News Release

February 8, 2018

ZURICH

Zurich reports strong performance for 2017 and proposes dividend of CHF 18 per share

- **Underlying business operating profit (BOP)[1] up 6% to USD 4.8 billion**
- **Unadjusted BOP down 15% to USD 3.8 billion and net income after tax attributable to shareholders decreased 6% to USD 3.0 billion**
- **On track to deliver on 2017 to 2019 targets with USD 700 million in cost savings achieved, an underlying BOPAT ROE of 12.1%[1] and an estimated Zurich Economic Capital Model (Z-ECM) ratio of 132%[2]**
- **Reflecting underlying earnings growth and a positive outlook, the Group proposes a dividend of CHF 18 per share, up 6% from CHF 17 per share**
- **Announces anti-dilution measures that comprise the repurchase of shares of approximately USD 1 billion**
- **Invested USD 2.7 billion in acquiring customer offerings and distribution capabilities**
- **Property & Casualty (P&C) top line strengthened, while underwriting expenses and accident year loss ratio (ex-catastrophe) improved**
- **Life BOP rose 11% to USD 1.3 billion driven by portfolio growth, improved product mix and reduced costs**
- **Higher fee income at Farmers Management Services driven by further growth at the Farmers Exchanges[3]**

Group Chief Executive Officer Mario Greco said: “In a year of historic weather events, our focus and discipline delivered strong performance. We improved underwriting, reduced costs and expanded our service offerings, while growing premiums and improving our customer retention levels. These achievements made us resilient in the face of challenges and give us confidence as we look ahead to delivering our 2017 to 2019 targets.”

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Select financial highlights (unaudited) – full year (12M)
(For a more comprehensive set of financial highlights covering the 12 months ended December 31 see page 9)

in USD millions, for the 12 months ended December 31	12M 2017	12M 2016	Change in USD[4]
Business operating profit (BOP)	3,803	4,495	(15)%
Hurricanes Harvey, Irma and Maria	700		
Charges related to Group's restructuring	143		
UK indexation relief	115		
Underlying business operating profit[1]	4,762	4,495	6%
Net income after tax attributable to shareholders (NIAS)	3,004	3,211	(6)%
Underlying business operating profit (after tax) return on common shareholder's equity (BOPAT ROE)[1]	12.1%	11.5%	0.6 pts

Business operating profit (BOP) for the 12 months ended December 31, 2017 was USD 3.8 billion, down 15% over the previous year. This was largely due to higher levels of natural catastrophe losses over the year, measures related to the Group's restructuring recognized within BOP and a one-time item resulting from changes to capital gains relief in the UK. Adjusting for these items, BOP rose 6% over the prior year period to USD 4.8 billion.[1]

Zurich is well on track to achieve its 2017 to 2019 targets. As of December 31, 2017 cumulative cost savings of USD 700 million have been achieved towards the target of USD 1.5 billion. Cash remittances for the year of USD 3.7 billion are consistent with the target of in excess of USD 9.5 billion over the 2017 to 2019 period, and the estimated Z-ECM ratio stands at a very strong 132%[2], above the 100% to 120% target range. The underlying business operating profit after tax return on equity for the year was 12.1%,[1] in line with the target of in excess of 12% and growing over the three-year period.

Reflecting the underlying earnings growth and positive earnings outlook, Zurich's Board of Directors will propose an increase of approximately 6% in the dividend to CHF 18 per share to shareholders at the Group's annual general meeting on April 4, 2018.

Zurich also announced that, in line with the Group's policy on anti-dilution, it plans to implement measures that consist of the repurchase of shares of approximately USD 1 billion. The anti-dilution measures will consist of two actions: a cancellation of repurchased shares[5] in the amount of up to 1.74 million shares to reverse dilution from vestings of shares in recent years as part of the Group's long-term compensation awards; and the intention to purchase shares on the market instead of issuing new shares for long-term compensation awards in future years.

In 2017, Zurich made significant investments to better anticipate and meet evolving customer needs and provide cutting-edge digital solutions. Zurich has made considerable progress in refocusing on its core business, exiting under-performing or non-strategic units while building capabilities in select growth markets through targeted acquisitions totaling USD 2.7 billion in 2017.

During the year, the company underpinned its position as one of the top-three global providers of travel services with the acquisitions of Cover-More Group Limited and Halo Insurance Limited. Building on these positions, Zurich has begun offering travel insurance to customers of easyJet and in December acquired a majority stake in FitSense, an analytics company that uses data from mobile applications and online devices to provide customized insurance products.

The Group also strengthened its proposition to drivers and the automobile industry with the acquisition in December 2017 of Bright Box HK Limited, a provider of telematics solutions linking drivers, dealers and manufacturers.

Also in December, Zurich announced plans to strengthen its leadership in distributing insurance products through banks with the acquisition of OnePath Life, the Australian life insurance business of Australia and New Zealand Banking Group (ANZ). The agreement, which is subject to regulatory approval, will make the company the leading retail life insurer in Australia.

Zurich has further widened its distribution partnerships in 2017 with new agreements with well-established brands such as Arsenal and Porsche.

These investments have been supported by continuing business transformation and a commitment to adopt new technologies. Zurich is investing about USD 700 million per year to enhance customer service, modernize its IT and deliver sustainable savings. For example, in April 2017 Zurich signed a global agreement with Expert System to supply cognitive computing solutions that significantly accelerate response times to processing claims and improve how they are evaluated.

Business performance

(for the 12 months ended December 31, 2017)

Property & Casualty

in USD millions, for the 12 months ended December 31, unless otherwise stated	2017	2016	Change in USD[4]	Change in LC[4]
P&C gross written premiums and policy fees	**33,024**	33,122	(0)%	1%
P&C underlying business operating profit[1]	**2,344**	2,437	(4)%	
P&C business operating profit	**1,546**	2,437	(37)%	(23)%
P&C underlying combined ratio[1]	**98.2%**	98.1%	(0.1) pts	

- **Stabilized top line, improved underwriting results, reduced expenses and improving rates**

Property & Casualty (P&C) results show that management actions to improve underwriting delivered results in 2017. The combined ratio as reported was 100.9% due to the exceptional impact of hurricanes Harvey, Irma, and Maria. Adjusting for these the combined ratio was stable at 98.2%. At the adjusted level, the accident year loss ratio and other underwriting expense ratio both improved by approximately 1% compared to 2016, demonstrating the effectiveness of the group’s underwriting and expense actions. This improvement was in part offset by an increase in the commission ratio by about 1%. As outlined in the Group’s news release of October 19, 2017, hurricanes Harvey, Irma and Maria had a combined impact on P&C of USD 700 million after reinsurance but before tax.

Gross written premiums increased by 1% in local currency after adjusting for acquisitions and disposals. This reflects improved levels of retention and new business, with a strengthening trend over the second half of the year. Rates overall increased by around 2%. In North America, rate increase accelerated in the fourth quarter as the market reacted to the impact of hurricane losses.

The Group continued to demonstrate strong expense discipline, with the majority of the Group's 2017 net expense savings of around USD 400 million achieved within P&C, mainly in EMEA and North America.

The underlying P&C BOP[1] in 2017, adjusting for the losses from the hurricanes Harvey, Irma and Maria, fell 4% to USD 2.3 billion. The net investment result increased by USD 80 million, largely due to gains in North America. This was more than offset by higher non-technical expenses, lower foreign exchange gains than in 2016 and non-recurring charges.

Life

in USD millions, for the 12 months ended December 31, unless otherwise stated	2017	2016	Change in USD[4]	Change in LC[4]
Life gross written premiums, policy fees and insurance deposits	**33,242**	29,323	13%	13%
Life business operating profit	**1,258**	1,130	11%	11%
Life new business annual premium equivalent (APE)	**4,868**	4,686	4%	3%
Life new business margin, after tax (as % of APE)	**23.3%**	19.4%	3.9 pts	
Life new business value, after tax	**999**	782	28%	29%

- **Portfolio growth, improved product mix and reduced costs deliver strong growth in profitability and new business value**

Life performed strongly in 2017 with BOP up 11% to USD 1.3 billion. This was driven by a combination of portfolio growth, particularly in Asia Pacific and Latin America, expense reductions, positive market developments and a more favorable claims experience. Adjusting for the impact of a tax change in the UK, underlying BOP was USD 1.4 billion, up 22%.

BOP in Asia Pacific rose 73% to USD 132 million, mostly due to the acquisition of Macquarie Group's retail life insurance protection business in 2016, continued growth in Japan, Australia and Malaysia, and supportive financial markets across the region. In Latin America, overall BOP increased 19% to USD 296 million with growth across the portfolio. In EMEA, BOP decreased by 7% as growth in Switzerland, Spain, Ireland and Italy was offset by lower earnings from the UK related to a one-time change in capital gains indexation relief announced in the 2017 UK government budget. In North America, BOP improved by USD 83 million.

Annual premium equivalent (APE) sales rose 4% to USD 4.9 billion, with growth in EMEA, Asia Pacific and North America offsetting a decline in Latin America. This growth was accompanied by an improvement in the business mix, with increased volumes of retail protection and unit-linked business offsetting reduced sales of traditional savings products. The combination of improved business mix with higher yields particularly in Germany and Switzerland and improved assumptions led to an increase in new business margins and a resulting expansion in new business value by 28%. Within this growth in new business value through the Group's bank distribution partners remained strong at 44%, with agency and broker channels also contributing strong growth.

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Farmers

in USD millions, for the 12 months ended December 31, unless otherwise stated	2017	2016	Change in USD[4]
Farmers Management Services management fees and related revenues	**2,892**	2,867	1%
Farmers Re gross written premiums and policy fees	**995**	1,587	(37)%
Farmers Life[5] gross written premiums and policy fees	**877**	873	0%
Farmers Life new business annual premium equivalent (APE)	**91**	94	(3)%
Farmers business operating profit	**1,691**	1,722	(2)%
Farmers Management Services gross management result	**1,389**	1,367	2%
Farmers Management Services managed gross earned premium margin	**7.0%**	7.0%	(0.0) pts

- **Higher fee income at Farmers Management Services driven by further growth at the Farmers Exchanges[3], with a better underwriting result at Farmers Re and strong performance from Farmers Life[6]**

The Farmers Exchanges[3], which are owned by their policy holders, continued to deliver robust top-line growth in 2017, with gross written premiums from continuing operations up 3.1% over the prior year, largely driven by higher rates, especially in the auto book. Rate and underwriting actions also contributed to a 2.3% improvement in the combined ratio of the Farmers Exchanges over the year to 101.6%.

Having fallen in the first half following rate actions at the Farmers Exchanges, the net promoter score – a key measure of customer satisfaction – rebounded strongly in the second half to reach a record high of 46.9% for the month of December 2017. This was reflected in an improvement in customer retention in the fourth quarter.

The growth at the Farmers Exchanges resulted in a USD 25 million, or 1%, increase in management fees and other related revenues at Farmers Management Services (FMS). FMS BOP fell by USD 64 million to USD 1.4 billion, reflecting a USD 86 million one-time gain in 2016 related to the Farmers' pension plan.

Farmers Re BOP increased by USD 15 million to USD 57 million, driven by a 3.2% improvement in the combined ratio following underwriting actions at the Farmers Exchanges.

At Farmers Life, BOP increased by USD 17 million to USD 220 million, due in part to favorable assumption updates. The new business value rose 18%, driven by a favorable sales mix and lower acquisition expenses.

The Group's **Non-Core Businesses,** which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported BOP of USD 39 million compared to a loss of USD 15 million in the prior-year period.

Group Functions & Operations reported a net operating expense of USD 731 million for the year, an improvement of 6% over the prior-year period, largely due to cost savings at Zurich's headquarters, lower external debt charges and non-recurring items in the 2016 financial year.

The **net investment result on Group investments**, which include net investment income, realized net capital gains and losses and impairments, contributed USD 7.2 billion to the Group's total revenues for 2017, up 3% on the prior year. The net investment return on Group investments was stable at 3.8%.

Shareholders' equity increased by 8% to USD 33.1 billion over the year.

[1] Adjusted for the impact of the hurricanes Harvey, Irma and Maria, measures related to the Group's restructuring recognized within BOP and the impact of the changes to UK capital gains tax indexation relief.
[2] Reflects midpoint estimates as of December 31, 2017 with an error margin of +/- 5pts for Z-ECM.
[3] Provided for informational purposes only. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
[4] Parentheses around numbers represent an adverse variance.
[5] Public share repurchase program to be launched on a second trading line of the SIX Swiss Exchange (subject to regulatory approval).
[6] Reflects management view and contains the ongoing business and some closed books of Farmers New World Life Insurance Company.

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Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the 12 months ended December 31, 2017 and December 31, 2016, and the financial position as of December 31, 2017 and December 31, 2016, 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 2017 for the Zurich Insurance Group and with its consolidated financial statements 2017. 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 12 months ended December 31, unless otherwise stated	2017	2016	Change[1]
Business operating profit	**3,803**	4,495	(15)%
Net income attributable to shareholders after tax	**3,004**	3,211	(6)%
P&C business operating profit	**1,546**	2,437	(37)%
P&C gross written premiums and policy fees	**33,024**	33,122	(0.0)%
P&C combined ratio	**100.9%**	98.1%	(2.7) pts
Life business operating profit	**1,258**	1,130	11%
Life gross written premiums, policy fees and insurance deposit	**33,242**	29,323	13%
Life new business annual premium equivalent (APE)[2]	**4,868**	4,686	4%
Life new business margin, after tax (as % of APE)[2]	**23.3%**	19.4%	3.9 pts
Life new business value, after tax[2]	**999**	782	28%
Farmers business operating profit	**1,691**	1,722	(2)%
Farmers Management Services management fees and related revenues	**2,892**	2,867	1%
Farmers Management Services managed gross earned premium margin	**7.0%**	7.0%	(0.0) pts
Farmers Re gross written premiums and policy fees	**995**	1,587	(37)%
Farmers Life new business annual premium equivalent (APE)[2]	**91**	94	(3)%
Average Group investments[3]	**189,723**	184,003	3%
Net investment result on Group investments[3]	**7,249**	7,034	3%
Net investment return on Group investments[3,4]	**3.8%**	3.8%	(0.0) pts
Total return on Group investments[3,4]	**4.1%**	4.4%	(0.4) pts
Shareholders' equity[5]	**33,062**	30,660	8%
Z-ECM[6]	**132%**	125%	7 pts
Diluted earnings per share (in USD)	**19.90**	21.36	(7)%
Diluted earnings per share (in CHF)	**19.58**	21.04	(7)%
Book value per share (in CHF)	**214.57**	208.44	3%
Return on common shareholders' equity (ROE)[7]	**10.9%**	11.8%	(0.9) pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[7]	**9.2%**	11.5%	(2.2) pts

[1] Parentheses around numbers represent an adverse variance.
[2] Details of the principles for calculating new business are included in the embedded value report in the annual results 2017. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
[3] Including investment cash.
[4] Calculated on average Group investments.
[5] As of December 31, 2017 and December 31, 2016, respectively.
[6] Ratio as of December 31, 2017 reflects midpoint estimate with an error margin of +/- 5 pts.
[7] 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 presentation will be available from 06:45 CET on www.zurich.com.

Live media event

There will be a press conference at the Zurich Development Center (Keltenstrasse 48, 8044 Zurich) starting at 09:00 CET with Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. Journalists who are unable to attend in person, may dial in using the details provided below. The presentation will be held in English.

Q&A session for analysts and investors

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.

Dial-in numbers

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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 53,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. 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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