News Release

May 17, 2023

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

Zurich starts 2023 with strong top-line growth

- **Property & Casualty insurance revenue up 7%, with growth of 11% on a like-for-like[1] basis, driven by strong growth in commercial insurance and further improvement in pricing**
- **Commercial insurance margins improve as a result of higher prices and higher interest rates, partially offset by continued elevated loss cost trends in retail**
- **New business in Life adds USD 265 million of contractual service margin in the quarter; new business premiums (PVNBP) up 23% on a like-for-like[1] basis**
- **Farmers Exchanges[2] gross written premiums down by 3%, impacted by the commercial rideshare business, partially offset by strong improvement in pricing**
- **Capital position very strong with Swiss Solvency Test ratio estimated at 258%[3] as of March 31, 2023**
- **Proactive capital allocation continues with reinsurance agreement of the in-force individual life insurance book of Farmers New World Life and planned sale of Chilean annuity book**

Group Chief Financial Officer George Quinn said: “The Group has made a strong start to the new financial cycle. We saw robust growth in Property & Casualty (P&C), with a double-digit increase in premiums in North America, mainly driven by rate increases. Underlying commercial insurance margins have continued to improve but we are being cautious about recognising the full benefit as we gain familiarity with the new accounting standard. Retail markets are seeing higher prices on renewal and margins will improve over the course of the year as earned rates start to exceed loss cost trends. Our Life business has seen strong growth in new business volume, while in the short term, business mix has reduced margins. The Farmers Exchanges[2] saw underlying growth while focusing on improving the underwriting result. We have also announced two further back book transactions, which mark an important step in our commitment to reduce volatility and improve the quality of returns. These transactions also create the potential to deliver returns at even higher levels in the future. These are our first financial results under IFRS 17. I would like to thank all my colleagues for their hard work to reach this milestone. We have had a strong start to the year and our new financial cycle and we remain focused on executing our strategy.”

P&C insurance revenues grew strongly in the first quarter with all regions contributing to growth. Commercial insurance further improved its high level of returns while retail rates started to increase. North America displayed a strong performance, delivering about 50% of total P&C growth on a like-for-like[1] basis.

Life new business added USD 265 million of contractual service margin (CSM) in the quarter, 11% below the prior-year period on a like-for-like[1] basis. This was driven by higher new business premiums with lower margins mainly due to a less favorable business mix.

Gross written premiums (GWP) at the Farmers Exchanges[2] were down by 3% compared with the prior-year period, impacted by the commercial rideshare business. The focus on improving the underwriting performance saw the business deliver continued strong pricing momentum.

As of March 31, 2023, Zurich's Swiss Solvency Test (SST) ratio is estimated at 258%[3] and remains well in excess of the Group's ≥160% target level.

Focused execution of the customer strategy helped the Group to further improve customer satisfaction, with the retail net promoter score increasing by 1.5 points in the first quarter.

The new IFRS 17 reporting standards intend to make the financial statements of public insurance companies more consistent, transparent and comparable. For P&C, the Group has continued to report gross written premiums, but now also shows *insurance revenue*. The transition to IFRS 17 also impacts how the Group presents metrics in Life, which now reports *new business premiums* and the associated incremental *contractual service margin (CSM)* for certain contracts. Life also reports *net inflows* for investment contracts and *insurance revenue* for short-term life business. A financial supplement for full-year 2022 results under IFRS 17 and an explanatory presentation is available here. A glossary of terms is available in the Appendix.

Continued pro-active capital allocation

Zurich has taken further important steps to refocus the Group's Life business to provide high quality protection and unit-linked solutions.

The Group has entered into an agreement with Resolution Life Group to reinsure the in-force individual life insurance book of Farmers New World Life Insurance Company (FNWL), a subsidiary of Farmers Group, Inc. The ceding commission is just over 16 times the average of recent remittance payments. The Group will receive after tax proceeds of USD 1.8 billion and retain the risks and rewards of the business until the effective date, currently expected to be August 1, 2023. Other metrics such as capital and leverage are not significantly impacted by the agreement.

Zurich has also agreed to sell its annuity book in Chile to Ohio National Seguros de Vida S.A.

Both transactions are subject to regulatory approval.

Given the transition to IFRS 17 and the continuing share buyback Zurich expects little to no earnings dilution from its activities to improve capital allocation in the Life business.

Key figures

in USD millions, for the three months ended March 31, unless otherwise stated	2023	2022	Change[6] in USD	Change[1,6] like-for-like
P&C insurance revenue	**9,407**	8,769	7%	11%
P&C gross written premiums (GWP)	**11,967**	11,306	6%	10%
Life present value of new business premium (PVNBP)	**4,156**	3,556	17%	23%
Farmers Exchanges[2] GWP	**6,654**	6,883	(3%)	n.a.
SST[3,7]	**258%**	267%	(9ppts)	n.a.

Commentary

Property & Casualty

	Gross written premiums (GWP)				Rate change, in %	
in USD millions, for the three months ended March 31, unless otherwise stated	2023	2022	Change[6] in USD	Change[1,6] like-for-like	2023	Expected trend
Property & Casualty	**11,967**	11,306	6%	10%	**5%**	Stable
Europe, Middle East and Africa	**5,990**	5,919	1%	5%	**4%**	Stable
North America	**4,858**	4,436	10%	10%	**8%**	Stable
Asia Pacific	**885**	802	10%	18%	**2%**	Stable
Latin America	**780**	671	16%	24%	**8%**	Moderating

in USD millions, for the three months ended March 31, unless otherwise stated	Insurance revenue 2023	2022	Change[6] in USD	Change[1,6] like-for-like
Property & Casualty	**9,407**	8,769	7%	11%
Europe, Middle East and Africa	**3,968**	3,896	2%	6%
North America	**4,298**	3,861	11%	12%
Asia Pacific	**842**	772	9%	17%
Latin America	**696**	618	13%	26%

Gross written premiums (GWP) in P&C rose 10% compared with the prior-year period on a like-for-like[1] basis, adjusting for currency movements. They rose 6% in U.S. dollar terms, reflecting the stronger U.S. dollar against major currencies.

Growth was supported by higher premium rates in P&C, with commercial insurance experiencing a 6% increase in rates.

In Europe, Middle East and Africa (EMEA), GWP increased 5% on a like-for-like[1] basis. Growth was driven by strong performance, most notably in the UK and Switzerland. Premium rates increased 5% in commercial insurance and 4% in retail insurance.

GWP in North America grew 10% on a like-for-like[1] basis compared with the previous year. Strong growth across all lines of business was supported by further rate increases, which more than offset Zurich's actions to reduce exposure to natural catastrophe losses. For 2023, crop volumes are expected to reduce year-on-year due to commodity price developments.

In Asia Pacific, GWP increased 18% on a like-for-like[1] basis compared with the previous year. Rebounding travel insurance sales in Australia and higher retail sales across the region were the main contributors.

Latin America saw an increase of 24% in GWP on a like-for-like[1] basis, benefiting from strong commercial growth and increased retail sales across the region.

Life

in USD millions, for the three months ended March 31, unless otherwise stated	Present value of new business premiums (PVNBP)				New business contractual service margin (NB CSM)			
	2023	**2022**	**Change[6] in USD**	**Change[1,6] like-for-like**	**2023**	**2022**	**Change[6] in USD**	**Change[1,6] like-for-like**
Life	**4,156**	3,556	17%	23%	**265**	320	(17%)	(11%)
Europe, Middle East and Africa	**2,634**	2,246	17%	23%	**162**	208	(22%)	(18%)
North America	**87**	147	(41%)	(41%)	**2**	7	(66%)	(66%)
Asia Pacific	**601**	462	30%	42%	**79**	68	17%	28%
Latin America	**834**	701	19%	25%	**22**	37	(40%)	(28%)

in USD millions, for the three months ended March 31, unless otherwise stated	Net inflows Investment contracts				Insurance revenue Short-term contracts			
	2023	**2022**	**Change[6] in USD**	**Change[1,6] like-for-like**	**2023**	**2022**	**Change[6] in USD**	**Change[1,6] like-for-like**
Life	**688**	**996**	(31%)	(31%)	**529**	490	8%	8%

In the first quarter, new business premiums increased 17% in U.S. dollar terms, and 23% on a like-for-like[1] basis. Growth in local currencies was partially offset by the appreciation of the U.S. dollar against major currencies.

In EMEA, new business premiums grew 23% on a like-for-like[1] basis, compared with the same period in 2022. This growth reflects large sales volumes of a retail savings product in Spain, written by the Group's joint venture with Banco Sabadell. This more than offset the adverse impact of lower sales volumes in Italy and Switzerland and higher discount rates in the region.

In North America, new business premiums was 41% lower on a like-for-like[1] basis compared with the prior-year period, driven by lower sales in the corporate business.

In Asia Pacific, new business premiums grew 42% on a like-for-like[1] basis. This was driven by higher protection sales in Japan, which rebounded from a low level in the prior year.

In Latin America, new business premiums increased 25% on a like-for-like[1] basis, benefiting from higher sales in Brazil through the Group's joint venture with Banco Santander.

New business written in the first quarter added USD 265 million of contractual service margin (CSM), which will be earned over time and converted into operating profit. New business CSM was 11% lower on a like-for-like[1] basis compared with the first quarter of 2022. This was due to a reduced new business margin[4] of 6.4% in the first quarter compared with 9.0% in the prior-year period. The reduction was mainly driven by a less-favorable business mix.

Investment contracts, which are mainly written in EMEA, as well as short-term life insurance contracts, which are mainly related to the protection business in Latin America, do not contribute to CSM as they are reported using different measurement models.[5] Net inflows for investment contracts amounted to USD 688 million in the first quarter, 31% below the prior year on a like-for-like[1] basis. This was driven by lower net inflows in Switzerland, which were partially offset by higher net inflows in Ireland. Insurance revenues from short-term life insurance amounted to USD 529 million in the first quarter, up 8% compared with the prior year on a like-for-like[1] basis, driven by growth in both the Group's joint venture with Banco Santander and the Zurich-branded business.

Farmers

in USD millions, for the three months ended March 31, unless otherwise stated	2023	2022	Change[6] in USD
Farmers Exchanges[2]			
Gross written premiums (GWP)	**6,654**	6,883	(3%)
Gross earned premiums (GEP)	**6,546**	6,220	5%
Surplus ratio[7]	**34.0%**	35.0%	(1.0ppts)

The Farmers Exchanges[2], which are owned by their policyholders, reported a reduction in GWP of 3% in the first quarter of the year. This was largely driven by the commercial rideshare business, and partially offset by the net benefit of increased rates following a continued focus on improving the underwriting performance. Gross earned premiums increased by 5% in the quarter.

The Farmers Exchanges[2] surplus ratio decreased slightly to 34% as a consequence of the underwriting loss in the quarter.

in USD millions, for the three months ended March 31, unless otherwise stated	2023	2022	Change[6] in USD
Farmers			
Farmers Management Services management fees and other related revenues	**1,122**	1,105	1%
Farmers Life present value of new business premiums (PVNBP)	**203**	220	(8%)
Farmers Life new business contractual service margin (NB CSM)	**34**	25	37%

Farmers Management Services (FMS) management fees and other related revenues rose 1% compared with the prior-year period. A lower IFRS 15 gross-up reduced the favorable impact from the 5% increase in gross earned premiums at the Farmers Exchanges.[2] This gross-up is fully offset within the expense line and has no impact on FMS business operating profit.

Farmers Life new business premiums decreased by 8% compared with the prior-year period to USD 203 million. This was driven by the adverse impact of higher discount rates, which were only partially offset by higher sales volumes of the universal life product. New business CSM increased by 37% to USD 34 million, benefiting from the strong sales as well as modeling changes.

Capital position

As of March 31, 2023, Zurich's Swiss Solvency Test (SST) ratio is estimated at 258%[3] and remains well in excess of the Group's ≥160% target level. This compares with 267% as of January 1, 2023. The reduction was driven by unfavorable market movements, mainly due to lower interest rates, and a modest negative impact from model and assumption updates.

[1] Like-for-like comparisons represent the change in local currencies. No material impact from acquisitions and disposals.
[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] Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.
[4] Defined as new business contractual service margin (NB CSM) divided by present value of new business premiums (PVNBP), based on IFRS 17.
[5] Investment contracts accounted for based on IFRS 9; short-term life insurance contracts accounted for based on the premium allocation approach (PAA). For more details please refer to the presentation "IFRS 17 at Zurich" (September 2022) on the Group's website (link).
[6] Parentheses around numbers represent an adverse variance.
[7] Ratios as of March 31, 2023, and December 31, 2022, respectively.

Appendix

IFRS 17 glossary

Insurance revenue reflects the amount of premium Zurich is entitled to in exchange for insurance services provided in the period to its policyholders. For most P&C and short-term Life contracts, the insurance revenue is similar to gross earned premiums.

New business premiums (PVNBP) is calculated as the present value of new business premiums discounted at the risk-free rate, gross of reinsurance and before the effect of non-controlling interests.

Contractual service margin (CSM) is a separate component of the insurance liability representing unearned profits from in-force Life contracts (excluding short-term and investment contracts), before the effect of non-controlling interests and taxes.

Life net inflows are cash receipts from policyholders (premium), net of cash payments (claims, maturities, surrenders), gross of reinsurance and before the effect of non-controlling interests.

Further information about IFRS 17 at Zurich can be found here.

Further information

IFRS 17 at Zurich

Further information about IFRS 17 at Zurich can be found here. A financial supplement for full-year 2022 results under IFRS 17 is available here and an explanatory presentation can be found here.

Q&A session for media

There will be a conference call Q&A session for media starting at 08:30 CEST. 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.

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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.

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 (7508268#) and your personalized pin followed by the # sign.

Zurich Insurance Group (Zurich) is a leading multi-line insurer serving people and businesses in more than 200 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 60,000 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.

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