

Zurich's top-line for the first three quarters shows good growth

- **Property & Casualty (P&C) gross written premiums up 1% on a like-for-like basis, with improved new business and customer retention**
- **Life APE sales up 1% on a like-for-like basis, with 17% growth in new business value reflecting continued focus on higher margin unit-linked and protection products**
- **Continued top-line growth at Farmers Exchanges¹, with premiums from continuing operations up 3% and a stable surplus ratio of 37.7%**
- **Strong capital position with Z-ECM estimated at 136%²**

“I am pleased with the development of our businesses in the year to date, particularly against a challenging industry backdrop in the third quarter. We expect the third quarter natural catastrophe events to drive improvements in pricing across our business,” said Group Chief Financial Officer George Quinn. “New business volumes and customer retention in Property & Casualty and Life are both up, while the Farmers Exchanges¹ continue to deliver consistent growth. The Group is strongly capitalized and has continued to make progress against its strategic targets.”

Key figures

in USD millions, for the nine months ended Sept. 30, unless otherwise stated	2017	2016	Change ³ in USD	Change ⁴ like-for-like
P&C gross written premium (GWP)	25,345	25,749	(2%)	1%
Life annual premium equivalent (APE)	3,474	3,470	0%	1%
Farmers Exchanges GWP ¹	15,176	15,008	1%	n.a.
Farmers Life APE	67	70	(4%)	n.a.
Z-ECM ²	136%	125% ²	11ppts	n.a.

Commentary

Property & Casualty

in USD millions, for the nine months ended Sept. 30, unless otherwise stated	Gross written premium (GWP)				Rate change, in %	
	2017	2016	Change ³ in USD	Change ⁴ like-for-like	2017	Development
Property & Casualty	25,345	25,749	(2%)	1%	1%	Slightly decreasing
EMEA	10,974	11,771	(7%)	(2%)	2%	Stable
North America	11,599	11,584	0%	0%	0%	Slightly decreasing
APAC	1,752	1,675	5%	8%	1%	Increasing
Latin America	1,958	1,761	11%	12%	1%	Increasing

Gross written premiums in Property & Casualty (P&C) for the first nine months of 2017 rose 1% in local currency after adjusting for acquisitions and disposals and declined 2% in U.S. dollar terms. This reflects improved levels of retention and new business. Rates overall increased by around 1%, mainly driven by Europe, Middle East & Africa (EMEA).

In EMEA, excluding the disposals of South Africa, Morocco and the Middle East, gross written premiums declined by 2%, due to reductions in Germany, the UK and Spain. Gross written premiums for North America were flat compared to the prior year period, with growth in higher margin lines offsetting declines in large commercial. In Asia Pacific, gross written premiums were up 8% in local currency, reflecting the incremental premium from underwriting the Cover-More travel business in Australia, while gross written premiums for Latin America increased by 12% in local currency, mainly driven by the retail business in Brazil and Mexico.

As mentioned in the Group's news release of October 19, 2017, aggregate claims in the third quarter of 2017 related to hurricanes Harvey, Irma and Maria, for the Group's Property & Casualty business, are estimated to be approximately USD 700 million net of reinsurance and before tax. As indicated at the time of the release, these events will result in estimated net-of-tax losses of USD 620 million with a consequent negative

impact on the Group's effective tax rate for the year. There were a number of other natural-catastrophe and weather-related events during the third quarter including the Mexican earthquakes, and severe storms and floods in EMEA and Asia.

The Group continued to focus on improving technical performance and efficiency during the third quarter. Additional effort will be required to achieve the Group's underwriting goals, while progress on efficiency has been achieved through a further reduction in other underwriting expenses.

Life

in USD millions, for the nine months ended Sept. 30, unless otherwise stated	Annual premium equivalent (APE)				New business value (NBV)			
	2017	2016	Change ³ in USD	Change ⁴ like-for-like	2017	2016	Change ³ in USD	Change ⁴ like-for-like
Life	3,474	3,470	0%	1%	706	618	14%	17%
EMEA	2,464	2,353	5%	10%	449	442	2%	5%
North America	40	49	(19%)	(19%)	17	22	(21%)	(21%)
APAC	134	111	21%	10%	118	63	86%	nm
Latin America	836	956	(13%)	(19%)	122	91	34%	26%

Life new business APE volumes increased by 1% in local currency compared with the prior year after adjusting for acquisitions, and were flat in U.S. dollar terms. This was primarily driven by strong sales in the UK, Ireland and Switzerland. On a reported basis, volumes in Asia Pacific increased as a result of underlying growth and the inclusion of the acquisitions in Malaysia and Australia. In Latin America, continued growth in Brazil and in individual protection business at Zurich Santander was offset by lower sales of corporate protection in Chile.

New business value increased 17% year-on-year in local currency and adjusting for recent acquisitions, with higher values in most regions. This was largely due to strong volume growth of protection products in Brazil, improved business mix in Spain and Italy, favorable assumption updates in Asia Pacific and beneficial yield movements across Europe, Brazil and Japan.

As a result the overall new business margin increased by 2.4 percentage points to 23.2%.

Farmers

in USD millions, for the nine months ended Sept. 30, unless otherwise stated	2017	2016	Change ³ in USD
Farmers Exchanges¹			
Gross written premium (GWP)	15,176	15,008	1%
Surplus ratio	37.7%	37.0%	0.7ppt

The Farmers Exchanges¹, which are owned by their policyholders, continue to deliver top-line growth. In the first nine months of 2017, gross written premiums from continuing operations⁵ were up 3%, with growth across most books of business. As in the first half of the year, this was partially offset by the run-off of discontinued operations⁵. Rate and underwriting actions taken to improve profitability in Auto have continued to benefit the combined ratio ex-natural catastrophes. The third quarter saw a stabilization in retention and a slowing of recent declines in new business, which is expected to continue over the next few quarters.

In a quarter characterized by severe natural catastrophe losses for the industry, the Farmers Exchanges¹ maintained a strong capitalization with a surplus ratio at the end of September 2017 of 37.7%, 0.6 percentage points higher than at the end of the previous quarter.

in USD millions, for the nine months ended Sept. 30, unless otherwise stated	2017	2016	Change ³ in USD
Farmers			
Farmers Management Services management fees and other related revenues	2,165	2,144	1%
Farmers Life annual premium equivalent (APE)	67	70	(4%)
Farmers Life new business value (NBV)	71	66	8%



As a result of the growth at the Farmers Exchanges¹, management fees for Farmers Management Services increased by 1% over the prior year period. Farmers Life new business APE was down 4% year-on-year, while new business value increased 8%, driven by a favorable sales mix and lower acquisition expenses as well as improved assumptions around mortality and persistency.

Capital position

As of September 30, 2017 the Z-ECM ratio is estimated at 136%² as a result of positive financial markets and favorable development in Group pension liabilities.

Other

The Group expects overall restructuring costs for the full year to be no more than the USD 500 million previously indicated. It is expected that around USD 150 million of these will be taken as one-off charges in the business operating profit, with the balance taken below the operating line. The P&C share within the business operating profit will be part of the non-technical result.

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 Ratios as of September 30, 2017 and December 31, 2016, respectively. Ratio for September 30, 2017 reflects midpoint estimate with an error margin of +/- 5 pts.

³ Parentheses around numbers represent an adverse variance.

⁴ Percentages represent the change in local currencies and are adjusted for acquisitions and disposals.

⁵ Discontinued operations include 21st Century business outside of California and Hawaii and other discontinued operations.



Further information

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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