

## Zurich reports business operating profit of USD 2.2 billion for the first half of 2015

- H1 BOP of USD 2.2 billion, down 15% compared with prior year period
- H1 NIAS of USD 2.1 billion, down 3% compared with prior year period
- BOPAT ROE 11.6%, down from 12.5% in the first half of 2014
- General Insurance combined ratio of 98.3%; actions underway to deliver on 2016 targets
- Global Life delivers good growth in APE and BOP at constant currency
- Farmers continues progress in strategic execution
- Full-year cash remittances expected to be over USD 3.5 billion; expectation for three year period ending 2016 of more than USD 10 billion, well ahead of target
- GEC members take on additional responsibilities

### Select financial highlights – half year (H1) and second quarter (Q2) of 2015

(For a more comprehensive set of financial highlights covering the six months ended June 30, see page 7)

in USD millions, for the six and three months ended June 30, unless otherwise stated	6M 2015	6M 2014	Change in USD <sup>1</sup>	Q2 2015	Q2 2014	Change in USD <sup>1</sup>
Business operating profit (BOP)	2,238	2,621	(15%)	943	1,240	(24%)
Net income after tax attributable to shareholders (NIAS)	2,059	2,123	(3%)	840	848	(1%)
Total Group business volumes <sup>2</sup>	36,008	37,567	(4%)	17,282	18,261	(5%)
Net investment return on Group investments (calculated on average Group investments)	2.0%	2.1%	(0.1 pts)	0.9%	1.0%	(0.0 pts)
Total return on Group investments (calculated on average Group investments)	0.1%	4.8%	(4.7 pts)	(2.5%)	2.2%	na
Shareholders' equity <sup>3</sup>	31,883	34,735	(8%)			
Diluted earnings per share (in CHF)	12.99	12.74	2%			
Book value per share (in CHF) <sup>3</sup>	200.23	232.65	(14%)			
Return on common shareholders' equity (ROE) <sup>4</sup>	14.2%	13.9%	0.2 pts	12.0%	11.5%	0.6 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	11.6%	12.5%	(0.9 pts)	10.2%	11.4%	(1.2 pts)



Zürich, August 6, 2015 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) of USD 2.2 billion and net income attributable to shareholders of 2.1 billion for the half-year ended June 30, 2015.

Chief Executive Officer Martin Senn said:

“While the positive trend in Global Life and Farmers has continued, with these businesses delivering good results, the profitability of our General Insurance business was adversely affected by large losses, particularly within Global Corporate and the UK, and a higher expense ratio. In consequence, our business operating profit return on equity for the first half of 2015 was 11.6%.”

“We are addressing the expense ratio issue and expect to see the benefits of the measures we have already taken or are in the process of implementing coming through early next year. In addition, we have launched a number of actions to address the profitability issues in parts of our General Insurance business.”

“In terms of our other key targets, we remain in a very strong position. First, our Zurich Economic Capital Model ratio stood at 120% at the end of the first quarter, at the top of our target range. And second, cash remittances are expected to exceed USD 3.5 billion for the full year and USD 10 billion for the period 2014-2016, well ahead of our target of USD 9 billion.”

“Separately, we have informed the market that we are evaluating a potential offer for RSA Insurance Group plc. We believe that a transaction could bring significant benefits to us and to our investors in terms of the complementary fit of RSA’s business with our own operations and in financial terms. But any capital deployment would need to meet the same hurdles that we apply to any other investment.”



### Additional GEC responsibilities

Zurich has also reassigned the following responsibilities within its Group Executive Committee. These will be effective October 1, 2015, subject to regulatory and board approvals.

- **George Quinn, Chief Financial Officer**, will be the new Regional Chairman for Europe, Middle East and Africa, and the Chairman of Zurich Insurance plc (Ireland).
- **Isabelle Welton, Chief Human Resources Officer**, will take on the role of Regional Chairman for Latin America.
- **Jeff Dailey, CEO of Farmers Group, Inc.**, will also assume the role of Chairman of the Board of Directors of Farmers Group, Inc.
- **Robert Dickie, Chief Operations and Technology Officer**, will become member of the Board of Directors of Farmers Group, Inc.

### Segment performance (for the half year ended June 30, 2015)

#### *General Insurance*

in USD millions, for the half years ended June 30, unless otherwise stated	2015	2014	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
General Insurance gross written premiums and policy fees	<b>18,669</b>	19,995	(7%)	3%
General Insurance business operating profit	<b>1,166</b>	1,681	(31%)	(27%)
General Insurance combined ratio	<b>98.3%</b>	95.7%	(2.6 pts)	

**General Insurance** BOP fell by USD 515 million to USD 1.2 billion, 31% in U.S. dollar terms or 27% in local currency terms. This was predominantly due to an increase in large losses in the UK and Global Corporate in North America, higher levels of catastrophe and weather related losses, and higher expenses. The increase in expenses was mainly due to one-off positives in the prior year and mix effects on commission, including the extended warranty business in Brazil. The combined ratio deteriorated 2.6 percentage points to 98.3%.



Gross written premiums and policy fees fell in dollar terms but increased by 3% on a local currency basis, with growth in all regions. The rate environment remained stable, with overall rates increasing by 1.4%.

### *Global Life*

in USD millions, for the half years ended June 30, unless otherwise stated	2015	2014	Change in USD <sup>1</sup>	Change in LC <sup>1</sup>
Global Life gross written premiums, policy fees and insurance deposits	<b>14,833</b>	14,221	4%	22%
Global Life business operating profit	<b>673</b>	634	6%	21%
Global Life new business annual premium equivalent (APE) <sup>5</sup>	<b>2,443</b>	2,373	3%	19%
Global Life new business margin, after tax (as % of APE) <sup>5</sup>	<b>18.9%</b>	23.2%	(4.3 pts)	(4.5 pts)
Global Life new business value, after tax <sup>5</sup>	<b>411</b>	487	(15%)	(5%)

**Global Life BOP** was USD 673 million, up 6% in U.S. dollar terms and 21% on a local currency basis. Gross written premiums, policy fees and insurance deposits increased by USD 612 million to USD 14.8 billion, or 4% in U.S. dollar terms and 22% in local currency. Annual premium equivalent rose 19% in local currency.

The results, although benefiting from non-recurring items in both periods, reflect growth in bank distribution and developed markets, and the positive effect of in-force initiatives in the Global Life back-books being managed for value.

The ongoing focus on fee-based and protection business has delivered an underlying improvement in loadings and fees, as well as in the technical margin. Loadings and fees fell 6% in U.S. dollar terms but were up 8% in local currency, while the technical margin improved by 23% in U.S. dollar terms. These were partly offset by a lower investment margin.

### *Farmers*

in USD millions, for the half years ended June 30, unless otherwise stated	2015	2014	Change in USD <sup>1</sup>
Farmers Management Services management fees and other related revenues	<b>1,380</b>	1,391	(1%)
Farmers Re gross written premiums and policy fees	<b>1,126</b>	1,960	(43%)
Farmers business operating profit	<b>719</b>	756	(5%)
Farmers Management Services gross management result	<b>654</b>	674	(3%)
Farmers Management Services managed gross earned premium margin	<b>7.0%</b>	7.3%	(0.3 pts)

**Farmers BOP** declined 5% to USD 719 million as a reduction in revenues and slightly higher costs at Farmers Management Services offset an improved result at Farmers Re.

Gross written premiums at the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group Inc., a wholly owned subsidiary of the Group, increased by about 2%. Growth in most books of business more than compensated for a decline in earnings from businesses being managed for value and Direct Auto and Business Insurance sold through independent agents.

The *Non-Core Businesses*, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported a business operating profit of USD 10 million, compared to a profit of USD 2 million in the prior year, largely due to one-off items in the prior year.

In *Other Operating Businesses*, the holding and financing business operating loss fell by USD 122 million to USD 330 million, primarily due to favorable currency movements and lower interest expenses on debt refinanced in 2014 and 2015.

The net investment result on *Group investments*, which includes net investment income, realized capital gains and losses and impairments, contributed USD 4 billion to the Group's total revenues for the six months ended June 30, 2015, a net return of 2.0% (not annualized). Total return on Group investments, which in addition to the net investment result includes changes in unrealized gains/(losses) reported in shareholder's equity on investments classified as 'available-for-sale' and cash flow



hedges, was 0.1% (not annualized), compared with 4.8% in the same period of 2014.

This was largely driven by rising yields and widening credit spreads.

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

<sup>3</sup> As of June 30, 2015 and December 31, 2014, respectively.

<sup>4</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

<sup>5</sup> Details of the principles for calculating new business are included in the embedded value report in the Annual Report 2014. New business value and new business margin are calculated after the effect of non-controlling interests whereas APE is presented before non-controlling interests.

## Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the half year ended June 30, 2015 and 2014, and the financial position as of June 30, 2015 and December 31, 2014, respectively. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the Annual Report 2014 for the Zurich Insurance Group and with its Consolidated financial statements 2014. In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for the IFRS figures.

in USD millions, for the six months ended June 30, unless otherwise stated	2015	2014	Change <sup>1</sup>
Business operating profit	<b>2,238</b>	2,621	(15%)
Net income attributable to shareholders	<b>2,059</b>	2,123	(3%)
General Insurance gross written premiums and policy fees	<b>18,669</b>	19,995	(7%)
Global Life gross written premiums, policy fees and insurance deposits	<b>14,833</b>	14,221	4%
Farmers Management Services management fees and other related revenues	<b>1,380</b>	1,391	(1%)
Farmers Re gross written premiums and policy fees	<b>1,126</b>	1,960	(43%)
General Insurance business operating profit	<b>1,166</b>	1,681	(31%)
General Insurance combined ratio	<b>98.3%</b>	95.7%	(2.6 pts)
Global Life business operating profit	<b>673</b>	634	6%
Global Life new business annual premium equivalent (APE) <sup>2</sup>	<b>2,443</b>	2,373	3%
Global Life new business margin, after tax (as % of APE) <sup>2</sup>	<b>18.9%</b>	23.2%	(4.3 pts)
Global Life new business value, after tax <sup>2</sup>	<b>411</b>	487	(15%)
Farmers business operating profit	<b>719</b>	756	(5%)
Farmers Management Services gross management result	<b>654</b>	674	(3%)
Farmers Management Services managed gross earned premium margin	<b>7.0%</b>	7.3%	(0.3 pts)
Average Group investments	<b>200,752</b>	211,012	(5%)
Net investment result on Group investments	<b>4,023</b>	4,369	(8%)
Net investment return on Group investments <sup>3</sup>	<b>2.0%</b>	2.1%	(0.1 pts)
Total return on Group investments <sup>3</sup>	<b>0.1%</b>	4.8%	(4.7 pts)
Shareholders' equity <sup>4</sup>	<b>31,883</b>	34,735	(8%)
Swiss Solvency Test capitalization ratio <sup>5</sup>	<b>196%</b>	215%	(19 pts)
Diluted earnings per share (in CHF)	<b>12.99</b>	12.74	2%
Diluted earnings per share (in USD)	<b>13.73</b>	14.31	(4%)
Book value per share (in CHF) <sup>4</sup>	<b>200.23</b>	232.65	(14%)
Return on common shareholders' equity (ROE) <sup>6</sup>	<b>14.2%</b>	13.9%	0.2 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>6</sup>	<b>11.6%</b>	12.5%	(0.9 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Details of the principles for calculating new business are included in the embedded value report in the Annual Report 2014. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

<sup>3</sup> Calculated on average Group investments.

<sup>4</sup> As of June 30, 2015 and December 31, 2014, respectively.

<sup>5</sup> Ratios as of January 1, 2015 and July 1, 2014, respectively. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both the ratio and the internal model are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

<sup>6</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.



### **Further information**

A pre-recorded video presentation to accompany the analyst and investor slide presentation will be available from 06.45 CEDT on our website www.zurich.com. iPhone and iPad users can also access the video through the following link: http://edge.media-server.com/m/p/khiwxkdk

There will be a media conference call in English starting at 07.30 hrs CEDT for questions by journalists to Chief Executive Officer, Martin Senn and Chief Financial Officer, George Quinn. In addition to this, there will be a conference call Q&A session for analysts and investors starting at 13.00 hrs CEDT. Media may listen in. A podcast of this Q&A session will be available from 16.45 hrs CEDT. Please dial-in to register approximately 3 to 5 minutes prior to the start of the respective conference call.

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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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 administrative and management 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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