

News Release

November 12, 2020



Zurich nine months update – Solid growth in commercial business

- **Property & Casualty (P&C) gross written premiums up 3% on a like-for-like basis¹ with strong growth in commercial insurance and further improvement in rates**
- **Recovery in Life new business sales in the third quarter with APE up 7% on a like-for-like basis¹; year-to-date APE sales down 8% on a like-for-like basis¹**
- **Farmers Exchanges² gross written premiums 3% lower including USD 311 million customer rebates in the first half-year**
- **Capital position strong with Z-ECM ratio estimated at 110%³ at September 30, 2020; Swiss Solvency Test ratio as per September 30, 2020, at 193%⁴**
- **P&C claims related to COVID-19, net of reduced claim frequency, are unchanged at approximately USD 450 million⁵ as at September 30, 2020**
- **Priorities remain supporting customers and wellbeing of colleagues amid public health and economic challenges, and executing on customer-focused strategy**

"Over the third quarter, the Group continued to successfully manage the unprecedented challenges of COVID-19, a global recession and a record number of hurricanes making landfall in the United States. Our priority remains the support of our customers and the safety and wellbeing of our colleagues as we continue to execute on our customer-focused strategy," said Group Chief Financial Officer George Quinn.

"Growth in our commercial business has remained strong with further improvement in commercial pricing and underlying underwriting performance. Our life business saw a return to growth in the third quarter despite ongoing challenges for face-to-face distribution channels, while Farmers continued to execute on their strategy to improve growth."

"Through the nine months, the Group has continued to demonstrate its resilience and the strength of the balance sheet, with the capital position under the Z-ECM improving over the quarter."

Key figures

in USD millions, for the nine months ended September 30, unless otherwise stated	2020	2019	Change ⁶ in USD	Change ^{1,6} like-for-like
P&C gross written premiums (GWP)	27,258	26,442	3%	3%
Life annual premium equivalent (APE)	2,573	3,173	(19%)	(8%)
Farmers Exchanges ² GWP	15,285	15,734	(3%)	(3%)
Z-ECM ^{3,7}	110%	129%	(19ppt)	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 %	
	2020	2019	Change ⁶ in USD	Change ^{1,6} like-for-like	2020	Expected trend
Property & Casualty	27,258	26,442	3%	3%	9%	Stable
Europe, Middle East and Africa	12,376	11,388	9%	7%	4%	Stable
North America	12,311	11,892	4%	4%	16%	Stable
Asia Pacific	2,175	2,280	(5%)	(11%)	4%	Stable
Latin America	1,616	2,114	(24%)	(7%)	4%	Stable

Gross written premiums in Property & Casualty (P&C) for the first nine months increased 3% on a like-for-like basis¹, adjusting for currency movements, acquisitions and disposals. Growth was driven by Europe, Middle East and Africa (EMEA) and North America. In U.S. dollar terms gross written premiums grew 3% compared with the previous year.

Growth was supported by higher premium rates, which improved further in the third quarter. All regions saw increases in premium rates driven by commercial insurance. Notably, commercial insurance premium rates increased by 18% and 15% respectively in North America and EMEA in the third quarter.

In EMEA, gross written premiums increased 7% on a like-for-like basis¹. Growth was driven by commercial insurance, most notably in Germany, Switzerland and the UK. Retail insurance was up modestly year-on-year following improved third-quarter growth. North America grew 4% on a like-for-like basis¹ compared with the previous year, with

the growth driven mainly by rate increases. In Asia Pacific, gross written premiums decreased 11% on a like-for-like basis¹, with growth in Japan offset by a reduction in travel insurance across the region. Gross written premiums declined 7% on a like-for-like basis¹ in Latin America, with measures to prevent the spread of COVID-19 and reduced economic activity impacting sales in the mass consumer business.

Property & Casualty claims related to COVID-19, net of reduced claim frequency, remained unchanged at approximately USD 450 million⁵ as at September 30, 2020.

The third quarter also saw an active Atlantic storm season with hurricanes Hanna, Isaias, Laura and Sally making landfall in the United States. Together with other weather events in both North America and EMEA, losses from natural catastrophes are expected to be around 2 percentage points higher than normal over the second half of the year.

Life

in USD millions, for the nine months ended September 30, unless otherwise stated	Annual premium equivalent (APE)				New business value (NBV)			
	2020	2019	Change ⁵ in USD	Change ^{1,6} like-for-like	2020	2019	Change ⁵ in USD	Change ^{1,6} like-for-like
Life	2,573	3,173	(19%)	(8%)	553	728	(24%)	(18%)
Europe, Middle East and Africa	1,582	2,032	(22%)	(14%)	344	439	(22%)	(21%)
North America	88	97	(9%)	(9%)	35	32	12%	12%
Asia Pacific	156	170	(8%)	(26%)	71	156	(55%)	(48%)
Latin America	748	874	(14%)	7%	104	101	3%	29%

In the first nine months, Life new business annual premium equivalent (APE) sales decreased 8% on a like-for-like basis¹, adjusting for currency movements, acquisitions and disposals. The decline in sales in the first nine months was largely driven by a combination of government-imposed restrictions related to the COVID-19 outbreak and expected reductions in several markets from exceptional levels in 2019. On a reported basis APE was 19% lower.

In the discrete third quarter, growth recovered, with APE sales up 7% on a like-for-like basis¹ driven mainly by a strong performance in Latin America.



In EMEA APE sales in the first nine months decreased by 14% on a like-for-like basis¹ compared with the same period in 2019. The decline was mainly driven by a reduction in corporate pensions business in Switzerland following exceptional sales in the first nine months in 2019, and by lower savings business in Spain and in Italy as a result of the COVID-19 lockdown in the first half of the year.

In Asia Pacific APE sales decreased 26% on a like-for-like basis¹, reflecting lower sales volumes in Japan, Malaysia and Indonesia, mainly driven by the outbreak of the COVID-19 virus.

APE sales in Latin America increased 7% on a like-for-like basis¹, following a strong third quarter with APE growth of 22%. Higher sales of unit-linked and individual protection business at Zurich Santander were partly offset by lower sales volumes in Chile and corporate protection business across the region.

In North America APE sales were 9% lower than in the prior year due to reduced sales of corporate protection business mainly in the first quarter.

The new business margin remained on an attractive level at 24.9% as reported or 25.6% on a like-for-like basis¹. New business value (NBV) decreased 18% on a like-for-like basis², driven by lower new business volumes, unfavorable economic assumption changes due to the reduction in yields in EMEA and operating assumption changes impacting key countries in Asia Pacific. On a reported basis NBV declined 24%.

Farmers

in USD millions, for the nine months ended September 30, unless otherwise stated	2020	2019	Change ⁶ in USD
Farmers Exchanges²			
Gross written premiums (GWP)	15,285	15,734	(3%)
Gross earned premiums (GEP)	14,976	15,290	(2%)
Surplus ratio ⁷	40.5%	41.5%	(1.0ppts)

The Farmers Exchanges², which are owned by their policyholders, reported a reduction in gross written premiums in the first nine months of the year of 3%. This was driven

primarily by USD 311 million of COVID-19 related premium refunds and the downward revision of premiums relating to lower volumes of commercial rideshare business due to the COVID-19 outbreak.

The Farmers Exchanges² continued to make progress with their customer-focused strategy. Key indicators of this strategy remained strong, with the net promoter score, a measure of customer satisfaction, further increasing above prior year levels.

The Farmers Exchanges² surplus decreased over the first nine months of the year to USD 5.8 billion, with the surplus ratio declining to 40.5%. This reflects the reduction of the all lines quota share reinsurance treaty from 29% to 26% effective December 31, 2019.

in USD millions, for the nine months ended September 30, unless otherwise stated	2020	2019	Change ⁶ in USD
Farmers			
Farmers Management Services management fees and other related revenues	2,741	2,818	(3%)
- excluding IFRS 15 gross up and other revenues	2,134	2,179	(2%)
Farmers Life annual premium equivalent (APE)	54	61	(12%)
Farmers Life new business value (NBV)	77	69	12%

Farmers Management Services (FMS) management fees and other related revenues decreased 3% 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 decreased by 2%.

Farmers Life new business APE sales decreased 12%, reflecting challenges for face-to-face distribution channels during the COVID-19 outbreak. New business value increased 12%, mainly driven by lower interest rates and positive shifts in the business mix.



Capital position

As of September 30, 2020, the Z-ECM ratio is estimated at 110%³ and remains within the Group's targeted range. Zurich's Swiss Solvency Test ratio is estimated at 193%⁴ as of September 30, 2020.

In order to be more aligned with reporting by the Group's Swiss and European peers, the Group intends to change the reporting of its capital position to be based solely on the regulatory Swiss Solvency Test from the fourth quarter of 2020.

¹ 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, the SME portfolio of CSS Versicherung AG in Switzerland, and the disposal of the retail wealth business in the UK.

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 services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

³ Ratio for September 30, 2020, reflects midpoint estimate with an error margin of +/- 5 pts.

⁴ Estimated Swiss Solvency Test ratio, after application of standard yield curves as allowed by FINMA. The SST ratio accounts for EUR 750m subordinated debt issued on June 9, 2020, and approved as eligible risk-bearing capital by FINMA on July 22, 2020.

⁵ As per slide 13 of the Group's HY-20 Investor & Media presentation, the Group reported USD 447 million of P&C claims related to COVID-19 net of associated frequency benefits.

⁶ Parentheses around numbers represent an adverse variance.

⁷ Ratios as of September 30, 2020, and December 31, 2019, respectively.



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. Please dial in approximately 10 minutes prior to the start of the conference call.

Switzerland	+41 58 310 50 00
UK	+44 207 107 0613
U.S.	+1 631 570 5613

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.

Participants who wish to attend the Live Q&A session will need to register ahead of the call under this link ([Zurich Q&A call registration](#)) and follow the on screen instructions.

Following registration, you will receive details of the call, together with your personal access details (PIN) for the event by email. At the time of the event, you will need to choose the dial in number and call it, enter the passcode of the event (9105632#) and your personalized pin followed by the # sign.

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.

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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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