

Zurich's top line for the nine months shows good growth; on track to exceed all targets for 2017-2019

- **Property & Casualty (P&C) gross written premiums up 7% on a like-for-like¹ basis, with further rate acceleration in the third quarter**
- **Life new business value up 5% and APE sales down 6% on a like-for-like¹ basis**
- **Continued growth at Farmers Exchanges², with gross written premiums up 1%**
- **Capital position remains very strong with the Z-ECM estimated at 113%³**

“We are pleased with the development of the Group year to date with continued progress against both our strategic and financial plans, including additional distribution agreements. We expect to exceed all of the targets that we set in 2016,” said Group Chief Financial Officer George Quinn. “In P&C pricing continues to increase, supporting growth and continued improvement in the portfolio, while in the Life business we are well positioned to face the challenge of low interest rates. The Farmers Exchanges² continue to deliver steady growth and execution against their strategy. The strong achievements of the past three years position us well for the next stage of our development, on which we will provide more information at our upcoming investor day.”

Key figures

in USD millions, for the nine months ended September 30, unless otherwise stated	2019	2018	Change ⁴ in USD	Change ^{1,4} Like-for-like
P&C gross written premiums (GWP)	26,442	25,870	2%	7%
Life annual premium equivalent (APE)	3,173	3,570	(11%)	(6%)
Farmers Exchanges ² GWP	15,734	15,512	1%	1%
Z-ECM ³	113%	124%	(11pts)	n.a.

Commentary

Property & Casualty

in USD millions, for the nine months ended September 30, unless otherwise stated	Gross written premiums (GWP)				Rate change, in %	
	2019	2018	Change ⁴ in USD	Change ^{1,4} like-for-like	2019	Expected trend
Property & Casualty	26,442	25,870	2%	7%	3%	Stable
Europe, Middle East and Africa	11,388	11,511	(1%)	6%	2%	Stable
North America	11,892	11,446	4%	4%	6%	Stable
Asia Pacific	2,280	2,032	12%	14%	4%	Slightly moderating
Latin America	2,114	1,959	8%	21%	1%	Stable

Gross written premiums in Property & Casualty (P&C) for the first nine months rose 7% on a like-for-like¹ basis, adjusting for currency movements, acquisitions and disposals, with growth coming from all regions. This development is expected to have a positive effect on the net earned premiums in the coming year.

Most regions also saw the level of rate increases improving compared to the previous year. Notably, in the third quarter North America achieved overall rate increases in excess of 7%, as well as improved terms and conditions.

In Europe, Middle East and Africa (EMEA), gross written premiums increased 6% on a like-for-like¹ basis, with strong growth in Swiss and UK commercial business. Italy, Spain and a number of smaller European retail markets also contributed to the growth in the region. North America grew by 4% on a like-for-like¹ basis compared to the previous year, with the growth driven mainly by rate increases. Asia Pacific increased 14% on a like-for-like¹ basis, as a result of growth in Australia, Malaysia and Japan. Latin America grew 21% on a like-for-like¹ basis, driven by growth in Brazil, Chile and Argentina.

After very moderate claims related to natural catastrophes and weather in the first half of the year, the third quarter was more in line with historical levels.

Life

in USD millions, for the nine months ended September 30, unless otherwise stated	Annual premium equivalent (APE)				New business value (NBV)			
	2019	2018	Change ¹ in USD	Change ^{1,4} like-for-like	2019	2018	Change ¹ in USD	Change ^{1,4} like-for-like
Life	3,173	3,570	(11%)	(6%)	728	732	(1%)	5%
Europe, Middle East and Africa	2,032	2,191	(7%)	(2%)	439	464	(5%)	(1%)
North America	97	52	86%	86%	32	10	205%	205%
Asia Pacific	170	167	2%	5%	156	135	16%	19%
Latin America	874	1,160	(25%)	(20%)	101	123	(18%)	(4%)

Life new business annual premium equivalent (APE) decreased 6% on a like-for-like¹ basis, adjusting for currency movements, acquisitions and disposals. The decline is largely explained by two large corporate protection contracts written in 2018, that did not recur this year. APE was 11% lower on a reported basis, with movements of key currencies against the U.S. dollar an additional factor driving the decline.

In EMEA and Latin America, APE decreased by 2% and 20%, respectively, on a like-for-like¹ basis compared to the same period in 2018, when both regions benefited from large one-off contracts. EMEA showed strong underlying growth in corporate life and pensions as well as in individual protection products, while Latin America had strong sales of unit-linked and individual protection products.

North America grew APE on a like-for-like¹ basis by 86% from a low base of comparison, with growth driven by higher volumes of protection business. In Asia Pacific APE increased 5% on a like-for-like¹ basis, with continued growth of the retail protection business across the region.

The new business margin increased by 3.3 percentage points to an attractive 26.6% on a like-for-like¹ basis and by 3 percentage points to 26.4% as reported. New business value (NBV) increased 5% on a like-for-like¹ basis, driven by positive effects from business mix and operating assumption changes. On a reported basis NBV declined 1%, reflecting currency movements.

Farmers

in USD millions, for the nine months ended September 30, unless otherwise stated	2019	2018	Change ⁴ in USD
Farmers Exchanges²			
Gross written premiums (GWP)	15,734	15,512	1%
Gross earned premiums (GEP)	15,290	15,063	2%
Surplus ratio ⁵	41.9%	39.5%	2.4ppts

The Farmers Exchanges², which are owned by their policyholders, continued to deliver top-line growth. In the first nine months of 2019, gross written premiums were up 1% with growth across all books of business. Growth was also supported by the continued expansion of the Farmers Exchanges² in the Eastern U.S., with gross written premiums up 7% in the expansion states.

The Farmers Exchanges² continued to make progress with their customer focused strategy. Key indicators of this strategy remained strong, with both net promoter score and retention above prior year levels. The build-out of larger and stronger agencies with an improved customer experience also continued. After a successful launch, ToggleSM, a new and innovative rental insurance offering aimed at millennials, has been rolled out to 21 additional states since the beginning of the year and has already attracted 13,000 policies.

The Farmers Exchanges² surplus ratio improved further to 41.9%, reflecting a record high level of surplus.

in USD millions, for the nine months ended September 30, unless otherwise stated	2019	2018	Change ⁴ in USD
Farmers			
Farmers Management Services management fees and other related revenues ⁶	2,818	2,396	18%
Farmers Life annual premium equivalent (APE)	61	65	(7%)
Farmers Life new business value (NBV)	69	90	(24%)

Farmers Management Services (FMS) management fees and other related revenues increased 18% from the prior year period, driven by a change in accounting treatment. This change has no impact on FMS's business operating profit and managed gross earned premium margin.

Farmers Life new business sales on an APE basis were down 7% year-on-year, while the new business value decreased by USD 22 million driven by lower sales volumes, modeling changes, and the impact of assumption updates made in the prior year.

Capital position

As of September 30, 2019, the Z-ECM ratio is estimated at 113%³ and remains within the Group's targeted range.

¹ Like-for-like comparisons represent the change in local currencies and are adjusted for the acquisition of Travel Ace and Universal Assistance in Latin America, the acquisition of the Latin American operations of the Australian insurer QBE Insurance Group Limited, the acquisition of the individual and group life insurance portfolios, as well as the long-term savings operations of EuroAmerica in Chile and some smaller P&C business transactions in Germany.

² 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 Ratios as of September 30, 2019 and December 31, 2018, respectively. Ratio for September 30, 2019, reflects midpoint estimate with an error margin of +/- 5 ppts.

⁴ Parentheses around numbers represent an adverse variance.

⁵ Ratios as of September 30, 2019, and December 31, 2018, respectively.

⁶ Number as of September 30, 2018, restated as a result of an IFRS 15 adjustment made in December 2018.

Further information

Q&A session for media

There will be a conference call Q&A session for media starting at 08:00 CET. 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 CET. Media may listen in. A podcast of this Q&A session will be available from 17:00 CET. The call will be held in English.



Dial-in numbers for both Q&A sessions

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