

## Zurich reports BOP of USD 2.2 billion for first half of 2016

- **GI performance improvement continues; combined ratio for H1 improves to 98.4% from 103.6% for full-year 2015**
- **Consistent delivery in Global Life**
- **Strong result at Farmers Management Services**
- **Actions taken to simplify Group structure and improve business focus**
- **Resilient capital position**
- **H1 BOP down 2% at USD 2.2 billion, Q2 BOP up 17% at USD 1.1 billion**
- **H1 NIAS down 22% at USD 1.6 billion, Q2 NIAS down 12% at USD 739 million**

### Select financial highlights – half year (H1) and second quarter (Q2) of 2016

(For a more comprehensive set of financial highlights covering the six months ended June 30, see page 7)

in USD millions, for the six and three months ended June 30, unless otherwise stated	6M 2016	6M 2015	Change in USD <sup>1</sup>	Q2 2016	Q2 2015 <sup>1</sup>	Change in USD <sup>1</sup>
Business operating profit (BOP)	2,194	2,238	(2%)	1,107	943	17%
Net income after tax attributable to shareholders (NIAS)	1,613	2,059	(22%)	739	840	(12%)
Total Group business volumes <sup>2</sup>	36,061	36,008	0%	18,471	17,282	7%
Net investment return on Group investments (calculated on average Group investments)	1.9%	2.0%	(0.1 pts)	1.0%	0.9%	0.0 pts
Total return on Group investments (calculated on average Group investments)	4.7%	0.1%	4.6 pts	2.0%	(2.5%)	4.5 pts
Shareholders' equity <sup>3</sup>	31,632	31,178	1%			
Diluted earnings per share (in CHF)	10.55	12.99	(19%)			
Book value per share (in CHF) <sup>3</sup>	206.62	209.27	(1%)			
Return on common shareholders' equity (ROE) <sup>4</sup>	11.9%	14.2%	(2.3 pts)	11.1%	12.0%	(1.0 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	11.3%	11.6%	(0.3 pts)	11.5%	10.2%	1.3 pts



Zurich, August 11, 2016 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) for the six months ended June 30, 2016 of USD 2.2 billion, down 2% from the prior year period. Net income attributable to shareholders (NIAS) of USD 1.6 billion was down 22% due to a lower level of realized capital gains, restructuring charges related to the Group’s turnaround plans and a higher effective tax rate.

Group Chief Executive Officer Mario Greco said: “We have made significant progress over the last six months, with consistent improvement in our underlying performance in the second quarter, in the context of an ongoing challenging market environment. Reinvigorated underwriting discipline in General Insurance has resulted in an improved attritional loss ratio. Our efficiency program is beginning to deliver results and we have taken steps to strengthen our geographic footprint by enhancing our position in the U.S., Malaysia and Australia while exiting several positions where we saw limited potential.”

“Both Global Life and Farmers have continued the positive momentum of previous quarters. The capital position is resilient and cash remittances for the three years to end-2016 are still on track to exceed USD 10 billion. We are confident that by continuing our improvement actions, we will be able to deliver satisfactory returns to our shareholders in 2016 and in the following years.”

“As we prepare for the next strategy cycle, we have already taken steps to simplify our management and operating structures, which will allow us to better serve our customers and respond more easily to external developments.”

During the period, Zurich completed the acquisition of Rural Community Insurance Services (RCIS), one of the leading providers of crop insurance in the U.S., and MAA Takaful in Malaysia. It is in the process of acquiring Macquarie Group’s retail life insurance protection business in Australia. The sales of the general insurance businesses in Taiwan and Morocco were announced in June, and the sale of its operations in



South Africa and Botswana was announced in July as the Group continues to optimize its global footprint.

In June, the Group announced that it will adopt a simpler organization and management structure to make the company more agile and accountable while bringing management closer to customers.

### **Segment performance** *(for the half year ended June 30, 2016)*

#### ***General Insurance***

in USD millions, for the half year ended June 30, unless otherwise stated	2016	2015	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
General Insurance gross written premiums and policy fees	<b>18,517</b>	18,669	(1%)	2%
General Insurance business operating profit	<b>1,205</b>	1,166	3%	10%
General Insurance combined ratio	<b>98.4%</b>	98.3%	(0.0 pts)	

- **Improved profitability, better underlying result offset higher level of catastrophe and weather events**

General Insurance BOP increased by USD 40 million to USD 1.2 billion, up 3% in U.S. dollar terms or 10% in local currency, as an improvement in the underlying result offset a decrease in the net investment result and a higher level of catastrophe and weather-related events. The result benefited from currency gains of USD 92 million.

Gross written premiums and policy fees (GWP) increased by 2% in local currency terms, boosted by the acquisition of RCIS, but fell by 1% in U.S. dollar terms, largely due to the re-underwriting to improve performance announced last year. Those actions continued to deliver benefits. Notably, the current accident year loss ratio improved by 3 percentage points compared to the full year 2015, while the expense ratio decreased by 0.8 percentage points to 30.9%.

### *Global Life*

in USD millions, for the half year ended June 30, unless otherwise stated	2016	2015	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
Global Life gross written premiums, policy fees and insurance deposits	<b>15,363</b>	14,833	4%	9%
Global Life business operating profit	<b>667</b>	673	(1%)	7%
Global Life new business annual premium equivalent (APE)	<b>2,249</b>	2,443	(8%)	
Global Life new business margin, after tax (as % of APE)	<b>25.4%</b>	18.9%	6.5 pts	
Global Life new business value, after tax	<b>495</b>	411	20%	

- **Robust growth in business operating profit on a local currency basis**
- **Strong margin growth on new business sales**

Global Life BOP was USD 667 million, down 1% in U.S. dollar terms but up 7% on a local currency basis, as gains in local currency in Latin America and EMEA were offset by a lower contribution from North America, which saw a higher level of claims than in the prior year period. The Latin American business benefited from higher volumes, notably in Brazil, currency gains and increased investment returns, while profitability in EMEA was helped by an improved investment margin, expense efficiencies and a one-off benefit in the UK.

Gross written premiums, policy fees and insurance deposits increased by 4% to USD 15.4 billion, or by 9% in local currency, helped by increased sales of corporate risk and savings in the UK, individual savings in Spain and protection products through Zurich Santander.

### *Farmers*

in USD millions, for the half year ended June 30, unless otherwise stated	2016	2015	Change in USD <sup>1</sup>
Farmers Management Services management fees and other related revenues	<b>1,422</b>	1,380	3%
Farmers Re gross written premiums and policy fees	<b>759</b>	1,126	(33%)
Farmers business operating profit	<b>678</b>	719	(6%)
Farmers Management Services gross management result	<b>675</b>	654	3%
Farmers Management Services managed gross earned premium margin	<b>7.0%</b>	7.0%	(0.0 pts)

- **Good progress at Farmers Management Services as rate increases at the Farmers Exchanges<sup>5</sup> deliver higher fee income**
- **Farmers Re result affected by high level of weather-related losses in Texas**

Farmers BOP was down 6% at USD 678 million as strong gains at Farmers Management Services were offset by a loss at Farmers Re, which reported a business operating loss of USD 19 million largely due to weather-related claims in Texas during the period and continuing challenges in the auto-insurance sector.

BOP at Farmers Management Services was 6% higher at USD 697 million, mainly driven by higher management fees as the positive growth trend at the Farmers Exchanges<sup>5</sup> 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 32 million, an increase of USD 23 million from the prior year period. The bulk of those gains came from the release of long-term reserves as a consequence of a buy-back program for a variable annuity product in the U.S.

*Other Operating Businesses* recorded an operating loss for the half year of USD 388 million, compared to a loss of USD 330 million in the prior year period. This was primarily due to less favorable foreign exchange developments.

The *net investment result on Group investments*, which includes net investment income, realized net capital gains and losses and impairments, contributed USD 3.7 billion to the Group's total revenues for the first six months of 2016, compared with USD 4.0 billion in the prior year period. This represents a net return of 1.9% (not annualized). The total return on Group investments including unrealized gains was



4.7% (not annualized), compared with 0.1% 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 resilient capital position. At the end of June, the estimated Zurich Economic Capital Model (Z-ECM) ratio stood at 107%, within its target range. This is down from year end because of financial market movements and the inclusion of RCIS.

Shareholders' equity rose 1% to USD 31.6 billion from the retention of net income in the period, net unrealized gains on investment and after charging USD 2.6 billion for the dividend of CHF 17 per share approved at the Annual General Meeting on March 30, 2016.

<sup>1</sup> Parentheses around numbers represent an adverse variance.

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

<sup>3</sup> As of June 30, 2016 and December 31, 2015, respectively.

<sup>4</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

<sup>5</sup> 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.

## Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the half year ended June 30, 2016 and 2015, and the financial position as of June 30, 2016 and December 31, 2015, respectively. 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 add up to the rounded total in all cases. 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 Report 2015 for the Zurich Insurance Group and with its Consolidated financial statements 2015. In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for the IFRS figures.

in USD millions, for the six months ended June 30, unless otherwise stated	2016	2015	Change <sup>1</sup>
Business operating profit	<b>2,194</b>	2,238	(2%)
Net income attributable to shareholders	<b>1,613</b>	2,059	(22%)
General Insurance gross written premiums and policy fees	<b>18,517</b>	18,669	(1%)
Global Life gross written premiums, policy fees and insurance deposits	<b>15,363</b>	14,833	4%
Farmers Management Services management fees and other related revenues	<b>1,422</b>	1,380	3%
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General Insurance business operating profit	<b>1,205</b>	1,166	3%
General Insurance combined ratio	<b>98.4%</b>	98.3%	(0.0 pts)
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Global Life new business margin, after tax (as % of APE) <sup>2</sup>	<b>25.4%</b>	18.9%	6.5 pts
Global Life new business value, after tax <sup>2</sup>	<b>495</b>	411	20%
Farmers business operating profit	<b>678</b>	719	(6%)
Farmers Management Services gross management result	<b>675</b>	654	3%
Farmers Management Services managed gross earned premium margin	<b>7.0%</b>	7.0%	(0.0 pts)
Average Group investments	<b>195,093</b>	200,752	(3%)
Net investment result on Group investments	<b>3,654</b>	4,023	(9%)
Net investment return on Group investments <sup>3</sup>	<b>1.9%</b>	2.0%	(0.1 pts)
Total return on Group investments <sup>3</sup>	<b>4.7%</b>	0.1%	4.6 pts
Shareholders' equity <sup>4</sup>	<b>31,632</b>	31,178	1%
Swiss Solvency Test capitalization ratio <sup>5</sup>	<b>189%</b>	203%	(14 pts)
Diluted earnings per share (in CHF)	<b>10.55</b>	12.99	(19%)
Diluted earnings per share (in USD)	<b>10.75</b>	13.73	(22%)
Book value per share (in CHF) <sup>4</sup>	<b>206.62</b>	209.27	(1%)
Return on common shareholders' equity (ROE) <sup>6</sup>	<b>11.9%</b>	14.2%	(2.3 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>6</sup>	<b>11.3%</b>	11.6%	(0.3 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Details of the principles for calculating new business value are included in the embedded value report in the annual results 2015. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

<sup>3</sup> Calculated on average Group investments.

<sup>4</sup> As of June 30, 2016 and December 31, 2015, respectively.

<sup>5</sup> Ratios as of January 1, 2016 and July 1, 2015, respectively. 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.

<sup>6</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.



### **Further information**

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

There will be a media conference call in English starting at 08.00 CEDT for questions by journalists to Group Chief Executive Officer Mario Greco and Group 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.

The Group will provide an update on reserves in a technical call for analysts at 13.00 CEDT on Friday August 12, 2016. Media may listen in.

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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](http://www.zurich.com).

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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, in the financial services industries in particular; (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 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.

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