

# News Release

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Ad hoc announcement pursuant to Art. 53 of the Listing Rules

## Zurich accelerates its successful, customer-focused strategy; sets ambitious new targets

- Next three years build on successes of 2017-2022, with Zurich on track to exceed all financial targets for second consecutive three-year period
- New financial targets for 2023-2025<sup>1</sup>:
  - Business operating profit after tax return on equity (BOPAT ROE) in excess of 20%<sup>2</sup>
  - Compound organic growth in earnings per share of 8% per year<sup>3</sup>
  - Cumulative cash remittances in excess of USD 13.5 billion
  - Swiss Solvency Test (SST) ratio<sup>4</sup> of at least 160%
- Attractive dividend policy remains unchanged<sup>5</sup>

Zurich Insurance Group (Zurich) is building on the success of its previous strategic cycles and raising the bar for customer experience, simplifying the business and driving innovation as it sets ambitious new financial targets for the next three years.

Group Chief Executive Officer Mario Greco said: “In the last three years, against a backdrop of a global pandemic and its economic fallout, the growing impact of climate change and war in Ukraine, our successful strategy of **customer focus, simplification** and **innovation** has consistently delivered for shareholders and customers.

“After two successful strategic cycles, we have already achieved much, but our ambition does not end here. Now, we plan to further accelerate our strategy to build a clear leadership position in the insurance industry.

“Over the next three years, we intend to further grow our **Property & Casualty** margins and profits in the **Life** business. We expect **Farmers** to maintain mid-single-digit growth rates in revenues, continuing recent trends. With this business performance, and with strong expense discipline, we aim to achieve a business operating profit after tax return on equity in excess of 20% by 2025.

“At the same time, we will continue to embed **sustainability** across the business through accountable, transparent and measurable initiatives.

“We will track our progress against the new targets announced today and we are confident we will achieve them by 2025.”

### **Consistent strategy, increased ambition**

Building on its track record of strong delivery in challenging times, Zurich has further increased its financial ambition for the 2023-2025<sup>1</sup> period. Selective top-line growth and continued strong risk selection and expense discipline will allow Zurich to target compound annual organic growth in earnings per share of 8% over the period.<sup>3</sup> This is expected to lead to a business operating profit after tax return on equity (BOPAT ROE) in excess of 20%.<sup>2</sup> The Group aims to deliver continued high levels of cash remittances, which are expected to be in excess of USD 13.5 billion over the three years, while retaining its strong capital position with a target Swiss Solvency Test (SST) ratio<sup>4</sup> of at least 160%. Zurich plans to deliver these targets by accelerating its **customer-focused strategy** and generating additional **value for shareholders**.

This will continue to support Zurich’s **attractive dividend policy**.<sup>5</sup> The policy targets a pay-out ratio of around 75% of net income attributable to shareholders, delivering increases based on sustainable earnings growth and a minimum target of the prior-year level.

### **Expanding a leading franchise**

In **Commercial Insurance**, Zurich has driven a continuous improvement in the combined ratio over the last six years, thanks to disciplined underwriting, improved quality of insights, customer focus and the shift toward a more balanced business.

The Group’s well-balanced and high-quality portfolio and relative underexposure to unattractive lines of business is the source of ongoing margin expansion and stable and increasing returns. A talented workforce and superior insights, based on data and analytics, help Zurich to maintain its focus on better risk selection and position it well to succeed in today’s evolving market conditions. This position of strength will enable further profitable growth, deepen relationships with customers and improve Zurich’s competitive position.

**Boosting loyalty in retail**

In **Retail**, the Group intends to build on existing groundwork by strengthening customer loyalty and establishing its position as the insurer of choice. Zurich aims to achieve this by using digital platforms to deliver relevant, personalized propositions in a convenient way, when it suits its customers.

The Group is fostering a customer-focused culture at every level of the business. At the same time, it has built capabilities to listen, anticipate and respond to the needs of both commercial and retail customers. Zurich intends to maintain momentum by further strengthening this area over the next strategic cycle.

In Retail, Zurich has consistently improved its transactional net promoter score (TNPS), a measure of customer satisfaction, by 7.8 points since 2019.<sup>6</sup> This has driven increased levels of customer retention and supported growth in the Group's customer base, with 4.6 million net new customers<sup>7</sup> added since 2019.

**Driving best-in-class results in Life**

In the Life business, Zurich has improved returns on capital and reduced its sensitivity to interest rates through a continued focus on sales of protection and capital-light savings products. These products accounted for 95% of annual premium equivalent sales in the first half of 2022, up from 85% in 2019. Targeted actions on legacy portfolios of traditional, interest rate-sensitive savings business have reduced the sensitivity of the Life business to financial markets and further improved returns on capital.

Zurich has strengthened distribution by acquiring and renewing key bank distribution agreements and by expanding distribution through financial advisers and specialist agents. The Group intends to drive growth by continuing to expand distribution and by using enhanced data analytics to support greater personalization of products for customers, improve sales and increase retention, while also targeting growth in new customer segments.

Zurich will expand its product range, while also continuing to grow its successful capital-light savings business. In addition, Zurich will build on its strong in-house investment management capabilities, including in sustainable funds, to deliver a broader range of customer solutions and to capture additional margin.

### **Strong ambition at Farmers Exchanges<sup>8</sup>**

At the **Farmers Exchanges<sup>8</sup>**, which are owned by their policyholders, the integration of the MetLife business is expected to bring higher revenues as well as diversify the business's geographic and distribution footprint. Increasing rates are expected to further support growth, while focused investment by the Farmers Exchanges<sup>8</sup> will aim to improve technical capabilities to better align with best-in-class peers.

### **Embedding sustainability across Zurich**

Accountable, transparent and measurable: these terms epitomize Zurich's approach to sustainability, which it views through the three key lenses of **planet, customers and people**.

Zurich will sharpen its focus on **helping customers transition** to a net-zero future over the next three years and beyond. The Group aims to increase the share of revenue it generates from **sustainable solutions**, which incentivize or support actions that produce a positive social or environmental impact. It provides a range of products, from coverage for green mobility and sustainable energy solutions to resilience advisory services, as well as a suite of ESG investment solutions in the Life business.

### **Maintaining excellent capital levels**

Strength of capital and financial flexibility are a hallmark of Zurich, which, together with low volatility of operating results, underpins the dividend policy.<sup>5</sup> Completion of the announced disposals of back books in Italy and Germany<sup>9</sup> will further reduce the market sensitivity of the SST ratio.<sup>4</sup> The capital policy of operating at or above an SST ratio<sup>4</sup> of 160% is maintained.

- <sup>1</sup> As outlined in September, the new targets are based on IFRS 17 standards for financial reporting that apply to Zurich's financial statements as of January 1, 2023: [www.zurich.com/media/news-releases/2022/2022-0927-01](http://www.zurich.com/media/news-releases/2022/2022-0927-01)
- <sup>2</sup> Annualized business operating profit after tax return on equity, excluding unrealized gains and losses.
- <sup>3</sup> Compound organic earnings per share growth rate, before capital deployment, over the period 2023-2025. Assuming the achievement of the 2020-2022 target of a compound earnings per share growth rate of 5%.
- <sup>4</sup> Swiss Solvency Test (SST) ratio calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
- <sup>5</sup> The dividend is subject to approval by shareholders at the Annual General Meeting.
- <sup>6</sup> Global TNPS delta aggregates Retail & SME TNPS scores for all regions measured, excluding North America.
- <sup>7</sup> Based on nine retail markets: Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland and UK.
- <sup>8</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>9</sup> The announced sale of the Italian life and pensions back book to GamaLife, which is expected to be completed by the end of 2022, and the announced sale of the German traditional life insurance back books to Viridium, which is expected to be completed in the second half of 2023, are both subject to regulatory approval.

### Further information

All presentations from the investor day will be available from 06:45 CET on Zurich's [webpage](#).

There will be a media conference call in English starting at 08:30 CET, hosted by Group Chief Executive Officer Mario Greco.

### Dial-in numbers

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The Investor Day begins at 10:30 CET and presentations will cover the overall Group strategy, customer focus, commercial insurance and finance. The event will take place at the Zurich Development Center in Zurich, Switzerland, and will be live-streamed on [Zurich's website](#).

**Zurich Insurance Group (Zurich)** is a leading multi-line insurer serving people and businesses in more than 210 countries and territories. Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together', Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 56,000 employees and is headquartered in Zurich, Switzerland. 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 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 interinsurance 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 three 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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