalent (APE) <sup>2</sup>	<b>38</b>	35	8%
Average Group investments <sup>3</sup>	<b>210,694</b>	196,188	7%
Net investment result on Group investments <sup>3</sup>	<b>3,110</b>	2,762	13%
Net investment return on Group investments <sup>3,4</sup>	<b>1.5%</b>	1.4%	0.1 pts
Total return on Group investments <sup>3,4</sup>	<b>(0.8%)</b>	2.0%	(2.8 pts)
Shareholders' equity <sup>5</sup>	<b>36,448</b>	38,278	(5%)
Swiss Solvency Test ratio <sup>5,6</sup>	<b>206%</b>	182%	24 pts
Return on common shareholders' equity (ROE) <sup>7</sup>	<b>14.0%</b>	8.1%	5.9 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>7</sup>	<b>13.0%</b>	8.5%	4.5 pts

1 Parentheses around numbers represent an adverse variance.

2 Details of the principles for calculating new business are included in the embedded value report in 2020. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

3 Including investment cash.

4 Calculated on average Group investments.

5 As of June 30, 2021 and as of December 31, 2020, respectively.

6 Estimated Swiss Solvency Test ratio (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.

7 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Overall Group business operating profit increased strongly in the first half of the year, growing 60 percent. This was driven by underlying growth as well as a reduced impact from the COVID-19 pandemic more than offsetting higher weather and natural catastrophe losses.

Net income attributable to shareholders increased by 86 percent in the first half year, supported by the growth in business operating profit and higher net realized gains on equities and real estate. Charges for other items excluded from business operating profit increased slightly compared with the prior year.

## Financial overview (continued)

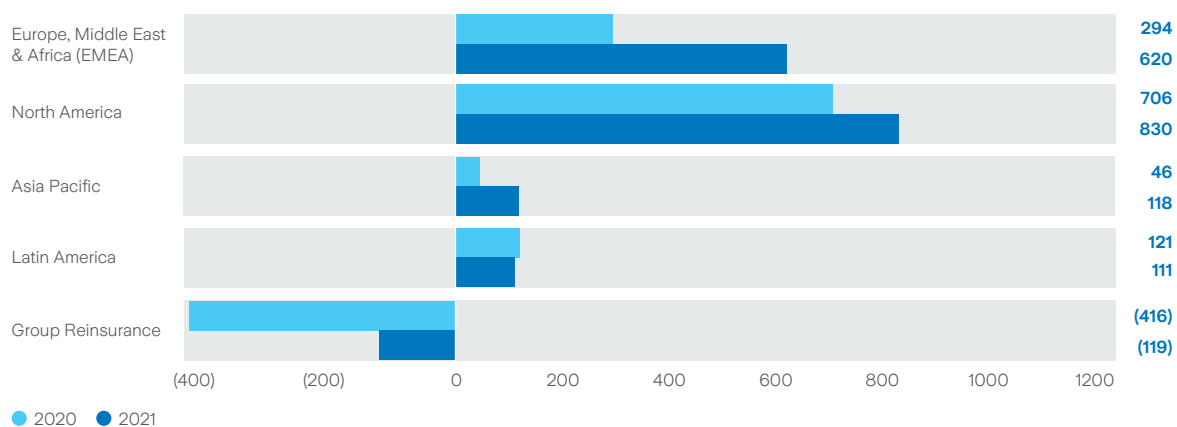
### Property & Casualty (P&C)

in USD millions, for the six months ended June 30

	2021	2020	Total Change
Gross written premiums and policy fees	22,034	18,937	16%
Net earned premiums and policy fees	14,081	12,612	12%
Insurance benefits and losses, net of reinsurance	8,811	8,460	(4%)
Net underwriting result	865	22	nm
Net investment result	899	943	(5%)
<b>Business operating profit</b>	<b>1,559</b>	<b>751</b>	<b>108%</b>
Loss ratio	62.6%	67.1%	4.5 pts
Expense ratio	31.3%	32.8%	1.5 pts
<b>Combined ratio</b>	<b>93.9%</b>	<b>99.8%</b>	<b>6.0 pts</b>

#### P&C business operating profit (BOP)

in USD millions, for the six months ended June 30



Gross written premiums in Property & Casualty (P&C) for the first half of 2021 rose 12 percent compared with the previous year on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. In U.S. dollars, gross written premiums rose 16 percent.

Business operating profit in 2021 was USD 1.6 billion, 108 percent higher than in the previous year. The increase was driven by underlying improvement as well as a benefit from lower claims frequency due to COVID-19 restrictions compared with the unfavorable impact in the previous year from COVID-19 claims and associated financial market developments.

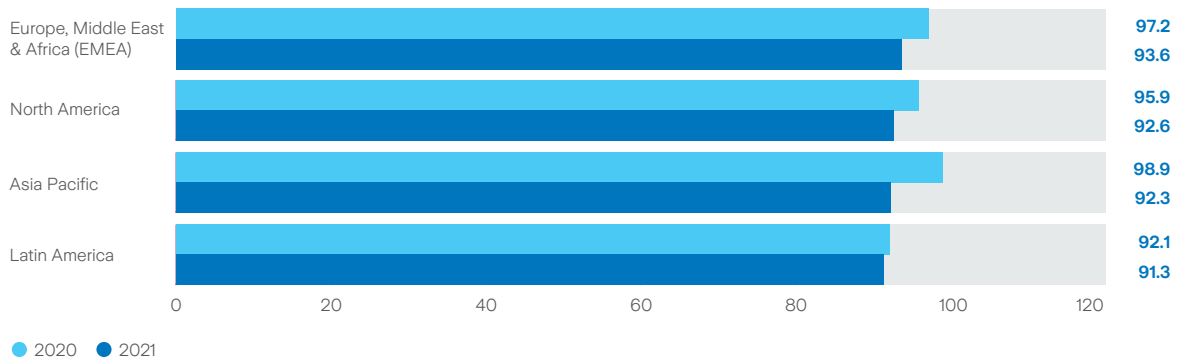
The net investment result declined 5 percent compared with the previous year. Lower net investment income, driven by lower investment yields was partially offset by a higher performance from hedge funds.

The contribution of other items, which include the net non-technical result and non-controlling interests, improved by USD 8 million compared with the previous year, driven by a favorable change in the net non-technical result partially offset by higher non-controlling interests.

## Financial overview (continued)

### P&C combined ratio

%, for the six months ended June 30



The combined ratio of 93.9 percent in the first half of 2021 was 6 percentage points better than in the prior-year period. Both loss ratio and expense ratio contributed to the improvement. The loss ratio was 4.5 percentage points below prior year, driven by underlying improvement, a more favorable impact of the COVID-19 pandemic and prior-year development, which more than offset increased weather and natural catastrophe losses. The expense ratio was 1.5 percentage points below the prior year, reflecting continued expense discipline and top-line growth.

In EMEA, the combined ratio improved by 3.5 percentage points, benefiting from both improved loss ratio and expense ratio. The lower loss ratio was driven by underlying improvement and a reduced impact of the COVID-19 pandemic more than offsetting higher weather and natural catastrophe losses. The improvement in the expense ratio reflected continued expense discipline and top-line growth.

In North America, the combined ratio improved by 3.4 percentage points, driven by a lower loss ratio, which benefited from the earn through of rate increases, while the expense ratio remained broadly in line with the previous year.

The Asia Pacific combined ratio improved 6.6 percentage points, driven by both the loss ratio and expense ratio. The loss ratio benefited from a favorable prior-year development compared with an adverse development in the prior year. The expense ratio improvement was mainly driven by a reduction of other underwriting expenses.

The Latin America combined ratio was 0.8 percentage points better than in the previous year, with the improvement driven by the expense ratio, reflecting business mix shifts and a reduction of other underwriting expenses.

## Financial overview (continued)

## Life

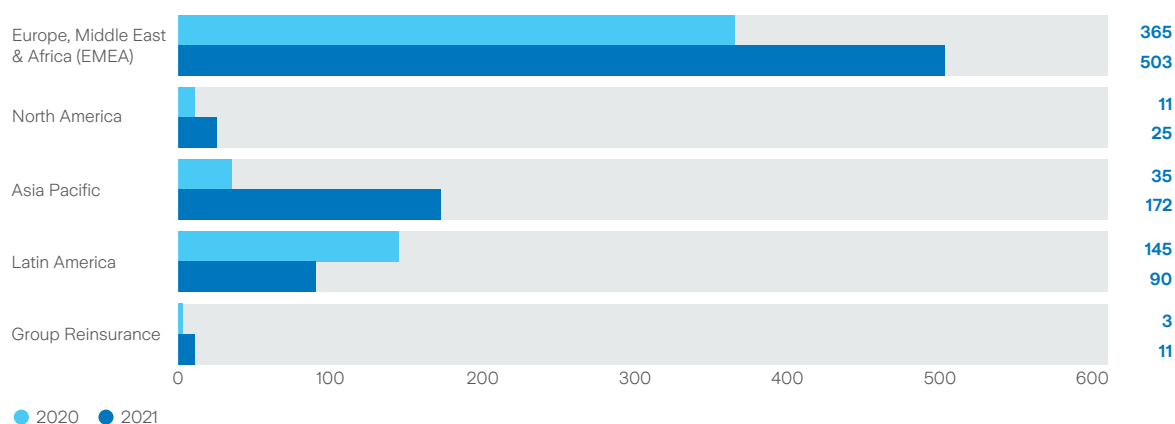
in USD millions, for the six months ended June 30	2021	2020	Change
Insurance deposits	7,318	6,209	18%
Gross written premiums and policy fees	7,285	6,799	7%
Net investment income on Group investments	1,487	1,360	9%
Insurance benefits and losses, net of reinsurance	4,785	4,609	(4%)
<b>Business operating profit</b>	<b>802</b>	<b>559</b>	<b>44%</b>
Net policyholder flows <sup>1</sup>	2,111	2,088	1%
Assets under management <sup>2,3</sup>	304,583	303,433	0%
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves) <sup>3</sup>	246,936	247,439	(0%)

1 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

2 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

3 As of June 30, 2021 and December 31, 2020, respectively.

### Life business operating profit (BOP) in USD millions, for the six months ended June 30



The Group's Life business delivered a business operating profit of USD 802 million in the first half of the year, 44 percent ahead of the prior year, despite a slightly higher impact from COVID-19 of USD 137 million. Excluding COVID-19 effects, Life business operating profit grew 38 percent, driven by underwriting result improvements and favorable financial markets mainly in Asia Pacific and EMEA.

In EMEA, business operating profit improved by 38 percent to USD 503 million on a reported basis. Adjusted for COVID-19, business operating profit increased by 12 percent compared with the prior year to USD 564 million, benefiting from underlying volume growth and margin expansion together with favorable market developments and foreign exchange rates, with main contributors being the UK, Italy and Switzerland.

In Latin America, business operating profit decreased 37 percent on a reported basis, mainly due to elevated mortality claims in Zurich Santander, Brazil and Mexico. Excluding COVID-19 effects, business operating profit grew 29 percent, driven by profitable sales growth at Zurich Santander as well as a positive run-off development of a large corporate protection scheme in Chile, which benefited from a favorable interest rate environment.

Asia Pacific contributed a business operating profit of USD 172 million, USD 137 million higher compared with prior year. The performance improved significantly due to favorable claims experience as well as persistency in Australia and profitable in-force growth in Japan.

In North America, which excludes Farmers Life, business operating earnings increased by USD 14 million due to better claims experience and positive one-offs, including the sale of the group life business.

## Financial overview (continued)

Net inflows of USD 2.1 billion were 1 percent higher than in the prior year, mainly benefiting from growth in EMEA and Asia Pacific. Net inflows were up by 5 percent on a like-for-like basis, adjusting for currency movements, acquisitions and disposals and the reclassification of Zurich Global Employee Benefit Solutions from Life to Global Business Platforms in Group Functions and Operations.

Assets under management (AuM) increased by around half a percentage point, driven by favorable market developments and a positive net inflow contribution of close to 1 percent, with offsetting impacts from currency movements.

NBV, APE and NBM  
by Segment

in USD millions, for the six months ended June 30

	New business value, after tax (NBV) <sup>1</sup>		New business annual premium equivalent (APE) <sup>2</sup>		New business margin, after tax (as % of APE) (NBM) <sup>3</sup>	
	2021	2020	2021	2020	2021	2020
Europe, Middle East & Africa (EMEA)	366	219	1,277	1,042	30.4%	21.9%
North America	9	23	45	57	20.9%	39.9%
Asia Pacific	45	44	96	100	47.3%	44.7%
Latin America	80	62	492	474	26.7%	21.0%
<b>Total</b>	<b>500</b>	<b>348</b>	<b>1,911</b>	<b>1,673</b>	<b>30.5%</b>	<b>23.9%</b>

<sup>1</sup> New business value is calculated on embedded value principles net of non-controlling interests.

<sup>2</sup> APE is shown gross of non-controlling interests.

<sup>3</sup> New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

During the first half of 2021, Life new business annual premium equivalent (APE) sales returned to growth with an 11 percent increase on a like-for-like basis. The growth in sales reflects favorable growth in unit-linked business and protection products in EMEA and Latin America. On a reported basis APE was 14 percent higher.

In EMEA, APE sales increased by 14 percent on a like-for-like basis, compared with the same period in 2020. This was mainly driven by strong growth of unit-linked business in Ireland and Italy and favorable APE sales of protection products in Spain, UK and Switzerland. These factors were partially offset by the reduction in corporate pensions business in Switzerland due to the COVID-19-related economic slowdown and competitive market conditions, as well as by lower sales of traditional life products in Germany.

APE sales in Latin America increased 11 percent on a like-for-like basis, reflecting higher sales volumes of individual protection products at Zurich Santander and strong growth of unit-linked business in Chile and Brazil. These were partially offset by the non-renewal of a large corporate life and protection account in Chile.

In North America, APE sales increased 4 percent on a like-for-like basis, excluding the group life business which was sold in the prior year. In Asia Pacific, lower sales in Australia, Japan and Indonesia led to a decline of 11 percent on a like-for-like basis. The decline in Australia was due to repricing actions to improve margins.

The new business margin increased to an attractive level at 30.5 percent as reported and on a like-for-like basis. New business value (NBV) went up 37 percent on a like-for-like basis, driven by more favorable sales mix and higher volumes in EMEA and Latin America. On a reported basis, NBV improved by 44 percent. The Group continues to focus on protection, unit-linked and corporate savings business, with these products accounting for 90 percent of APE sales. Protection business contributed 75 percent of the overall NBV.

## Financial overview (continued)

## Farmers

in USD millions, for the six months ended June 30	2021	2020	Change
Farmers Management Services (FMS)	728	662	10%
Farmers Re	(10)	10	nm
Farmers Life	60	106	(43%)
<b>Total business operating profit</b>	<b>778</b>	<b>779</b>	<b>-</b>

Farmers Management Services (FMS) business operating profit increased 10 percent compared with the prior year and 5 percent on a like-for-like basis after adjusting for the first-time inclusion of the acquired MetLife U.S. P&C business. This was mainly driven by growth of premium base of the Farmers Exchanges.

Farmers Re reported an operating loss of USD 10 million compared with an operating profit of USD 10 million in the prior year. The loss was driven by elevated catastrophe losses and unfavorable prior-year development related to older accident years, when Farmers Re had a higher proportion of ceded business from the Farmers Exchanges under the all lines quota share.

Farmers Life business operating profit of USD 60 million was 43 percent lower than in the prior year. The result was mainly driven by higher mortality claims, including USD 42 million of claims related to COVID-19.

## Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

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 Re.

in USD millions, for the six months ended June 30	2021	2020	Change
Gross written premiums	11,726	10,103	16%
Gross earned premiums	11,160	9,923	12%

Gross written premiums at the Farmers Exchanges increased 16 percent. Excluding the contribution of the MetLife transaction, which closed at the beginning of April 2021, gross written premiums increased 7 percent.



## Financial overview (continued)

### Group Functions and Operations

in USD millions, for the six months ended June 30	2021	2020	Change
Holding and Financing	(232)	(167)	(38%)
Headquarters	(192)	(153)	(26%)
Global Business Platforms <sup>1</sup>	(22)	(28)	21%
<b>Total business operating profit</b>	<b>(446)</b>	<b>(348)</b>	<b>(28%)</b>

<sup>1</sup> Includes Zurich Global Employee Benefit Solutions, new ventures and initiatives.

Group Functions and Operations reported a loss of USD 446 million in the first six months of 2021 compared with USD 348 million in the prior year. This was mainly driven by an increase in charges related to Holding and Financing, due largely to financing and foregone investment income related to the acquisition of the MetLife U.S. P&C business, higher management fees charged out in 2020, and unfavorable currency movements.

### Non-Core Businesses

in USD millions, for the six months ended June 30	2021	2020	Change
Zurich Legacy Solutions	25	4	nm
Other run-off	(5)	(43)	89%
<b>Total business operating profit</b>	<b>21</b>	<b>(39)</b>	<b>nm</b>

The Group's Non-Core Businesses, which comprises run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating profit of USD 21 million for the first half of 2021. The result benefited from the absence of adverse developments in a legacy life portfolio linked to the COVID-19 outbreak in the prior-year period.

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