News release

May 9, 2018

Zurich's first quarter shows a good start to the year

- **Life APE sales up 13% on a like-for-like[1] basis, with new business margin at an attractive level of 25.2% and new business value stable at USD 273 million**
- **Property & Casualty (P&C) gross written premiums down 1% like-for-like[1] as the Group continues to focus on profitability**
- **Continued top-line growth at Farmers Exchanges[2] with gross written premiums up 4%, a return to growth in continuing operations[3] policy count and surplus ratio up to 40%**
- **Very strong capital position with Z-ECM estimated at 133%[4]**

"We are pleased with the development of our businesses in the first quarter. The Group continues to make good progress toward our 2017 to 2019 targets and remains strongly capitalized after returning around USD 3.8 billion to shareholders year-to-date through the increased dividend and the previously announced anti-dilution measures," said Group Chief Financial Officer George Quinn. "In P&C we remain focused on profitability, while our Life business continues to perform strongly and the Farmers Exchanges[2] are seeing good momentum in key customer metrics and underlying profitability."

Key figures

in USD millions, for the three months ended March 31, unless otherwise stated	**2018**	2017	Change[5] in USD	Change[1,5] like-for-like
P&C gross written premiums (GWP)	**9,333**	8,919	5%	(1%)
Life annual premium equivalent (APE)	**1,254**	1,172	7%	13%
Farmers Exchanges[2] GWP	**5,123**	4,938	4%	4%
Z-ECM[4]	**133%**	132%	1 ppt	n.a.

Commentary

Property & Casualty

in USD millions, for the three months ended March 31, unless otherwise stated	Gross written premiums (GWP) 2018	2017	Change[5] in USD	Change[1,5] like-for-like	Rate change, in % 2018	Change vs. 2017
Property & Casualty	**9,333**	8,919	5%	(1%)	**2%**	Increasing
EMEA	**5,333**	4,884	9%	(2%)	**2%**	Stable
North America	**3,113**	3,266	(5%)	(5%)	**3%**	Increasing
Asia Pacific	**628**	547	15%	10%	**2%**	Increasing
Latin America	**684**	615	11%	14%	**4%**	Increasing

Gross written premiums in Property & Casualty (P&C) for the first three months of 2018 rose 5% in U.S. dollar terms and declined slightly on a like-for-like[1] basis. Growth in Asia Pacific and Latin America was mainly offset by planned actions focused on profitability in North America. Rates improved particularly in North America which continued the positive momentum seen in the fourth quarter of 2017. Overall the Group saw rate increases of around 2% in the first quarter of 2018.

In EMEA, gross written premiums increased 9% in U.S. dollar terms and declined by 2% on a like-for-like[1] basis, with growth in the Switzerland commercial business offset by reductions in Germany and the UK. Gross written premiums for North America were down 5% compared to the prior year period. In line with Group's strategy, this was mainly driven by planned reductions in less profitable lines. In Asia Pacific, gross written premiums were up 10% on a like-for-like[1] basis, reflecting the incremental new business premiums from underwriting the Cover-More travel business in Australia. In Latin America, gross written premiums increased by 14% on a like-for-like[1] basis driven by the retail business in Brazil and Mexico in line with the Group's strategy.

During the quarter claims related to natural catastrophes have been only slightly above historical first quarter levels.

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Life

in USD millions, for the three months ended March 31, unless otherwise stated	Annual premium equivalent (APE) 2018	2017	Change[5] in USD	Change[1,5] like-for-like	New business value (NBV) 2018	2017	Change[5] in USD	Change[1,5] like-for-like
Life	**1,254**	1,172	7%	13%	**273**	277	(1%)	(1%)
EMEA	**901**	815	11%	20%	**184**	187	(2%)	(1%)
North America	**35**	16	112%	112%	**5**	10	(48%)	(48%)
Asia Pacific	**55**	42	31%	23%	**46**	39	16%	10%
Latin America	**263**	299	(12%)	(10%)	**39**	40	(3%)	(0%)

Life new business annual premium equivalent (APE) volumes increased by 13% on a like-for-like[1] basis during the quarter after adjusting for currency and the disposal of the UK workplace savings business, with growth of 7% on a headline reported basis.

In EMEA, the joint venture with Banco de Sabadell S.A. in Spain together with Italy, Switzerland and the UK were the main contributors to growth, with the latter also benefiting from a single large corporate protection sale. In Asia Pacific all countries contributed to the growth, while North America saw improved volumes of corporate protection from a low base in 2017. In Latin America, continued growth in Brazil was offset by the absence of a large corporate protection sale in Chile in the first quarter of 2017.

The new business margin remained at an attractive level of 25.2% in the quarter. New business value decreased 1% in U.S. dollar terms and on a like-for-like[1] basis, with this driven in part by changes in product mix to optimize returns on capital and earnings as well as some minor changes to operating assumptions.

Farmers

in USD millions, for the three months ended March 31, unless otherwise stated	2018	2017	Change[5] in USD
Farmers Exchanges[2]			
Gross written premiums (GWP)	**5,123**	4,938	4%
Surplus ratio[6]	**40.0%**	38.7%	1.3 ppts

The Farmers Exchanges[2], which are owned by their policyholders, continued to deliver top-line growth over the quarter. The first quarter saw further improvement in key customer metrics. Retention and Net Promoter Score increased versus the December 2017 levels, while new business and in-force policy count for continuing operations[3] returned to growth. This improvement is expected to continue over the next few quarters.

In the first quarter of 2018, gross written premiums from continuing operations[3] were up 6%, with an agreement with Uber to provide commercial rideshare insurance in two U.S. states contributing just over half of the growth. Growth was also supported by the continued delivery of the Farmers Exchanges[2] expansion in the Eastern U.S., with gross written premiums up 22% in the expansion states during the quarter before inclusion of the Uber rideshare business. As in 2017, top-line growth in continuing operations[3] was partially offset by the run-off of discontinued operations.

Rate and underwriting actions taken to improve profitability in Auto have continued to benefit the combined ratio ex-natural catastrophes, with this continuing to trend down over the first quarter of the year. The improved underwriting performance also contributed to a further increase in the surplus ratio during the quarter to 40.0%, 1.3 percentage points higher than at the end of 2017.

In line with its strategy, the Farmers Exchanges[2] entered into an agreement to sell the renewal rights for a portfolio of business insurance sold through independent agents. This will result in a reduction of approximately USD 200 million of gross written premiums on an annualized basis.

in USD millions, for the three months ended March 31, unless otherwise stated	2018	2017	Change[5] in USD
Farmers			
Farmers Management Services management fees and other related revenues	**716**	716	(0%)
Farmers Life annual premium equivalent (APE)	**21**	22	(6%)
Farmers Life new business value (NBV)	**30**	23	31%

Farmers Management Services (FMS) management fees were stable compared with the prior year period, in line with the development of gross earned premiums within the Farmers Exchanges[2].

Due to its timing late in the quarter, the Uber agreement had limited impact on the gross earned premiums of the Farmers Exchanges[2], on which management fees to Farmers Management Services are based. The large scale nature of these policies results in a lower cost of acquisition as well as reduced servicing requirements on the part of FMS. As a result the management fee applied to this business is lower than for the traditional business of the Farmers Exchanges[2]. This will lead to a very minor reduction in the reported managed gross earned premium margin going forward.

Farmers Life new business APE was down 6% year-on-year, while new business value increased 31% driven by a favorable sales mix as well as mortality assumption updates in line with more recent industry data.

As indicated at the time of the full year results, the Farmers Exchanges[2] reduced the all lines quota share reinsurance to Farmers Re to 1% effective December 31, 2017.

Capital position

As of March 31, 2018, the Z-ECM ratio is estimated at 133%[4] showing a slight increase compared to December 31, 2017. As of January 1, 2018, the Group's Swiss Solvency Test (SST) ratio was 216%[7].

[1] Like-for-like comparison represents the growth in local currencies and is adjusted for the disposal of the UK workplace savings business.
[2] 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.
[3] Continuing operations exclude Business Insurance Independent Agents, 21st Century business outside of California and Hawaii and other discontinued operations.
[4] Ratios as of March 31, 2018 and December 31, 2017, respectively. Ratio for March 31, 2018 reflects midpoint estimate with an error margin of +/- 5 pts.
[5] Parentheses around numbers represent an adverse variance.
[6] Ratios as of March 31, 2018 and December 31, 2017, respectively.
[7] The Swiss Solvency Test (SST) ratio as of January 1, 2018 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 full year ratio is filed with FINMA and is subject to its approval.

Further information

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 17.00 CEDT.

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

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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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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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