

Zurich reports BOP of USD 1.1 billion for first three months of 2016

- Q1 BOP of USD 1.1 billion, down from USD 1.3 billion in the prior year period
- Q1 NIAS was USD 875 million, 28% lower than in the prior year
- GI combined ratio of 97.7%, compared with 103.6% for full-year 2015
- GI improved as expected, further progress anticipated throughout the year
- Global Life delivers continuing underlying improvement, masked by strong USD
- Farmers Exchanges see further growth in continuing operations reflected in fee income
- Very strong Group capital position

Select financial highlights for the Group as of March 31, 2016 (unaudited)

| in USD millions, for the three months ended March 31, unless otherwise stated | 2016 | 2015 | Change ¹ in USD |
|---|--------|--------|-------------------------------|
| Business operating profit (BOP) | 1,087 | 1,295 | (16%) |
| Net income after tax attributable to shareholders (NIAS) | 875 | 1,219 | (28%) |
| Total Group business volumes ² | 17,590 | 18,727 | (6%) |
| Net investment return on Group investments | 0.9% | 1.0% | (0.2 pts) |
| Total return on Group investments | 2.7% | 2.6% | 0.1 pts |
| Shareholders' equity ³ | 30,869 | 31,178 | (1%) |
| Diluted earnings per share (in CHF) | 5.81 | 7.75 | (25%) |
| Book value per share (in CHF) ³ | 198.24 | 209.27 | (5.3%) |



Zurich, May 12, 2016 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 1.1 billion and net income attributable to shareholders (NIAS) of USD 875 million for the three months ended March 31, 2016.

“While it is still early in the process, these results show that the measures we put in place to improve the performance of our General Insurance business are taking effect,” said Chief Financial Officer George Quinn. “Even adjusting for a benign catastrophe claims environment, there has been an underlying improvement and we expect to see this trend continue throughout the year.”

“The rest of the Group continues to perform well, with solid underlying growth at Global Life and in continuing operations of the Farmers Exchanges⁴. Zurich remains very strongly capitalized with solvency well within our target range.”

General Insurance reported a BOP of USD 542 million for the first three months of 2016, down 23% from the prior year period but a significant improvement on an operating loss of USD 120 million in the previous quarter. The combined ratio of 97.7% for the first three months of 2016 was significantly better than the 103.6% combined ratio for the full year 2015 and one percentage point higher than in the same period in the previous year.

Gross written premiums declined 5% in local currency or 10% in U.S. dollar terms, largely due to re-underwriting and de-risking actions to improve performance announced last year. At the same time, these initiatives contributed to rate increases on renewal business of 3% in the quarter and an improvement in the accident year loss ratio ex-catastrophes to 66.5% in the period, from 69.5% in the previous quarter. It is expected that further benefits from these and other measures to reduce costs will continue to flow through to results towards the latter half of this year.



Global Life BOP for the first three months of 2016 was USD 317 million, little changed in U.S. dollar terms compared to the same period in 2015 but up 11 percent on a local currency basis, helped by a strong performance from Zurich Santander and gains from accelerated in-force management initiatives in EMEA. Zurich Santander earnings increased by 29% in local currency, while in Asia Pacific BOP increased 61% in local currency due to favorable claims experience in Australia and strong protection growth in Japan.

Gross written premiums, policy fees and insurance deposits were largely unchanged at USD 7.4 billion, with increases in EMEA offset by volume decreases in Latin America. New business value increased 34% in local currency year on year, driven by a 7.8 percentage point increase in new business margin compared to the prior year period.

Farmers BOP was down 12% at USD 343 million as Farmers Re reported a small loss for the period due to significant catastrophe losses at the Farmers Exchanges⁴. These included more than USD 250 million in claims related to two hailstorms that struck the Dallas/Fort Worth area of north Texas on March 16 and 24.

Business operating profits at Farmers Management Services were 5% higher at USD 347 million, mainly driven by higher management fees as the positive growth trend at the Farmers Exchanges⁴ continued. Farmers Management Services' managed gross earned premium margin was unchanged at 7.0%.

The **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported a BOP of USD 24 million, little changed from the prior year period.

In **Other Operating Businesses**, the operating loss of USD 139 million, slightly improved compared with the prior year period due to timing effects in marketing and other spend and a decrease in interest expenses related to a lower amount of debt outstanding.



The net investment result on Group investments, which includes net investment income, realized net capital gains and losses and impairments, contributed USD 1.7 billion to the Group's total revenues for the first three months of 2016, a net return of 0.9% (not annualized). This compares to USD 2.1 billion for the first three months of 2015. Total return on Group investments was 2.7% (not annualized), compared with 2.6% in the prior year period, mainly driven by a strong performance in the fixed income portfolio as a result of falling yields.

The Group maintained its very strong **capital position**. As of January 1, 2016, the Group's solvency, as determined under the Swiss Solvency Test (SST)⁵ stood at 189%, while the Zurich- Economic Capital Model (Z-ECM) ratio stood at 121%, which is slightly above the target range. At the end of the first quarter of 2016, the estimated Z-ECM stood at around 110%, well within target range and slightly down from year end because of financial market movements and the inclusion of Rural Community Insurance Services (RCIS).

Shareholders' equity declined by 1% to USD 30.9 billion as the 2015 dividend of CHF 17.00 per share approved by shareholders at the Annual General Meeting on March 30, 2016, was recognized through shareholders' equity in the first three months of 2016.

¹ Parentheses around numbers represent an adverse variance.

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 March 31, 2016 and December 31, 2015, respectively.

⁴ Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

⁵ The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA at the full year and is subject to its approval.



Further information

Written comments to accompany the [investor and media presentation](#) will be available from 06.45 CEDT on our website www.zurich.com.

There will be a media conference call in English starting at 08.00 CEDT for questions by journalists to Chief Executive Officer Mario Greco and Chief Financial Officer George Quinn. In addition, there will be a conference call Q&A session for analysts and investors starting at 13.00 CEDT. Media may listen in. A podcast of this Q&A session will be available from 16.45 CEDT. Please dial-in to register 5 to 10 minutes prior to the start of the respective call.

Dial-in numbers

- Europe +41 (0)58 310 50 00
- UK +44 (0)203 059 58 62
- USA +1 (1) 631 570 56 13

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

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Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 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.

Contact

Zurich Insurance Group Ltd
Mythenquai 2, 8022 Zurich, Switzerland



www.zurich.com

SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

phone +41 (0)44 625 21 00, fax +41 (0)44 625 26 41

twitter [@Zurich](https://twitter.com/Zurich)

media@zurich.com

Investor Relations

phone +41 (0)44 625 22 99, fax +41 (0)44 625 36 18

investor.relations@zurich.com

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

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

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