

## **Zurich Q1 update – resilient performance while serving customers and protecting colleagues**

- **Solid top-line performance in the first quarter, with Property & Casualty (P&C) gross written premiums up 7% on a like-for-like<sup>1</sup> basis driven by growth from EMEA and North America**
- **P&C claims from COVID-19 are subject to significant uncertainty. Experience to date and scenario analysis suggest these could be in region of USD 750 million for 2020**
- **Capital position remains strong with Z-ECM ratio estimated at 101%<sup>2</sup> at March 31, 2020; Swiss Solvency Test ratio as per March 31, 2020, at 186%<sup>3</sup>**
- **Group retains strong liquidity and a conservative investment portfolio**
- **Rapid transition to new working practices ensured safety of Group's approx. 55,000 colleagues worldwide, while facilitating provision of support and relief to customers**

Zurich's Group Chief Executive Officer, Mario Greco said: "Throughout this crisis our priority has been to support our customers and local communities, while ensuring the safety and wellbeing of our colleagues. We acted in a socially responsible way by closing our offices early to work remotely, keeping our business fully operational. In this environment, our investments in the digitalization of our business are paying off.

We have responded to the heightened need for remote and flexible services by creating or expanding our digital offering for individual and business customers alike. We expect the crisis to strengthen demand for digital interactions and better tailored services and are committed to the expansion of our digital offering as this trend gathers pace. Our flexible and resilient business model positions the Group well to quickly adapt to changing situations and requirements to deliver continued success."

Group Chief Financial Officer George Quinn said: "The Group reported a solid start to the year with P&C growth and pricing remaining favorable, a steady performance from Farmers, while life performed well against a very strong first quarter in 2019. The impact of claims related to the COVID-19 outbreak and the sharp falls in financial

markets in the latter part of the first quarter are expected to remain a 2020 earnings event. Group solvency remains strong and together with the diversity of our business and our conservative balance sheet, I am confident that the Group is well placed to manage the current challenges.”

### **COVID-19 response and expected impact**

Since the onset of the health emergency, Zurich has delivered on its commitment to customers. The Group is providing additional financial relief through premium rebates, payment holidays and extensions of coverage. Customer interactions have been simplified by creating or expanding options to report claims by video, sign documents electronically or request remote risk assessments.

The Group has continued to support commercial customers by sharing knowledge of how to manage risk and to protect employees. The Farmers Exchanges<sup>4</sup>, which are owned by their policyholders, have announced around USD 300 million of premium rebates to their small business and personal auto customers.

At the same time, Zurich has provided prompt support to the communities in which it operates as employees mobilized to provide funds and equipment for front-line healthcare workers. The charitable foundation funded by Zurich – the Z Zurich Foundation – is supporting many of these efforts and is also providing emergency funding to charities it works with that have seen a collapse in donations.

The Group’s additional measures to support customers and its commitments to communities totaled more than USD 90 million in the first quarter.

A quick and smooth transition to working remotely has facilitated Zurich’s ability to serve clients efficiently during the crisis. As part of its aim to prioritize the safety of its employees, the Group has also provided a wide range of resources to support their well-being, as well as additional benefits to those employees hospitalized by the infection.

COVID-19 related claims in 2020 are expected to remain within the Group’s earnings risk tolerance. Experience to date and the Group’s scenario analysis suggest that P&C

claims could total approximately USD 750 million for the full year, of which USD 280 million has been recognized in the first quarter. The continuing nature of the event means that this is subject to significant uncertainty. This scenario does not include any broader positive or negative impacts resulting from lower economic activity.

Developments in financial markets and ongoing weaker economic activity are also expected to have an adverse impact on both the Group's revenues and earnings through the remainder of the year, the precise magnitude of which will depend on the ultimate levels of financial markets over the year and the extent and duration of the economic downturn.

## First-quarter update

### Key figures

in USD millions, for the three months ended March 31, unless otherwise stated	2020	2019	Change <sup>5</sup> in USD	Change <sup>1,5</sup> Like-for-like
P&C gross written premiums (GWP)	<b>9,678</b>	9,177	5%	7%
Life annual premium equivalent (APE)	<b>958</b>	1,183	(19%)	(10%)
Farmers Exchanges <sup>4</sup> GWP	<b>5,136</b>	5,189	(1%)	(1%)
Z-ECM <sup>2,6</sup>	<b>101%</b>	129%	(28ppt)	n.a.

## Commentary

### *Property & Casualty*

in USD millions, for the three months ended March 31, unless otherwise stated	Gross written premiums (GWP)				Rate change, in %	
	2020	2019	Change <sup>5</sup> in USD	Change <sup>1,5</sup> like-for-like	2020	Expected trend
<b>Property &amp; Casualty</b>	<b>9,678</b>	9,177	5%	7%	<b>5%</b>	Stable
Europe, Middle East and Africa	<b>5,337</b>	4,986	7%	8%	<b>3%</b>	Stable
North America	<b>3,354</b>	3,142	7%	7%	<b>12%</b>	Stable
Asia Pacific	<b>769</b>	717	7%	0%	<b>2%</b>	Stable
Latin America	<b>632</b>	750	(16%)	2%	<b>2%</b>	Stable

Gross written premiums in Property & Casualty (P&C) for the first three months rose 7% on a like-for-like<sup>1</sup> basis, adjusting for currency movements, acquisitions and disposals. Growth came primarily from Europe, Middle East and Africa (EMEA) and North America. In U.S. dollar terms gross written premiums increased 5% with growth tempered by adverse currency developments in Latin America.

Growth was supported by higher premium rates, with increases achieved in most regions compared to the previous year. Notably, North America experienced a continuation of recent trends, with overall rate increases of 12% in the first quarter, compared to 10% in the fourth quarter of 2019 and 7% for the full year 2019.

In EMEA, gross written premiums increased 8% on a like-for-like<sup>1</sup> basis, with strong growth in the UK, Germany and all other major countries. North America grew 7% on a like-for-like basis<sup>1</sup> compared to the previous year, with the growth driven mainly by rate increases, but also by higher retention and new business. Asia Pacific gross written premiums remained stable on a like-for-like basis<sup>1</sup>, with growth in Japan offset by a slowdown of travel insurance sales as a result of the COVID-19 outbreak. Latin America grew 2% on a like-for-like<sup>1</sup> basis, with reduced economic activity impacting sales in the mass consumer business.

A series of European winter storms together with a number of climatic events in North America, contributed to a relatively elevated level of natural catastrophe and weather-related claims compared to historical first-quarter levels.

### *Life*

in USD millions, for the three months ended March 31, unless otherwise stated	Annual premium equivalent (APE)				New business value (NBV)			
	2020	2019	Change <sup>5</sup> in USD	Change <sup>1,5</sup> like-for-like	2020	2019	Change <sup>5</sup> in USD	Change <sup>1,5</sup> like-for-like
<b>Life</b>	<b>958</b>	1,183	(19%)	(10%)	<b>203</b>	266	(24%)	(19%)
Europe, Middle East and Africa	<b>637</b>	762	(16%)	(7%)	<b>137</b>	170	(19%)	(17%)
North America	<b>33</b>	54	(39%)	(39%)	<b>13</b>	14	(5%)	(5%)
Asia Pacific	<b>54</b>	56	(3%)	(15%)	<b>21</b>	47	(55%)	(48%)
Latin America	<b>234</b>	311	(25%)	(11%)	<b>31</b>	35	(10%)	6%

In the first quarter, Life new business annual premium equivalent (APE) decreased 10% on a like-for-like<sup>1</sup> basis, adjusting for currency movements, acquisitions and disposals. The decline reflects the first impacts of COVID-19, particularly in the Asia Pacific region and Brazil, due to the impact of government lockdowns on face-to-face distribution channels. The first-quarter development also reflected expected reductions in several markets from exceptional levels in the first quarter of 2019. On a reported basis APE was 19% lower.

In EMEA APE sales decreased by 7% on a like-for-like<sup>1</sup> basis compared to the same period in 2019. Growth in the UK, Germany and Italy was more than offset by a reduction in corporate pensions business in Switzerland from the exceptional levels of the first quarter of 2019. APE sales in Latin America decreased by 11% on a like-for-like<sup>1</sup> basis, mainly driven by lower unit-linked and individual protection sales in Brazil.

In Asia Pacific APE sales decreased 15% on a like-for-like<sup>1</sup> basis, reflecting lower sales volumes in Malaysia and Indonesia driven by the outbreak of the COVID-19 virus and increased competition in Japan. In North America APE sales were 39% lower than in the prior year due to reduced sales of corporate protection business ahead of the sale of the Group life business to Aflac Incorporated, announced on March 19.

The new business margin remained on an attractive level at 23.7% as reported or 24.1% on a like-for-like<sup>1</sup> basis. New business value (NBV) decreased 19% on a like-for-like<sup>1</sup> basis, driven by lower new business volumes and a morbidity assumption change in Japan. On a reported basis NBV declined 24%.

### ***Farmers***

in USD millions, for the three months ended March 31, unless otherwise stated	2020	2019	Change <sup>5</sup> in USD
<b>Farmers Exchanges<sup>4</sup></b>			
Gross written premiums (GWP)	<b>5,136</b>	5,189	(1%)
Gross earned premiums (GEP)	<b>5,132</b>	5,022	2%
Surplus ratio <sup>6</sup>	<b>41.4%</b>	41.5%	(0.1ppts)

The Farmers Exchanges<sup>4</sup>, which are owned by their policyholders, reported a reduction in gross written premiums in the first quarter of 1%. Underlying growth of 0.4% was offset by an adjustment to previously booked gross premiums relating to lower expected volumes of commercial rideshare business following the issuance of shelter-in-place orders by U.S. state governments in response to the COVID-19 outbreak.

The Farmers Exchanges<sup>4</sup> continued to make progress with their customer-focused strategy. Key indicators of this strategy remained strong, with the net promoter score measure of customer satisfaction further increasing above prior year levels. The build-out of larger and stronger agencies with an improved customer experience also continued. Toggle<sup>SM</sup>, an innovative rental insurance offering aimed at millennials, continued to grow and passed more than 21,000 policies.

The Farmers Exchanges<sup>4</sup> surplus increased slightly over the first three months of the year to a record high of USD 6 billion, with the surplus ratio declining slightly to 41.4%.

in USD millions, for the three months ended March 31, unless otherwise stated	2020	2019	Change <sup>5</sup> in USD
<b>Farmers</b>			
Farmers Management Services management fees and other related revenues	<b>938</b>	828	13%
- excluding IFRS 15 gross up and other revenues	<b>729</b>	716	2%
Farmers Life annual premium equivalent (APE)	<b>19</b>	18	8%
Farmers Life new business value (NBV)	<b>24</b>	20	20%

Farmers Management Services (FMS) management fees and other related revenues increased 13% from the prior year period. Adjusted for the IFRS 15 gross-up of expenses that are fully offset within the expense line and have no impact on FMS's business operating profit, management fees and other related revenues increased by 2%.

Farmers Life new business sales on an APE basis increased 8% year-on-year driven by increased agent engagement. New business value increased 20% driven by higher sales volumes, positive shifts in the business mix and modeling changes.

### ***Capital position***

As of March 31, 2020, the Z-ECM ratio is estimated at 101%<sup>2</sup> and remains within the Group's targeted range.

Zurich has today published its Financial Condition Report 2019, which highlights once more the Group's financial strength. As of January 1, 2020, Zurich's Swiss Solvency Test ratio stood at 198%<sup>7</sup>, compared with 221% one year earlier.

Going forward the Group will change to using the standard yield curves as allowed by the Swiss Financial Market Supervisory Authority FINMA for the calculation of the SST. As at March 31, and applying these yield curves, the Group estimates the Swiss Solvency Test ratio to be at 186%.

<sup>1</sup> Like-for-like comparisons represent the change in local currencies and are adjusted for the acquisition of Adira Insurance in Indonesia, OnePath Life in Australia and the disposal of the retail wealth business in the UK.

<sup>2</sup> Ratio for March 31, 2020, reflects midpoint estimate with an error margin of +/- 5 pts.

<sup>3</sup> Going forward the Group will change to using the standard yield curves as allowed by the Swiss Financial Market Supervisory Authority FINMA for the calculation of the SST. As at March 31, and applying these yield curves, the Group estimates the Swiss Solvency Test ratio to be at 186%.

<sup>4</sup> 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 services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>5</sup> Parentheses around numbers represent an adverse variance.

<sup>6</sup> Ratios as of March 31, 2020, and December 31, 2019, respectively.

<sup>7</sup> The Swiss Solvency Test (SST) ratio as of January 1, 2020, is calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.

### **Further information**

An investor presentation will be available from 06:45 CEST on the Group's [webpage](#).

Zurich's Financial Condition Report 2019 will be available [here](#) from 07:15 CEST.

#### **Q&A session for media**

There will be a conference call Q&A session for media starting at 08:00 CEST. 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 both Q&A sessions**

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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 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 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](http://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 services and ancillary 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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