

Zurich reports BOP of USD 3.4 billion for first nine months of 2016, up 36% compared with prior year

- Q3 BOP of USD 1.2 billion vs. USD 256 million in the prior year
- NIAS for first nine months at USD 2.5 billion, 11% higher than for first nine months of 2015; Q3 NIAS at USD 912 million vs. USD 207 million in the prior year
- BOPAT ROE for first nine months of 11.9%
- Increase of 85% in General Insurance BOP for the nine months to USD 1.8 billion compared with prior year, combined ratio improves to 98.4% from 101.9%
- Global Life delivers good results, driven by underlying growth and favorable experience against assumptions
- Growth momentum maintained at Farmers Exchanges¹ with continuing operations up 5.5%
- Strong solvency capital on all key metrics with an estimated Zurich Economic Capital Model (Z-ECM)² ratio of 113%, well within the target range
- Isabelle Welton appointed Group Chief Marketing, Communications and Culture Officer; David Henderson to join Zurich as Group Chief Human Resources Officer

Select financial highlights – first nine months (9M) and third quarter (Q3) of 2016

in USD millions, for the nine and three months ended September 30, unless otherwise stated	9M 2016	9M 2015	Change in USD ³	Q3 2016	Q3 2015	Change in USD ³
Business operating profit (BOP)	3,403	2,494	36%	1,208	256	372%
Net income after tax attributable to shareholders (NIAS)	2,526	2,266	11%	912	207	342%
Total Group business volumes ⁴	51,623	51,785	(0%)	15,562	15,776	(1%)
Net investment return on Group investments (calculated on average Group investments)	2.8%	3.0%	(0.2 pts)	0.9%	1.0%	(0.0 pts)
Total return on Group investments (calculated on average Group investments)	6.1%	1.2%	4.9 pts	1.4%	1.1%	0.4 pts
Shareholders' equity ⁵	32,468	31,178	4%			
Diluted earnings per share (in CHF)	16.47	14.43	14%			
Book value per share (in CHF) ⁵	210.83	209.27	1%			



Zurich, November 10, 2016 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) for the nine months ended September 30, 2016 of USD 3.4 billion, up 36% from the prior year period. Net income attributable to shareholders (NIAS) of USD 2.5 billion was up 11%, due to underlying improvements in General Insurance and continued strong performance from Global Life and Farmers. The Group reported a business operating profit after tax return on equity (BOPAT ROE) of 11.9% for the period.

“Zurich has maintained its positive momentum with underlying improvement in all of our core businesses,” said Group Chief Financial Officer George Quinn. “The strengthening of Zurich’s management team and simplification of the Group organizational structure have been completed, while absolute costs have continued to fall reflecting actions taken earlier in the year. We are also strongly capitalized, with solvency well within our target range.”

General Insurance reported a BOP of USD 1.8 billion for the first nine months of 2016, up 85% from the prior year. The results benefited from an improved underlying combined ratio, a benign catastrophe environment and foreign exchange movements.

The combined ratio for the nine months improved by 3.5 percentage points over the prior year period to 98.4%. Gross written premiums declined by 3.3% in U.S. dollar terms, largely due to re-underwriting and further actions to improve performance announced last year.

Global Life BOP for the first nine months of 2016 was USD 1.0 billion, up 3.1% in U.S. dollar terms compared to the same period in 2015. Performance improved in all regions except North America. The improvement was driven by underlying growth in Latin America and favorable experience relative to assumptions in Europe, Middle East and Africa (EMEA) and Asia Pacific.

Gross written premiums, policy fees and insurance deposits for the nine month period increased by 5.5% to USD 22.5 billion, with robust growth in EMEA and Asia Pacific.

Farmers BOP was flat for the nine month period at USD 1.1 billion as continued momentum at Farmers Management Services was balanced out by a lower contribution from Farmers Re.

Farmers Management Services BOP rose 4% to USD 1.0 billion, supported by increased fee-income from the Farmers Exchanges¹, which are owned by their policyholders. Farmers Re recorded a BOP of USD 21 million helped by a one-off gain, while premium volume reduced due to lower quota share reinsurance participation. The third quarter was benign in terms of natural catastrophe losses whereas the nine month period was affected by a high level of natural catastrophe claims, in particular from storms in Texas.

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 42 million for the nine months. That compares to a loss of USD 12 million in the comparable period in 2015. 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.

In **Other Operating Businesses**, the operating loss widened by 3% to USD 565 million for the nine month period.

The net investment result on Group investments, which includes net investment income, realized net capital gains and losses and impairments, contributed USD 5.5 billion to the Group's total revenues for the first nine months of 2016, a net return of 2.8% (not annualized), down USD 467 million from the prior year period due to a lower level of realized capital gains.

Total return on Group investments was 6.1% (not annualized), compared with 1.2% in the prior year period, mainly driven by a strong performance in the fixed income portfolio as a result of falling yields and tightening credit spreads during the year, compared to rising yields and widening credit spreads in the prior year period.



The Group remained strongly capitalized. As of September 30, 2016, the estimated Group solvency, as determined under the Zurich Economic Capital Model (Z-ECM) ratio was well within its target range at 113%⁵, while the estimated Swiss Solvency Test (SST)⁶ ratio, stood at 167%.

Shareholders' equity was up 4.1% at USD 32.5 billion.

In anticipation of Zurich's planned Investor Day on November 17, where the company will introduce a strategic aspiration centered on customers and customer service that will drive a fundamental change in the company's culture, the company today appointed Isabelle Welton as Group Chief Marketing, Communications and Culture Officer, effective immediately. Isabelle Welton will be succeeded as Group Chief Human Resources Officer by David Henderson, who joins Zurich from MetLife where he currently serves as Executive Vice President, Human Resources. David Henderson's appointment is effective January 1, 2017. Isabelle Welton and David Henderson will report directly to Group CEO Mario Greco.

¹ 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.

² Reflects midpoint estimate with an error margin of +/- 5ppts. Q2-16 Z-ECM ratio at 107%.

³ Parentheses around numbers represent an adverse variance.

⁴ Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

⁵ As of September 30, 2016 and December 31, 2015, respectively.

⁶ Reflects midpoint estimates with an error margin of +/- 10ppts for SST. 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). Only the full year ratio is filed with FINMA and is subject to its approval.



Further information

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

There will be a media conference call in English starting at 08.00 CET for questions by journalists to 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 CET. Media may listen in. A podcast of this Q&A session will be available from 17.00 CET. Please dial-in to register 10 minutes prior to the start of the respective call.

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

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.



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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.

Persons requiring advice should consult an independent adviser.

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