Zurich Insurance Group

Kristof Terryn, Group Chief Operating Officer
Madrid, June 7, 2017

Goldman Sachs Twenty-First Annual European Financials Conference
## Key messages

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STRATEGIC UPDATE

A new strategy fit for purpose, now and in the future

Focus on the customer: We will focus our significant investments on improving our quality of service and the experience of our customers. A laser focus on investing for the benefit of our customers will guide all that we do.

Simplify: We aim to become a more agile and more responsive organization, better able to serve our customers and respond to their needs. We will strive to put the customer at the center of everything we do.

Innovate: We will prioritize innovation – in products, services and customer care – to give us even more of a leading edge over our competitors.
2017-2019 Financial targets

- BOPAT ROE\(^1\) in excess of 12% and increasing, despite higher equity base
- USD 1.5bn in net savings by 2019 compared to the 2015 baseline
- Z-ECM target ratio of 100-120%
- Cash remittances in excess of USD 9.5bn over 2017-2019 period

\(^1\) Business Operating Profit after tax return on equity, excluding unrealized gains and losses.
STRATEGIC UPDATE

We are focused on continuing to reward our shareholders

ZURICH’S DIVIDEND POLICY

NIAS payout ratio of approx. 75%

Dividend increases based on sustainable earnings growth

Target minimum CHF 17 per share dividend

CUMULATIVE DIVIDENDS PAID (FOR YEAR ENDING, USDbn)

>50% of market capitalization paid out since 2008

The dividend is subject to approval by the shareholders at the Annual General Meeting.
PROGRESS ON DELIVERY

On track to achieve our financial targets

**BOPAT ROE (%)**
- Ex. Ogden: 12.6%
- Q1-17: 9.5%
- Target: >12.0%

**Z-ECM RATIO (%)**
- Q1-17: 129%
- Target range: 120%

**CUMULATIVE CASH REMITTANCES (USDbn)**
- Q1-17: 9.5bn

**CUMULATIVE NET EXPENSE SAVINGS (USDbn)**
- 2015: ~USD 0.4bn
- 2016: ~300
- 2017: ~700
- 2018: ~1,100
- 2019: 1,500

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1 Business Operating Profit after tax return on equity, excluding unrealized gains and losses.
2 Q1-17 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.
Group Operations will significantly contribute to the expense base reduction by 2019.

PLANNED OPERATIONS NET SAVINGS BY 2019 (USDm)

- Operations: 500 - 700
- IT Infrastructure: 800 - 1,000
- IT Applications: 150 - 180
- Shared Services, Real Estate & Procurement: 180 - 250
- Other: 70 - 120

Total 2019 net savings: 1,500

EXAMPLES

- Simplification and modularization of products
- Standardization and streamlining of processes
- Increased automation through use of robotics
- Rationalization of IT applications
- Standardization of IT infrastructure
- Optimization of shared services
- Real estate consolidation

Savings vs. 2015 actuals. Net savings means net of investments and inflation.
Significant milestones achieved in standardizing and streamlining our IT infrastructure

FROM

- > 70 data centers in early 2015
- 140+ network suppliers
- Limited ability to support new technologies

TO

- 8 strategic data centers
- Single network provider
- Full ability to leverage new technologies, e.g. Hybrid Cloud

RUN-RATE BENEFITS

- USD 100-150m p.a. in expense savings by end of 2019
- Capability and service uplift
- Risk and complexity reduction

ACHIEVEMENTS (AS OF Q1-17)

- Number of data centers already reduced by more than 50%, 32 data centers remaining
- IT network transformation largely completed
UK injury claims cognitive automation now fully operational

FROM

- 58 minutes per medical report
- Individual decision making based on general guidelines and experience
- Dependency on employee availability

TO

- 5 seconds per medical report
- High reduction in leakage through standardized decision making
- 24/7 availability

RUN-RATE BENEFITS

- USD 5m per year from 2017
- 39,000 hours per year of freed-up capacity

ACHIEVEMENTS (AS OF Q1-17)

- System moved from pilot status into full production mode on March 15, 2017
- Global agreement with cognitive computing specialist Expert System
**PROGRESS ON DELIVERY**

**Continued delivery across all businesses**

### P&C

<table>
<thead>
<tr>
<th>COMBINED RATIO (%)</th>
<th>FY-16</th>
<th>Q1-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>98.1%</td>
<td>100.7%</td>
<td>97.2%</td>
</tr>
<tr>
<td>2.6%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>31.7%</td>
<td>33.5%</td>
<td>33.5%</td>
</tr>
<tr>
<td>65.7%</td>
<td>64.0%</td>
<td>64.0%</td>
</tr>
<tr>
<td>-1.8%</td>
<td>1.1%</td>
<td>1.1%</td>
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**GWP GROWTH IN LC (%)**

<table>
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<tr>
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<th>FY-15</th>
<th>FY-16</th>
<th>Q1-17</th>
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</thead>
<tbody>
<tr>
<td>Combined</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Cat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ER</td>
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<td></td>
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<tr>
<td>AY LR ex-cat</td>
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<tr>
<td>PYD</td>
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### LIFE

**BOP GROWTH IN LOCAL CURRENCY (USDm)**

- Q1-16: 100.7%
- Q1-17: 104.5%

**Q1-17 APE SHARE OF NON-TRADITIONAL PRODUCTS**

- Non-Traditional: 89%

### FARMERS EXchanges

<table>
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<tr>
<th>GWP CONTINUING OPERATIONS (USDm)</th>
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</thead>
<tbody>
<tr>
<td>FY-16: 4,651</td>
</tr>
<tr>
<td>Q1-17: 4,827</td>
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</tbody>
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**NET PROMOTER SCORE**

- FY-16: 43.2
- Q1-17: 43.1

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1. Provided for informational purposes only. 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 administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

2. Excludes discontinued operations (21st Century business outside of California and Hawaii mainly).
BOP excluding Ogden is strong with all businesses contributing

**BOP (USDm)**

<table>
<thead>
<tr>
<th></th>
<th>Q1-16</th>
<th>Q1-17</th>
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</thead>
<tbody>
<tr>
<td>P&amp;C</td>
<td>1,067</td>
<td>928</td>
</tr>
<tr>
<td>Life</td>
<td>556</td>
<td>420</td>
</tr>
<tr>
<td>Farmers</td>
<td>254</td>
<td>312</td>
</tr>
<tr>
<td>Group Functions and Operations</td>
<td>390</td>
<td>396</td>
</tr>
<tr>
<td>NCB</td>
<td>-153</td>
<td>-156</td>
</tr>
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+14% Ex. Ogden

1,218m

**BOP TO NIAS WALK (USDm)**

<table>
<thead>
<tr>
<th></th>
<th>Q1-17 BOP</th>
<th>RCG</th>
<th>Restructuring costs</th>
<th>Other</th>
<th>Shareholder taxes</th>
<th>Q1-17 NIAS</th>
</tr>
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<tr>
<td>P&amp;C</td>
<td>92</td>
<td>67</td>
<td>-91</td>
<td>-16</td>
<td>-314</td>
<td>60</td>
</tr>
<tr>
<td>Life</td>
<td>928</td>
<td></td>
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<td></td>
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32.0% tax rate

Non-controlling interests

1. Realized capital gains/losses.
2. Includes restructuring provisions and other restructuring charges.
AY loss ratio continuing to improve, expense ratio impacted by premium timing

**COMBINED RATIO (%)**

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<tr>
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<th>FY-16</th>
<th>Q1-16</th>
<th>Q1-17</th>
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<tr>
<td>Loss ratio</td>
<td>103.6%</td>
<td>98.1%</td>
<td>97.3%</td>
<td>100.7%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>31.7%</td>
<td>31.7%</td>
<td>31.4%</td>
<td>33.5%</td>
</tr>
<tr>
<td>FY-15¹</td>
<td>71.8%</td>
<td>66.4%</td>
<td>65.9%</td>
<td>67.2%</td>
</tr>
<tr>
<td>FY-16</td>
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<tr>
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<tr>
<td>Q1-17</td>
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**LOSS RATIO (%)**

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<th>FY-16</th>
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<td>Loss ratio (excl. catastrophes)</td>
<td>71.8%</td>
<td>66.4%</td>
<td>65.9%</td>
<td>67.2%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>3.5%</td>
<td>66.5%</td>
<td>1.1%</td>
<td>2.0%</td>
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<tr>
<td>FY-15¹</td>
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1. FY-15 has not been restated.
2. Catastrophes include major and mid-sized catastrophes including significant weather-related events.
3. Accident year loss ratio (AY LR) excludes prior year reserve development (PYD).
Capital position remains strong and above target range

Z-ECM AND SST\(^1\) RATIO (%)

- FY-12: 185%
- FY-13: 217%
- FY-14: 196%
- FY-15: 189%
- FY-16: 227%
- Q1-17e\(^2\): 129%

- FY-12: 114%
- FY-13: 127%
- FY-14: 122%
- FY-15: 121%
- FY-16: 125%
- Q1-17: 129%

SST  Z-ECM

Z-ECM\(^2\) RATIO DEVELOPMENT (INDICATIVE)

- FY-16: 125%
- Business profit: 3%
- Insurance risk: 0%
- Market risk: 0%
- Market change: 3%
- Capital movement, other\(^3\): -2%
- Q1-17: 129%

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1. As of January 1, 2017. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The full year ratio is filed with FINMA and is subject to its approval.

2. Q1-17 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

3. “Other” includes model changes and change in diversification benefit.
We pool our capital and our business is concentrated on large balance sheets

- Local entities capitalized at regulatory minimum plus adequate buffer for short-term volatility
- Regulatory minimum set according to the locally applicable solvency regime
- Excess local capital repatriated to build central pool of capital
- Concentration of operating businesses on a few large balance sheets is supportive of our capital management approach

Approximated; represents average over 2013-15 period.
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