

Zurich reports strong performance for first half of 2018

- **Business operating profit (BOP) up 12% to USD 2.4 billion and first half net income after tax attributable to shareholders up 19% to USD 1.8 billion**
- **Well positioned to deliver on 2017 to 2019 financial targets with approximately USD 900 million in cost savings achieved, a BOPAT ROE of 12.3%, an estimated Zurich Economic Capital Model (Z-ECM) ratio of 134%¹ and cash remittance levels on track to achieve in excess of USD 9.5 billion target**
- **Property & Casualty (P&C) combined ratio improved by two percentage points to 97.5% with improved current accident year loss ratio and lower administration expenses**
- **Strong Life performance with BOP up 17% from portfolio growth, reduced costs and favorable foreign exchange developments; like-for-like growth in APE of 11%, with one percentage point expansion in new business margin to 26.4%**
- **Farmers Exchanges² achieved a 6.6 percentage point combined ratio improvement while growing its continuing operations gross written premiums by 4.7%**

Group Chief Executive Officer Mario Greco said: “I’m extremely pleased with our continued progress. Our businesses are showing great resilience and improved profitability despite challenging market conditions. At the midpoint of our three-year plan, we stand well on track to achieve all indicated targets by the end of 2019. And we are progressing fast in the implementation of the strategy we launched in November 2016.”

Mr. Greco added: “In the first six months of this year, we strengthened market share in Latin America and Australia and established a powerful global platform in the highly dynamic and promising travel assistance business. In addition, we bolstered our innovation capabilities through technology platforms like Zurich Insurance Mobile Solutions and launched a series of new digital solutions for customers.”

Mr. Greco concluded: “Zurich today is a motivated team of skilled professionals serving over 70 million customers worldwide. We are proud of all we have accomplished, and with the support of a strong brand we will continue to drive new ways to create value for our customers.”



Select financial highlights (unaudited)

(For a comprehensive set of financial highlights see page 8)

| in USD millions, for the 6 months ended June 30, unless otherwise stated | 2018 | 2017 | Change in USD ³ |
|---|--------------|-------|----------------------------|
| Business operating profit (BOP) | 2,422 | 2,167 | 12% |
| Net income after tax attributable to shareholders (NIAS) | 1,791 | 1,503 | 19% |
| Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) | 12.3% | 11.0% | 1.3pts |

Business operating profit (BOP) for the six months ended June 30, 2018 was USD 2.4 billion, up 12% over the previous year. The strong result was driven by improved underwriting and reduced expenses in the Property & Casualty business together with portfolio growth and favorable experience in Life, which more than offset USD 70 million of incremental costs related to the Group's restructuring. Year-on-year growth also benefited from more favorable exchange rates and the absence of charges relating to the Ogden discount rate change in the first half of 2017. Net income after tax attributable to shareholders (NIAS) increased 19% reflecting both the growth in business operating profit as well as a lower tax rate following reforms in the U.S.

Zurich remains well positioned to achieve its 2017 to 2019 financial targets. The business operating profit after tax return on equity was 12.3% in the first half, in line with the target of in excess of 12% and growing over the three-year period. As of June 30, 2018 cumulative cost savings of approximately USD 900 million of the targeted USD 1.5 billion have been achieved. Cash remittances are consistent with the target to achieve in excess of USD 9.5 billion over the three years, and the estimated Z-ECM ratio is above the 100% to 120% target range at a very strong 134%.¹

During the first half of 2018, the Group further strengthened its position as one of the leading insurance groups in Latin America with the announced acquisition of QBE's Latin American business together with the announced acquisition of the individual and group life business of EuroAmerica in Chile. The Group also expanded the global franchise capabilities of its Cover-More operations by acquiring Travel Ace and Universal Assistance in Latin America and, in July, by announcing the acquisition of Blue Insurance in Europe. These actions solidify Cover-More's ranking as a top three travel insurance and assistance provider, and position it for global growth.



The Group continues to invest in innovative solutions that support its customer-focused strategy. To this end, in the first half of 2018, it launched Zurich Insurance Mobile Solutions (ZIMS), which will develop and deploy mobile solutions for customers across the Group. Zurich also took a minority stake in CoverWallet, with which it has a European-wide agreement to develop digital solutions for small and medium-sized enterprises; the first products have now been launched in Spain. The Group launched several other solutions to empower customers, including an Apple-designed customer relationship management portal and chatbot capabilities in claims operations to speed processing and facilitate after-hours claims notifications.

During the first half of the year, Zurich completed the repurchase of shares in the amount of USD 925 million, in line with the Group's anti-dilution policy. Including the annual dividend paid in April, the Group returned approximately USD 3.7 billion of capital to shareholders over the first half of the year.

Business performance

(for the 6 months ended June 30, 2018)

Property & Casualty

| in USD millions, for the 6 months ended June 30, unless otherwise stated | 2018 | 2017 | Change in USD ³ | Change in LC ³ |
|--|---------------|--------|----------------------------|---------------------------|
| P&C gross written premiums and policy fees | 18,543 | 18,005 | 3% | (0)% |
| P&C business operating profit | 1,137 | 1,020 | 11% | 11% |
| P&C combined ratio | 97.5% | 99.5% | 2.0 pts | |

- **Stable top line, improved underwriting performance driven by a reduced loss ratio and administrative expense ratio**

Property & Casualty (P&C) business operating profit for the first half of the year increased 11% on both a reported and local currency basis to USD 1.1 billion. Increases in EMEA and North America were partially offset by decreases in Latin America and Asia Pacific, with the decrease in these latter markets largely due to favorable one-off items in the prior year.



The stronger performance in the first half of the year reflects an improved underwriting performance, with the combined ratio improving two percentage points compared with 2017. The strong result reflects a combination of improved underlying performance, lower expenses as a result of the Group's cost reductions and the absence of charges related to the change in the Ogden discount rate in the UK in 2017. Following the payment of a large majority of claims associated with hurricanes Harvey, Irma and Maria, the results also included a release of reserves. These improvements were partially offset by lower realized capital gains together with less favorable foreign exchange developments and higher charges related to the Group's restructuring recognized in business operating profit.

Gross written premiums rose 3% in U.S. dollars and were stable in local currency over the first half of the year. In local currency, growth in Asia Pacific and Latin America was mainly offset by North America while EMEA was stable. Across all regions the focus is on profitability over volume. Premium rates increased by around 3% in the first half of the year with most regions seeing improvement.

Life

| in USD millions, for the 6 months ended June 30, unless otherwise stated | 2018 | 2017 | Change in USD ³ | Change like-for-like ³ |
|--|---------------|--------|----------------------------|-----------------------------------|
| Life gross written premiums, policy fees and insurance deposits | 16,966 | 14,361 | 18% | 6% |
| Life business operating profit | 760 | 650 | 17% | 12% |
| Life new business annual premium equivalent (APE) | 2,291 | 2,275 | 1% | 11% |
| Life new business margin, after tax (as % of APE) | 26.4% | 25.3% | 1.0 pts | (2.7) pts |
| Life new business value, after tax | 522 | 503 | 4% | 2% |

- **Portfolio growth, reduced costs and favorable foreign exchange developments delivered strong growth in profitability and new business value**

Life performed strongly over the first half of 2018 with business operating profit of USD 760 million up 17% on a reported basis and 12% like-for-like. In EMEA, the strong result was driven in part by continued portfolio growth and reduced expenses. Latin America delivered good performance reflecting continued portfolio growth and

improved margins in corporate protection. Asia Pacific declined slightly, with organic growth offset by less favorable financial markets and weaker technical results in a number of markets, as well as the inclusion of integration costs in relation to the acquisition of OnePath Life in Australia. North America saw a slight decline over the first half of the year.

Gross written premiums, policy fees and insurance deposits increased 18% in U.S. dollars and 6% on a like-for-like basis after adjusting for foreign exchange and the disposal of the UK workplace savings business. All regions contributed to the growth, with EMEA seeing the largest increase due to growth in Switzerland, Spain and Italy.

Annual premium equivalent (APE) increased 11% on a like-for-like basis, with growth of 1% on a reported basis. Like-for-like volume growth in Europe and Asia Pacific more than offset a decline in Latin America.

New business value (NBV) increased 4% in headline terms and 2% on a like-for-like basis driven by underlying growth. On a reported basis the new business margin increased by just over one percentage point to 26.4%.

Farmers

| in USD millions, for the 6 months ended June 30, unless otherwise stated | 2018 | 2017 | Change in USD ³ |
|---|--------|--------|-------------------------------|
| Farmers Exchanges² | | | |
| Gross written premiums | 10,335 | 10,047 | 3% |
| Combined ratio | 98.3% | 104.9% | 6.6 pts |
| Surplus ratio ⁴ | 38.8% | 38.7% | 0.1 pts |
| Farmers | | | |
| Farmers business operating profit | 808 | 794 | 2% |
| Farmers Management Services (FMS) management fees and related revenues | 1,445 | 1,438 | 0% |
| Farmers Re combined ratio | 96.3% | 103.0% | 6.8 pts |
| Farmers Life annual premium equivalent (APE) | 45 | 46 | (3)% |
| Farmers Life new business value (NBV) | 64 | 49 | 31% |



- **Farmers Exchanges² achieved a 6.6 percentage point combined ratio improvement while growing its continuing operations gross written premiums by 4.7%**

The Farmers Exchanges², which are owned by their policyholders, showed continued growth in the first half of the year. Gross written premiums increased 3% compared to the prior year period, with growth of 4.7% for continuing operations.⁵ All lines of business achieved growth, which was driven by a combination of rate increases as well as improved retention and new business. Growth was also supported by the Farmers Exchanges' continued expansion into the Eastern U.S. and an agreement with Uber to provide commercial rideshare insurance in Georgia and Pennsylvania. Growth in continuing operations⁵ was partially offset by the run-off of discontinued operations. During the first half of the year, the Farmers Exchanges² recorded an underwriting profit, with the combined ratio improving 6.6 percentage points compared with the prior year period. The surplus ratio of the Farmers Exchanges² was 38.8% as of June 30, 2018, one of the highest levels recorded in recent years.

Farmers business operating profit of USD 808 million was 1.8% higher than in the first six months of 2017. This was primarily driven by Farmers Re, where business operating profit increased by USD 19 million as a result of improved underwriting results despite lower gross written premiums following the reduction in the All Lines quota share agreement with the Farmers Exchanges² from 8% to 1%. Farmers Management Services business operating profit rose by USD 1 million to USD 702 million, while Farmers Life saw a decline in business operating profit of USD 6 million to USD 81 million due to less favorable mortality over the first half of 2018. New business value at Farmers Life increased 31% despite a 3% decline in APE, with the increase driven by a favorable sales mix, lower acquisition expenses and the reduction in U.S. corporate tax rates.

Group Functions & Operations reported a net operating expense of USD 334 million for the first half of the year, an increase of USD 33 million over the prior year. The increase was driven by lower fees received from business units, which more than offset reduced costs at the corporate center and lower financing expenses.



Non-Core business operating profit was USD 51 million reflecting releases in reserves relating to businesses transferred to third parties over the first half of the year, the most significant of which were the reinsurance of the German medical malpractice portfolio and the sale of an Australian compulsory third-party liability portfolio.

The **net investment result on Group investments**, which include net investment income, realized net capital gains and losses and impairments, contributed USD 3.1 billion to the Group's total revenues for the first half of 2018, up 2% on the prior year. The net investment return on Group investments was 1.6% for the first half of the year, stable versus the prior year.

Shareholders' equity decreased by 10% to USD 29.7 billion over the first half of the year, driven largely by the payment of dividends and the repurchase of shares, which together were approximately USD 3.7 billion.

¹ Reflects midpoint estimate as of June 30, 2018 with an error margin of +/- 5pts for Z-ECM.

² 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.

³ Parentheses around numbers represent an adverse variance.

⁴ Ratios as of June 30, 2018 and December 31, 2017, respectively.

⁵ Continuing operations exclude Business Insurance Independent Agents, 21st Century business outside of California and Hawaii and other discontinued operations.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2018 and June 30, 2017, and the financial position as of June 30, 2018 and December 31, 2017, 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 other financial reports published by Zurich Insurance Group on zurich.com. 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.

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|--|----------------|---------|---------------------|
| Business operating profit (BOP) | 2,422 | 2,167 | 12% |
| Net income after tax attributable to shareholders (NIAS) | 1,791 | 1,503 | 19% |
| P&C gross written premiums and policy fees | 18,543 | 18,005 | 3% |
| P&C business operating profit | 1,137 | 1,020 | 11% |
| P&C combined ratio | 97.5% | 99.5% | 2.0 pts |
| Life gross written premiums, policy fees and insurance deposit | 16,966 | 14,361 | 18% |
| Life business operating profit | 760 | 650 | 17% |
| Life new business annual premium equivalent (APE) ² | 2,291 | 2,275 | 1% |
| Life new business margin, after tax (as % of APE) ² | 26.4% | 25.3% | 1.0 pts |
| Life new business value, after tax ² | 522 | 503 | 4% |
| Farmers business operating profit | 808 | 794 | 2% |
| Farmers Management Services management fees and related revenues | 1,445 | 1,438 | 0% |
| Farmers Re combined ratio | 96.3% | 103.0% | 6.8 pts |
| Farmers Life new business annual premium equivalent (APE) ² | 45 | 46 | (3)% |
| Farmers Life new business value (NBV) ² | 64 | 49 | 31% |
| Average Group investments ³ | 192,606 | 187,372 | 3% |
| Net investment result on Group investments ³ | 3,139 | 3,091 | 2% |
| Net investment return on Group investments ^{3,4} | 1.6% | 1.6% | (0.0) pts |
| Total return on Group investments ^{3,4} | 0.2% | 1.7% | (1.5) pts |
| Shareholders' equity ⁵ | 29,729 | 33,062 | (10)% |
| Z-ECM ^{5,6} | 134% | 132% | 2 pts |
| Diluted earnings per share (in USD) | 11.97 | 9.97 | 20% |
| Diluted earnings per share (in CHF) | 11.57 | 9.91 | 17% |
| Book value per share (in CHF) | 200.36 | 196.00 | 2% |
| Return on common shareholders' equity (ROE) ⁷ | 12.5% | 11.3% | 1.2 pts |
| Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁷ | 12.3% | 11.0% | 1.3 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 June 30, 2018 and December 31, 2017, respectively.

⁶ Ratio as of June 30, 2018 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 CEST on www.zurich.com.

Q&A session for media

There will be a conference call Q&A session for media starting at 07:30 CEST with Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. Media may dial in using the details provided below. The call 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 CEST. Media may listen in. A podcast of this Q&A session will be available from 17:00 CEST. The call will be held in English.

Dial-in numbers for 07:30 and 13:00 CEST Q&A sessions

- Switzerland +41 58 310 50 00
- UK +44 207 107 0613
- USA +1 631 570 5613

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 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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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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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