Zurich Insurance Group

Mike Foley, CEO North America Commercial
Deutsche Bank Global Financial Services Investor Conference
New York, May 31, 2016
Zurich Insurance Group – Cornerstones of our strategy

**GROUP STRATEGY**

1. Prioritizing investment in distinctive positions
2. Managing other businesses for value
3. Growing our operating earnings

**KEY FOCUS AREAS**

- Corporate
- Commercial mid-market

Zurich in North America

- Select retail

- Extract value from Global Life back books
- Continue to capture value from profitable, smaller General Insurance markets
- Turnaround/exit non-performing businesses

- Efficiency
- Value extraction
- Investment risk return

Source: Investor day 2013
We continue to invest and have made significant progress

**Customer**
- Commercial primary research
- Customer feedback (NPS)
- Moments of truth
- Whole-account view

**Predictive Analytics**
- External and internal data (structured and unstructured)
- Distinctive risk insights
- Predictive models
- Pricing tools
- Field adoption

**Broker**
- Broker behavioral segmentation
- Select broker strategy
- Broker analytics
- Broker engagement model

**Operations and IT**
- People, process, and technology
- Role-based user-interfaces
- Service-oriented architecture
- Application rationalization
- Data integration
Zurich North America goes to market through five major businesses

<table>
<thead>
<tr>
<th>NORTH AMERICA COMMERCIAL (NAC)</th>
<th>GCINA</th>
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<tbody>
<tr>
<td><strong>Commercial Markets</strong></td>
<td></td>
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<tr>
<td>Standard P&amp;C and industry specific specialty lines for targeted customer industry segments</td>
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<tr>
<td><strong>Specialty Products</strong></td>
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<tr>
<td>Sophisticated products for non-standard risks</td>
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<tr>
<td><strong>Programs</strong></td>
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<tr>
<td>Business distributed through Program Administrators targeting niche markets as well as captives</td>
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<tr>
<td><strong>Direct Markets</strong></td>
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<tr>
<td>Business distributed through direct sales force targeting the auto dealer segment</td>
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<tr>
<td><strong>Global Corporate</strong></td>
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<tr>
<td>Standard P&amp;C lines for large customers with global exposures based in North America</td>
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RCIS acquisition\(^2\) closed on 3/31/2016

- USD 10.8bn GWP\(^1,2\)
- 98% CR\(^1\)

**ZNA SHARED SERVICES**

<table>
<thead>
<tr>
<th>Claims</th>
<th>Operations</th>
<th>Marketing &amp; Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Underwriting</td>
<td>Finance &amp; Actuarial</td>
<td>Other Support Services</td>
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1. Includes North America Commercial, for the year ended December 31, 2015.
2. Zurich acquired RCIS, 2\(^{nd}\) largest US crop insurer with 2015 GWP of USD 1.9B; deal closed on March 31, 2016; ~USD 400m of GWP annually was already placed with Zurich through Reinsurance and is included in the USD 10.8bn NAC GWP.
Recent acquisition of RCIS positions Zurich as the #2 crop insurer in the United States

**Rural Community Insurance Services (RCIS) acquisition:**

- Acquisition value of ~USD 700m (100% cash purchase)
- RCIS is the 2\textsuperscript{nd} largest crop insurer with GWP of USD 1.9bn\textsuperscript{1}
- Rated “A+” by A.M. Best as of April 5, 2016
- Crop business largely uncorrelated with wider P&C market
- Predictive analytics will be used to enhance performance

\textsuperscript{1} Figures as of FY-15.
North America Commercial: FY-15 combined ratio ticked up 1.7 points

FY-15 KEY FINANCIALS

<table>
<thead>
<tr>
<th></th>
<th>USD 972m</th>
<th>USD 923m</th>
<th>USD 768m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>97.0%</td>
<td>96.5%</td>
<td>98.2%</td>
</tr>
<tr>
<td>Expense</td>
<td>28.9%</td>
<td>30.1%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Combined</td>
<td>68.0%</td>
<td>66.4%</td>
<td>67.0%</td>
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<tr>
<td>FY - 13</td>
<td></td>
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<tr>
<td>FY - 14</td>
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<tr>
<td>FY - 15</td>
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KEY DRIVERS

- Modest growth with continued execution of strategic growth initiatives (incl. captives) and increase in retentions
- Market pressure on rates, especially in property lines and workers’ compensation
- Combined ratio increased mainly due to a higher attritional loss ratio and slightly higher commissions, partly offset by lower catastrophes

1 GWP Growth compared to FY-14.
2 GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.
In 2016 we are planning to hold top line and improve our combined ratio

<table>
<thead>
<tr>
<th>Gross Written Premium (GWP)</th>
<th>2015 Plan</th>
<th>2016 Plan</th>
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<tbody>
<tr>
<td>Grow</td>
<td>Hold</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Combined Ratio</th>
<th>2015 Plan</th>
<th>2016 Plan</th>
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<tbody>
<tr>
<td>Hold</td>
<td>Improve</td>
<td></td>
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</table>
North America Commercial: combined ratio improved in Q1-16 but more work to be done

Q1-16 KEY FINANCIALS

<table>
<thead>
<tr>
<th>USD 768m</th>
<th>USD 178m</th>
<th>USD 273m</th>
<th>USD 178m</th>
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<tbody>
<tr>
<td>BOP</td>
<td>Loss ratio</td>
<td>BOP</td>
<td>Loss ratio</td>
</tr>
<tr>
<td>98.2%</td>
<td>31.2%</td>
<td>96.5%</td>
<td>32.5%</td>
</tr>
<tr>
<td>67.0%</td>
<td>64.0%</td>
<td>95.2%</td>
<td>31.6%</td>
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GWP Growth compared to Q1-15:
-4%
Zurich rate change:
2%
Combined ratio:
97%

KEY DRIVERS

- Decrease in GWP includes some timing and other one-off items but is mainly driven by broad market conditions and the effects of rate tiering actions
- Overall rate increases stable
- Favorable PYD and improvements in attritional LR are partly offset by two large surety losses and an uptick in commissions

1 GWP Growth compared to Q1-15.
2 GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

May 31, 2016
In 2016 we plan to improve profitability and hold top line

Plans for 2016:
• Hold top line and focus on growing new business versus 2015
• Execute tiering more diligently
• Non-renew a small number of significantly underpriced accounts
We have tools and processes to ensure we take the appropriate action on each account.

### Portfolio Management
9-Box Tool

- **Pursue growth**
- **Shrink or Fix**

#### 1 year Combined Ratio %

- Risk Based Return Measure %
- 1 year Combined Ratio %

### Predictive Analytics
Example: Workers Compensation Curve

- Benchmark Loss, $m, annual/loss
- Tier 1
- Tier 2
- Tier 3
- Tier 4

#### Target Rate
- Actual Rate
- Book rate increase

### Underwriter Scorecard
Example

- 14
- 17
- 3
- 7
- 6

#### Tiering
Rate Change, Example Portfolio, in %, Q1 2016

- Most profitable
- Least profitable

**May 31, 2016**

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US Commercial Lines managing through significant strategic dynamics

KEY INDUSTRY TRENDS

- Management information and **execution** is critical
- Rate environment is **challenging**, but manageable
- **Scale matters** – largest carriers able to invest in information-based advantage (e.g. predictive analytics, automation of knowledge work)
- **Industrialization** of processes differentiate competitors
- Individual judgment not sufficient: **institutional insight** with **underwriter expertise** will win
- Continued “**barbelling**” of distribution channels to large and small
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Calendar:
- August 11, 2016, Half year results 2016
- September 27-29, Bank of America Meryl Lynch conference
- November 10, 2016, Results for the nine months to September 30, 2016
- November 17, 2016, Investor Day