

Zurich sets new financial targets, renewing focus on profitability and positioning for future success

Zurich, November 17, 2016 – Zurich Insurance Group (Zurich) will today update investors and analysts on plans to strengthen its position as a leading global composite insurer.

During the three years from 2017-2019, the Group will target:

- A business operating profit after tax return on equity (BOPAT ROE) in excess of 12% from 2017, growing over the period
- USD 1.5 billion in net savings by 2019 compared to 2015 baseline
- Cash remittances in excess of USD 9.5 billion
- A Zurich Economic Capital Model (Z-ECM) ratio of 100% - 120%, unchanged from the previous financial targets
- A new dividend policy with a target payout ratio of around 75% of net income after tax attributable to shareholders (NIAS). A dividend proposal to shareholders of CHF 17 a share will be maintained while growing towards the target payout range

Group Chief Executive Officer Mario Greco comments on the plan: “Zurich is a very strong insurance group, with a leading global position in commercial insurance, excellent capital strength and a very trusted brand. In the next three years, we will focus on execution to increase business profitability through delivering high-quality earnings. We will also differentiate ourselves by delivering first-class client service. We are reshaping the business for new market realities and to best equip us for future success. We will become stronger as the competitive landscape shifts, establishing a sound base for future growth.”

“We feel very confident about delivering on our ambitious financial targets and we are committed to drive the business with rigorous discipline. We have the right management team in place, we have set the right accountability and we are engaging our employees to play their full part in Zurich’s successful future. With this, we are well



positioned to deliver sustainable improvement in earnings which will support an increase in the return of capital to shareholders over time.”

Strategy to deliver long-term competitive advantage

The strategy will focus on increasing profitability, consolidating the Group’s position as a leading global underwriter for P&C and Life. Based on Zurich’s trusted brand the Group will build on customer relationships, simplify the business and significantly reduce costs.

At the operating level, Zurich will continue to reduce complexity and improve accountability.

In **Commercial**, Zurich will enhance technical excellence and strengthen its go-to-market-approach. The Group will continue to build on its distinct capabilities in the management of international programs for large multi-nationals. This will be supported by improved global capabilities, such as the creation of its Global Specialties team, and increased accountability in customer-facing businesses.

The Group will enhance underwriting performance to improve profitability in commercial through more disciplined underwriting tools, through initiatives to reduce portfolio volatility by limiting risk exposures and through talent management initiatives, training and career development.

In **Retail**, Zurich aims to differentiate its offering by improving customer satisfaction and retention through strengthening digital capabilities and using metrics such as net promoter scores to develop a better understanding of customers’ needs and preferences.

Zurich aims to further expand its successful distribution partnerships through new bancassurance and affinity relationships, while deepening existing partnerships. The proposition for small businesses and their owners will be enhanced by focusing on consistent service delivery across its key markets.

Farmers is a key part of Zurich's U.S. business. The business has performed strongly in recent quarters. The Farmers Exchanges¹, which are owned by their policyholders, will continue to focus on improving customer satisfaction, improving retention rates and cross-sell, thereby increasing fee income of Farmers Management Services.

Clear financial targets and dividend policy

The Group aims to achieve net savings of USD 1.5 billion from the 2015 basis by 2019. This enhanced savings target will be delivered primarily through a comprehensive review of IT systems and contracts and shared services procurement processes and is expected to incur restructuring charges of USD 500 million per year on average in 2017 and 2018.

Even as the Group delivers these improvements in efficiency, there will be investments for the future, primarily in new technologies, systems and data analytics to enhance Group efficiency and improve the customer proposition.

These changes will allow Zurich to target a business operating profit after tax return on equity in excess of 12% already in 2017, growing over the next three years even with a higher equity base resulting from planned asset allocation changes. The Group aims to generate cash remittances in excess of USD 9.5 billion and retain its strong capital position with an unchanged target Z-ECM ratio of 100-120% for the three year strategic period.

The Group intends to maintain its current attractive dividend policy and proposes a target pay-out ratio of around 75% of net income attributable to shareholders, subject to a minimum of CHF 17. This dividend policy will be supported by the strategy to increase profitability, with modest growth in some lines of business, and Zurich's continuing focus on maintaining its capital strength.

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.



Further information

There will be a media conference call in English starting at **09.00 CET** with Group Chief Executive Officer Mario Greco followed by a question and answer session, including also Group Chief Financial Officer George Quinn and Group Chief Operating Officer Kristof Terryn. The respective media presentation will be available from **07.15 CET** on our website www.zurich.com.

The Investor Day will commence at **11.30 CET** and will be live streamed on www.zurich.com. Media may listen in. The investor presentation will be published at **11.00 CET** and a replay of the webcast will be available as of **20.00 CET** on www.zurich.com.

Dial-in numbers

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Please dial-in to register 10 minutes prior to the start of the respective call or broadcast.

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 Depository 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 and that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

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