News Release

February 7, 2019

ZURICH

Zurich reports strong performance for 2018 and proposes dividend of CHF 19 per share

- **Business operating profit (BOP) up 20% to USD 4.6 billion and net income after tax attributable to shareholders up 24%**
- **Well on track to fully deliver on 2017 to 2019 targets with USD 1.1 billion in cumulative net cost savings achieved, a business operating profit after tax return on equity (BOPAT ROE) of 12.1% and a very strong estimated Zurich Economic Capital Model (Z-ECM) ratio of 125%[1]**
- **Proposed dividend of CHF 19, in line with dividend policy**
- **Continued investment in innovative customer-focused strategies; global footprint and access to distribution further strengthened**
- **Property & Casualty (P&C) BOP up 35%, with improved underlying underwriting performance in a challenging environment**
- **Life APE sales growth of 11% like-for-like, with BOP up 23% to USD 1.6 billion driven by portfolio growth and reduced expenses**
- **Steady growth at Farmers Exchanges[2], with continuing operations[3] gross written premiums up 4% and a record high customer net promoter score**

Group Chief Executive Officer Mario Greco: "We are very pleased with the excellent progress achieved in 2018 in executing our customer-led strategy. We set challenging goals and are delivering against them. We have continued to strengthen our profitability and lower costs while growing our business, expanding our global footprint and broadening our range of innovative solutions to meet the changing needs of customers. This performance gives us great confidence as we enter the next phase of our development over the year ahead."

Select financial highlights (unaudited)

(For a more comprehensive set of financial highlights see page 9)

in USD millions, for the 12 months ended December 31, unless otherwise stated	2018	2017	Change in USD[4]
Business operating profit (BOP)	**4,566**	3,803	20%
Net income after tax attributable to shareholders (NIAS)	**3,716**	3,004	24%
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**12.1%**	9.2%	2.8pts

Business operating profit (BOP) for the 12 months ended December 31, 2018, was USD 4.6 billion, up 20% over the reported number in the previous year. This was driven by underlying growth across the business, particularly in Life, and underwriting improvements in Property & Casualty.

Zurich is well on track to fully achieve its 2017 to 2019 targets. As of December 31, 2018, cumulative net cost savings of USD 1.1 billion have been achieved towards the target of USD 1.5 billion. Cash remittances for the year were USD 3.8 billion, contributing to USD 7.5 billion for 2017 and 2018 combined, and over the strategic cycle the Group expects to exceed the target of USD 9.5 billion of cash remittances. The estimated Z-ECM ratio[1] stands at a very strong 125%, above our 100% to 120% target range. The business operating profit after tax return on equity (BOPAT ROE) for the year was 12.1%, above 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% to the dividend to CHF 19 per share, leading to a NIAS payout-ratio of 76%. Shareholders will vote on the proposal at the Group's annual general meeting on April 3, 2019.

Strengthening our global footprint

In 2018, Zurich continued to strengthen its global footprint, with targeted acquisitions in the faster-growing markets of Latin America and South East Asia, while further building on the Group's leading position in the fast-growing market for travel and assistance solutions.

In Latin America, the Group consolidated its position among the industry leaders through the acquisition of QBE's Latin American operations and the individual and group life business of EuroAmerica in Chile. This was further enhanced by the acquisition of the leading regional travel and assistance businesses Travel Ace and Universal Assistance, which also further strengthened the global reach of Cover-More, the Group's travel and assistance business.

In Asia, the Group announced the planned acquisition of an 80% stake in PT Asuransi Adira Dinamika (Adira Insurance) as well as an agreement to enter into long-term cooperation with Indonesia's fifth-largest bank, PT Bank Danamon Indonesia, and the country's second-largest provider of automotive financing, Adira Finance. On completion, which is expected in the first quarter of 2019, Zurich will become the leading foreign insurer in the fast-growing and profitable Indonesian P&C market.

In addition to these acquisitions, the Group signed distribution agreements in Australia, Latin America and the afore-mentioned Indonesia, gaining access to an additional 29 million potential customers.

Innovating for our customers

In 2018, the Group continued to invest in innovative customer solutions and new technology. As part of these investments, the Group launched the inaugural Zurich Innovation World Championship, which saw over 450 companies from 49 countries on four continents submit innovative solutions covering a wide range of applications to the insurance industry. After four months, eight regional winners were selected for the final, with Chisel AI, zesty.ai, LifeNome and Soldier.ly being selected as the winning entries for their innovative customer-focused solutions.

The Group also launched the first application based on CoverWallet's technology in Spain under the European-wide agreement between the two groups. In Spain, the Group launched Klinc, an innovative provider of on-demand coverage for personal possessions, while in the U.S., the Farmers Exchanges[2] launched Toggle, a new brand targeting millennials, which offers fully digital, customizable renters insurance combined with innovative services. In addition, the Group launched its first application for connected homes in collaboration with Vodafone in Italy, with additional markets to follow over 2019. The Group also entered into a strategic collaboration with the leading insurtech Snapsheet to deploy its virtual claims technology, beginning with the Irish market. These new products and services have been well-received by Zurich's customers to date.

Business performance
(for the 12 months ended December 31, 2018)

Property & Casualty

in USD millions, for the 12 months ended December 31, unless otherwise stated	2018	2017	Change in USD[4]	Change like-for-like[4,5]
P&C gross written premiums and policy fees	**33,505**	33,024	1%	0%
P&C business operating profit (BOP)	**2,085**	1,546	35%	38%
P&C combined ratio	**97.8%**	100.9%	3.1pts	

- **Property & Casualty (P&C) business operating profit up 35%, with improved underlying underwriting performance in a challenging environment**

Property & Casualty (**P&C**) results show that management actions to improve underwriting have delivered in 2018. Gross written premiums increased 1% in headline terms and were stable on a like-for-like basis. BOP increased by 35%, mainly driven by improved underwriting performance, which was reflected in an improvement of 3.1 percentage points in the combined ratio.

Gross written premiums were flat in local currencies and adjusted for the acquisitions closed during the second half of the year. Growth in Asia Pacific and Latin America was offset mainly by a slight decline in North America. The Group's focus remained on profitability over volume, where it drove further portfolio shifts from liability lines to shorter duration property and specialties business. The Group achieved rate increases of around 2%, with improvements across most regions compared with the previous year. After four consecutive quarters of accelerating rate increases in North America, the fourth quarter showed signs of moderation in line with industry surveys.

The Group's combined ratio was lower due to a 1.1 percentage-point improvement in the accident year loss ratio ex-catastrophes and lower levels of catastrophe events of 1.8 percentage points. These improvements were partially offset by an increase of 1.0 percentage point in the commission ratio as a result of shifts in the mix of business. Prior-year reserve development was at 2.3 percentage points, reflecting the positive development in relation to reserves held in relation to the 2017 hurricanes Harvey, Irma and Maria, and the continued strength of the Group's reserves.

Life

in USD millions, for the 12 months ended December 31, unless otherwise stated	2018	2017	Change in USD[4]	Change like-for-like[4,5]
Life gross written premiums, policy fees and insurance deposits	**33,448**	33,242	1%	(1%)
Life business operating profit (BOP)	**1,554**	1,258	23%	24%
Life new business annual premium equivalent (APE)	**4,639**	4,868	(5%)	11%
Life new business margin, after tax (as % of APE)	**24.1%**	23.3%	0.8pts	(2.9pts)
Life new business value, after tax	**981**	999	(2%)	1%

- **Life APE sales growth of 11% like-for-like, with business operating profit up 23% to USD 1.6 billion driven by portfolio growth and reduced expenses**

Life performed strongly in 2018 with BOP up 23% to USD 1.6 billion. This was driven by a combination of portfolio growth, particularly in Asia Pacific and Latin America, as well as expense reductions.

BOP in EMEA increased by 22% to USD 1,010 million, or 7% considering the UK indexation relief in 2017, with most countries contributing to this performance. Asia Pacific rose 40% to USD 186 million, mostly due to continuous growth across the region and to the first-time inclusion of earnings from the reinsurance agreement with OnePath Life. In Latin America, overall BOP increased 8% to USD 319 million, with growth across the portfolio offset by adverse movements in a number of Latin American currencies. In North America, BOP improved by USD 33 million due to favorable assumption updates and a one-time provision release.

Annual premium equivalent (APE) sales increased 11% on a like-for-like basis adjusting for acquisitions and disposal of the UK workplace savings business, and foreign exchange movements, driven by growth in EMEA, Asia Pacific and Latin America. On a headline basis APE sales declined 5% to USD 4.6 billion.

New business value (NBV) increased 1% on a like-for-like basis adjusting for acquisitions and disposal of the UK workplace savings business, and foreign exchange movements, with underlying volume contribution in EMEA, Latin America and Asia Pacific being impacted by the absence of a non-repeatable US corporate protection program. On a headline basis NBV decreased by 2% to USD 981 million.

The new-business margin decreased by 2.9% on a like-for-like basis and improved by 0.8 percentage points to 24.1% on a headline basis.

Farmers

in USD millions, for the 12 months ended December 31, unless otherwise stated	2018	2017	Change[4] in USD
Farmers Exchanges[2]			
Gross written premiums	**20,325**	19,908	2%
Combined ratio	**99.9%**	101.6%	1.7pts
Surplus ratio	**39.4%**	38.7%	0.7pts
Farmers			
Farmers business operating profit (BOP)	**1,643**	1,691	(3%)
Farmers Management Services (FMS) management fees and related revenues[6]	**3,204**	2,892	11%
Farmers Re combined ratio	**99.1%**	100.1%	1.0pts
Farmers Life annual premium equivalent (APE)	**84**	91	(7%)
Farmers Life new business value (NBV)	**113**	100	13%

- **Steady growth at Farmers Exchanges[2], with continuing operations[3] gross written premiums up 4% and a record high customer net promoter score**

Farmers BOP of USD 1,643 million was 3% lower than the prior year. This was driven by reductions at Farmers Life and Farmers Re, while Farmers Management Services' BOP was broadly stable.

The Farmers Exchanges[2], which are owned by their policyholders, showed continued progress in both customer metrics and underwriting performance over the year. Gross written premiums increased 2% compared with the prior year, with growth of 4% for continuing operations[3]. 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'[2] continued expansion into the Eastern U.S. and an agreement with Uber to provide commercial rideshare insurance in Georgia and Pennsylvania. Growth in continuing operations[3] was partially offset by the run-off of discontinued operations, which were mostly completed in 2018. Farmers Exchanges'[2] underwriting performance continued to improve, with the combined ratio at 99.9% for the full year, 1.7 percentage points lower than the prior year. The Farmers Exchanges'[2] surplus ratio is estimated to be 39.4%, an increase of 0.7 percentage points over the full-year 2017 figure.

Key customer metrics continued to improve as a result of the Farmers Exchanges[2] customer-focused strategy. Net Promoter Score, an indicator of customer satisfaction and loyalty, reached a record high of 46.1% for the full year, resulting in a further improvement in overall retention.

In October the Farmers Exchanges[2] launched Toggle, a new and innovative offering aimed at millennials which offers easy to understand, fully digital and customizable insurance and services for renters. Toggle is already actively servicing customers in two states with further expansion planned in 2019. The Farmers Exchanges[2] are also actively engaged in several innovative pilots with smart home device providers, testing various pricing, underwriting and device installation approaches to produce the best experience for their customers and advance their offering to their target markets.

Group Functions & Operations reported a net operating loss of USD 753 million for the year, an increase of 3% 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 gains on currency hedges.

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 37 million. This reflects the completion of a number of transactions over the first half of the year, including the disposals of a German med-mal portfolio and an Australian compulsory third-party motor liability portfolio.

The **net investment result on Group investments**, which includes net investment income, realized net capital gains, and losses and impairments, contributed USD 6.3 billion to the Group's total revenues for 2018, down 13% on the prior year. The net investment return on Group investments was at 3.3%.

Shareholders' equity decreased by 8% to USD 30.2 billion over the year as a result of movements in asset values in the latter part of the year.

[1] Reflects midpoint estimates as of December 31, 2018, with an error margin of +/- 5ppts 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, management, and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
[3] Continuing operations exclude 21stCentury outside of California and Hawaii, Business Insurance Independent Agents and other businesses.
[4] Parentheses around numbers represent an adverse variance.
[5] In local currencies and adjusted for closed acquisitions and disposals.
[6] An adjustment made related to the adoption of IFRS 15, resulted in a USD 289 million increase to revenues and a USD 287 million increase to expenses. Excluding the impact of the adjustment, FMS management fees and related revenues increased by 1% compared with 2017.

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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, 2018 and December 31, 2017, and the financial position as of December 31, 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 with the Annual Report 2018 for the Zurich Insurance Group and with its consolidated financial statements 2018. 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	2018	2017	Change[1]
Business operating profit (BOP)	**4,566**	3,803	20%
Net income attributable to shareholders after tax	**3,716**	3,004	24%
P&C business operating profit (BOP)	**2,085**	1,546	35%
P&C gross written premiums and policy fees	**33,505**	33,024	1%
P&C combined ratio	**97.8%**	100.9%	3.1pts
Life business operating profit (BOP)	**1,554**	1,258	23%
Life gross written premiums, policy fees and insurance deposit	**33,448**	33,242	1%
Life new business annual premium equivalent (APE)[2]	**4,639**	4,868	(5%)
Life new business margin, after tax (as % of APE)[2]	**24.1%**	23.3%	0.8 pts
Life new business value, after tax[2]	**981**	999	(2%)
Farmers business operating profit (BOP)	**1,643**	1,691	(3%)
Farmers Management Services management fees and related revenues[3]	**3,204**	2,892	11%
Farmers Management Services managed gross earned premium margin	**7.0%**	7.0%	0.0pts
Farmers Life new business annual premium equivalent (APE)[2]	**84**	91	(7%)
Average Group investments[4]	**190,235**	189,723	0%
Net investment result on Group investments[4]	**6,288**	7,249	(13%)
Net investment return on Group investments[4,5]	**3.3%**	3.8%	(0.5pts)
Total return on Group investments[4,5]	**0.6%**	4.1%	(3.4pts)
Shareholders' equity[6]	**30,189**	32,993	(8%)
Z-ECM[7]	**125%**	132%	(7pts)
Diluted earnings per share (in USD)	**24.83**	19.90	25%
Diluted earnings per share (in CHF)	**24.28**	19.58	24%
Book value per share (in CHF)	**201.71**	214.57	(6%)
Return on common shareholders' equity (ROE)[8]	**13.1%**	10.9%	2.1pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[8]	**12.1%**	9.2%	2.8pts

[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 2018. 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] An adjustment made related to the adoption of IFRS 15, resulted in a USD 289 million increase to revenues and a USD 287 million increase to expenses. Excluding the impact of the adjustment, FMS management fees and related revenues increased by 1% compared with 2017.
[4] Including investment cash.
[5] Calculated on average Group investments.
[6] 2017 balance includes adjustment for effect of adoption of IFRS 15 'Revenue from Contracts with Customers'
[7] Ratio as of December 31, 2018, reflects midpoint estimate with an error margin of +/- 5 ppts.
[8] 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

Supplemental financial information and written comments to accompany the investor presentation will be available from 06:45 CET on Zurich's webpage.

The Annual Report 2018, with detailed information about Zurich's financial performance, will be published on Zurich's webpage on March 8, 2019.

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 54,000 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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