

Zurich reports business operating profit of USD 3.8 billion for the first nine months of 2014

- Q3 BOP of USD 1.2 billion, down 6% compared with prior year, and first nine months BOP of USD 3.8 billion, up 7% compared with prior year
- Q3 NIAS¹ of USD 928 million, down 16% compared with prior year, and first nine months NIAS of USD 3.0 billion, up 3% compared with prior year
- Combined ratio of 96.6% for the first nine months, an improvement of 1.2 percentage points compared with prior year
- Continued improvement in General Insurance accident year profitability
- Global Life maintains strong progress in bank distribution channel
- Farmers Exchanges return to growth in Q3
- Very strong solvency capital on all key metrics

Select financial highlights – first nine months (9M) and third quarter (Q3) of 2014

in USD millions, for the nine and three months ended September 30, unless otherwise stated	9M 2014	9M 2013	Change in USD	Q3 2014	Q3 2013	Change in USD
Business operating profit (BOP)	3,826	3,567	7%	1,206	1,279	(6%)
Net income after tax attributable to shareholders (NIAS)	3,037	2,954	3%	928	1,103	(16%)
Total Group business volumes ²	54,733	52,966	3%	17,166	16,726	3%
Net investment return on Group investments (not annualized and calculated on average Group investments)	3.3%	2.5%	0.7 pts	1.1%	0.9%	0.2 pts
Total return on Group investments (not annualized and calculated on average Group investments)	6.4%	0.5%	5.8 pts	1.5%	1.0%	0.5 pts
Shareholders' equity ³	34,098	32,503	5%	na	na	na
Diluted earnings per share (in CHF)	18.32	18.65	(2%)	5.70	6.93	(18%)
Book value per share ³ (in CHF)	219.75	196.14	12%	na	na	na
Return on shareholders' equity (ROE) ⁴	13.3%	13.3%	-	12.3%	15.3%	(2.9 pts)
Business operating profit (after tax) return on shareholders' equity (BOPAT ROE) ⁴	11.8%	12.1%	(0.3 pts)	10.7%	12.8%	(2.1 pts)



Zurich, November 6, 2014 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 3.8 billion, up 7% from the prior year and net income attributable to shareholders (NIAS) of USD 3.0 billion, up 3% from the prior year, for the nine months ended September 30, 2014.

“Overall, this is a solid set of results. While we continue to make progress, we recognize the environment is getting tougher, underlining the need for us to remain focused on our strategic approach. We continue to optimize our portfolio, taking action on underpriced risks, and to prioritize investment in the markets and customer segments where we see the most attractive returns. Our very strong financial position gives us the capacity and flexibility to manage in a challenging environment,” said Chief Financial Officer George Quinn.

General Insurance recorded a BOP of USD 2.4 billion, 12% higher than in the prior year period, due to an improved underwriting result. The accident year loss ratio improved 1.8 percentage points compared with the prior year reflecting the benefit of improved underlying loss experience across most of General Insurance as well as reduced levels of catastrophes, weather-related and large industrial losses compared with the same period in 2013. These improvements have been partially offset by a lower level of prior year reserve releases. Gross written premiums for the nine months to September 30 were 1% higher at USD 28.4 billion compared with the same period of 2013. General Insurance continues to undertake targeted re-underwriting and rate actions on portfolios where returns are not achieving hurdle rates, while investing in growth where there are better opportunities for profit. For the discrete third quarter, rate increases across the portfolio were 2% with both Global Corporate and Europe up, while North America was flat.

Global Life recorded a BOP of USD 965 million, slightly below the prior year period. Gross written premiums, policy fees and insurance deposits increased by USD 1.7 billion to USD 21.3 billion, or by 9%. Overall new business value declined 4% to USD 757 million year on year as expense allocation and lapse assumption changes mask an improving underlying picture in the regions. Assets under management remained flat

for the nine months ended September 30, 2014, with positive market movements and net inflows of USD 1.9 billion offset by currency impacts.

Farmers BOP increased slightly to USD 1.2 billion from the prior year. At the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group Inc., a wholly owned subsidiary of the Group, gross written premiums were USD 113 million lower than the prior year, while discrete Q3 showed an improvement of 0.6%, demonstrating the return to growth. Farmers Management Services' business operating profit declined slightly to USD 1.0 billion compared with the prior year period, primarily due to a USD 24 million decrease in revenues, due to a small decrease in premiums earned at the Farmers Exchanges. Farmers Re BOP increased to USD 115 million compared with the prior period.

The **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported a business operating profit of USD 6 million, a decrease of USD 35 million compared with the prior year period.

In **Other Operating Businesses**, the holding and financing business operating loss slightly decreased from USD 683 million to USD 674 million as a result of lower refinancing costs.

The net investment result on **Group investments**, which includes net investment income, net capital gains and losses and impairments, contributed USD 6.7 billion to the Group's total revenues for the nine months ended September 30, 2014, a net return of 3.3% (not annualized). Total return on Group investments was 6.4% (not annualized), an increase of 5.8 percentage points compared with the same period in 2013, mainly driven by a strong performance in the fixed income portfolios.

The Group preserved its very strong **capital position**. Shareholders' equity has increased by 5% to USD 34.1 billion mainly driven by net unrealized gains and retained earnings. The Group's solvency as determined under the Swiss Solvency Test⁵ decreased slightly by 2 percentage points to 215% and the Z-ECM ratio stands at 126%. Both



figures are as of June 30, 2014 compared with December 31, 2013, and are above our target range, offering the Group considerable flexibility.

¹ Net income after tax attributable to shareholders.

² Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

³ As of September 30, 2014 and December 31, 2013, respectively.

⁴ Shareholders' equity adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

⁵ The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

Further information

A pre-recorded video presentation to accompany the [analyst and investor slide presentation](#) will be available from 06.45 hrs CET on our website www.zurich.com. The video can be accessed through the following link also on the iPhone und iPad: <http://www.media-server.com/m/p/ephhm2oe>

In addition, there will be a conference call Q&A session for analysts and investors starting at 13.00 hrs CET. Media may listen in. Please dial-in to register approximately 3 to 5 minutes prior to the start of the Q&A session. A podcast of the Q&A session will be available from 16.45 hrs CET.

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Supplemental financial information is available on our [website](#).

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Key dates

- December 5, 2014 Investor update, London
- February 12, 2015 Annual results 2014
- April 1, 2015 Annual General Meeting 2015, Zurich
- May 7, 2015 Results for three months to March 31, 2015
- May 21, 2015 Investor Day, Zurich



Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With more than 55,000 employees, it provides a wide range of general insurance and life insurance products and services. Zurich's customers include individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information about Zurich is available at www.zurich.com.

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