

Zurich reports BOP increased 55% to USD 4.5 billion in 2016, proposes dividend of CHF 17 per share

- **Full-year BOP up 55% to USD 4.5 billion, Q4 BOP up 167% at USD 1.1 billion**
- **Full-year NIAS up 74% at USD 3.2 billion, Q4 NIAS improves from a loss of USD 424 million to a gain of USD 685 million**
- **GI BOP up 182% to USD 2.4 billion as combined ratio strengthens to 98.4% on improved underwriting result**
- **Ongoing underlying earnings growth in Global Life**
- **Continued gains at Farmers Management Services as Farmers Exchanges⁵ deliver growth**
- **Absolute costs reduced, in line with target**
- **Strong capital position with Z-ECM estimated at 122%, above our target range, supporting the Board's proposal for a dividend of CHF 17 per share**

Select financial highlights – full year (12M) and fourth quarter (Q4) of 2016

(For a more comprehensive set of financial highlights covering the 12 months ended December 31, 2016, see page 7)

in USD millions, for the full-year and three months ended December 31, unless otherwise stated	12M 2016	12M 2015	Change in USD ¹	Q4 2016 ¹	Q4 2015 ¹	Change in USD ¹
Business operating profit (BOP)	4,530	2,916	55%	1,128	422	167%
Net income after tax attributable to shareholders (NIAS)	3,211	1,842	74%	685	(424)	N/A
Total Group business volumes ²	67,923	67,988	(0.1%)	16,300	16,204	1%
Net investment return on Group investments (calculated on average Group investments)	3.7%	3.8%	(0.1 pts)	0.8%	0.7%	0.1 pts
Total return on Group investments (calculated on average Group investments)	4.3%	1.7%	2.6 pts	(2.0%)	0.5%	(2.5 pts)
Shareholders' equity ³	30,660	31,178	(1.7%)			
Diluted earnings per share (in CHF)	21.04	11.86	77%			
Book value per share (in CHF) ³	208.44	209.27	(0.4%)			
Return on common shareholders' equity (ROE) ⁴	11.8%	6.4%	5.4 pts	10.0%	(6.0%)	16.0 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁴	11.6%	6.4%	5.2 pts	10.5%	0.7%	9.8 pts



Zurich, February 9, 2017 – Zurich Insurance Group (Zurich) today reported a business operating profit (BOP) for the full-year ended December 31, 2016 of USD 4.5 billion, up 55% from the prior year period. Net income attributable to shareholders (NIAS) was up 74% at USD 3.2 billion, driven by improved profitability in General Insurance and continued growth in Global Life and Farmers.

Group Chief Executive Officer Mario Greco said: “We are very pleased with our results for 2016. Both Global Life and Farmers continued to grow well while General Insurance benefited from a stronger underlying performance across all regions. We’ve exceeded our target cash remittances and created a more efficient operation delivering savings of USD 300 million as promised. We have a highly cash generative business and our capital position remained strong, with our estimated economic capital model (Z-ECM) ratio of 122% at year end above the target range.

Taken together, this is quite an achievement and gives us real confidence that our longer term goals are realistic and attainable. It has also enabled the Board of Directors to propose a dividend of CHF 17 per share for 2016.

Throughout the year we further strengthened and focused our business. In Global Life, we’ve done excellent work in building on our unit-linked and protection orientated strategy, with consistent underlying growth in earnings. General Insurance is developing well and this is expected to continue over the coming years while the Farmers Exchanges⁵ delivered further growth driven by rate increases, resulting in higher fee income for Farmers Management Services.

We also undertook several selected acquisitions which provided new customer segments and products in markets where we were already strong, and aiming to be even stronger. RCIS, the crop insurer we purchased in April last year, in particular made a solid contribution to our U.S. operations. We are also growing our business through other means. We secured four new distribution agreements during 2016, reinforcing our position in the promising retail market in Latin America where we are a market leader in this segment. At the same time, our colleagues continued to innovate, developing new and interesting products for our customers.



As you can see, we have many strengths and a very solid platform from which to develop. We are well positioned in terms of products, people and geographies and remain focused on delivering sustainable earnings that meet our financial targets and support our dividend policy. We are on track to create a simpler structure, underpinned by smart investment and greater customer focus, that will ensure we are equipped to realize the Group's full potential. These results show what we can accomplish and are an excellent start to achieving our 2019 financial targets.”

Segment performance

(for the full-year ended December 31, 2016)

General Insurance

in USD millions, for the year ended December 31, unless otherwise stated	2016	2015	Change in USD ¹	Change in LC ¹
General Insurance gross written premiums and policy fees	33,122	34,020	(3%)	0%
General Insurance business operating profit	2,435	864	182%	199%
General Insurance combined ratio	98.4%	103.6%	5.1 pts	

- **Strong performance in General Insurance on the back of a better underwriting result in all regions**

General Insurance BOP increased by USD 1.6 billion to USD 2.4 billion, or 182% in U.S. dollar terms and 199% on a local currency basis. This reflects a USD 1.4 billion improvement in the net underwriting result across all regions.

Gross written premiums and policy fees (GWP) decreased by USD 0.9 billion to USD 33.1 billion, or 3% in U.S. dollar terms and flat in local currency terms. The decrease was largely due to the ongoing focus on profitability and measures to ensure the right geographic footprint, including exiting markets in South Africa and Morocco. RCIS, a provider of agricultural insurance in the U.S. acquired during the year, performed well while actions to enhance the profitability of the business and a benign claims environment contributed to the strengthening of the combined ratio by 5.1 percentage points to 98.4%.



Global Life

in USD millions, for the year ended December 31, unless otherwise stated	2016	2015	Change in USD ¹	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	30,347	29,037	5%	10%
Global Life business operating profit	1,344	1,300	3%	9%
Global Life new business annual premium equivalent (APE)	4,779	4,772	0%	7%
Global Life new business margin, after tax (as % of APE)	21.0%	21.6%	(0.6 pts)	
Global Life new business value, after tax	866	912	(5%)	1%

- **Ongoing delivery of underlying earnings growth**

Global Life BOP rose USD 44 million to USD 1.3 billion in the year, or 3% in U.S. dollar terms and 9% on a local currency basis, with growth in Europe, Middle East & Africa, Asia Pacific and Latin America. This more than offset a lower contribution from North America.

Gross written premiums, policy fees and insurance deposits increased by USD 1.3 billion to USD 30.3 billion, or 5% in U.S. dollar terms and 10% on a local currency basis. The increases were largely due to higher sales of Corporate Life & Pensions and individual savings products in EMEA and a large corporate contract in Latin America.

Farmers

in USD millions, for the year ended December 31, unless otherwise stated	2016	2015	Change in USD ¹
Farmers Management Services management fees and other related revenues	2,867	2,786	3%
Farmers Re gross written premiums and policy fees	1,587	2,145	(26%)
Farmers business operating profit	1,520	1,421	7%
Farmers Management Services gross management result	1,367	1,338	2%
Farmers Management Services managed gross earned premium margin	7.0%	7.1%	(0.1 pts)

- **Good performance at Farmers Management Services as the Farmers Exchanges⁵ continued to deliver growth**

Farmers BOP increased 7% to USD 1.5 billion with a strong performance from Farmers Management Services. This offset lower earnings from Farmers Re.

BOP at Farmers Management Services was 9% higher at USD 1.5 billion. The growth in gross earned premiums of the Farmers Exchanges⁵ lifted management fees and other related revenues at Farmers Management Services by 3% to USD 2.9 billion, while the managed gross earned premium margin was marginally lower at 7.0%. A gain of USD 86 million related to changes in the pension plans was also recorded.

Farmers Re BOP declined by USD 19 million to USD 42 million, largely due to natural catastrophe losses and lower investment income. Gross written premiums and policy fees decreased 26% to USD 1.6 billion due to the lower quota share reinsurance assumed from the Farmers Exchanges⁵.

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 loss of USD 11 million compared with a profit of USD 51 million in the prior year. The movement is explained by the release of long-term reserves in 2015 as a consequence of a buy-back program for a variable annuity product in the U.S.



Other Operating Businesses recorded a business operating loss for the year of USD 758 million, compared to a loss of USD 720 million in the prior year period. This was primarily due to less favorable foreign exchange developments.

The ***net investment result on Group investments***, which includes net investment income, realized net capital gains and losses and impairments, contributed USD 7.0 billion to the Group's total revenues for 2016, compared with USD 7.5 billion in the prior year. This represents a net return of 3.7%. The total return on Group investments including unrealized gains was 4.3%, compared with 1.7% in the prior year period, mainly driven by the overall good performance of the fixed income and equity markets.

The Group maintained its resilient capital position. At the end of December, the estimated Zurich Economic Capital Model (Z-ECM)⁶ ratio stood at 122%, above its target range of 100% to 120%.

ROE⁴ and BOPAT ROE increased 5.4 percentage points to 11.8% and 5.2 percentage points to 11.6% respectively, driven by the strong recovery of NIAS and BOP. Diluted earnings per share in Swiss francs increased by 77% to CHF 21.04 and by 73% to USD 21.36 in U.S. dollar terms. Shareholders' equity declined by 2% to USD 30.7 billion.

¹ Parentheses around numbers represent an adverse variance.

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

³ As of December 31, 2016 and December 31, 2015, respectively.

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

⁵ Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

⁶ As of December 31, 2016. Reflects midpoint estimate with an error margin of +/- 5 ppts.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the full-year ended December 31, 2016 and 2015, and the financial position as of December 31, 2016 and December 31, 2015, 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 up 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 2016 for the Zurich Insurance Group and with its consolidated financial statements 2016. 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 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 year ended December 31, unless otherwise stated	2016	2015	Change ¹
Business operating profit	4,530	2,916	55%
Net income attributable to shareholders	3,211	1,842	74%
General Insurance gross written premiums and policy fees	33,122	34,020	(3%)
Global Life gross written premiums, policy fees and insurance deposits	30,347	29,037	5%
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Global Life new business margin, after tax (as % of APE) ²	21.0%	21.6%	(0.6 pts)
Global Life new business value, after tax ²	866	912	(5%)
Farmers business operating profit	1,520	1,421	7%
Farmers Management Services gross management result	1,367	1,338	2%
Farmers Management Services managed gross earned premium margin	7.0%	7.1%	(0.1 pts)
Average Group investments	190,523	198,049	(4%)
Net investment result on Group investments	7,045	7,462	(6%)
Net investment return on Group investments ³	3.7%	3.8%	(0.1 pts)
Total return on Group investments ³	4.3%	1.7%	2.6 pts
Shareholders' equity ⁴	30,660	31,178	(2%)
Z-ECM	122% ⁵	121%	1.0 pt
Diluted earnings per share (in CHF)	21.04	11.86	77%
Diluted earnings per share (in USD)	21.36	12.33	73%
Book value per share (in CHF) ⁴	208.44	209.27	(0.4%)
Return on common shareholders' equity (ROE) ⁶	11.8%	6.4%	5.4 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁶	11.6%	6.4%	5.2 pts

¹ Parentheses around numbers represent an adverse variance.

² Details of the principles for calculating new business value are included in the embedded value report in the annual results 2016. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

³ Calculated on average Group investments.

⁴ As of December 31, 2016 and December 31, 2015, respectively.

⁵ As of December 31, 2016 and December 31, 2015, respectively. Reflects midpoint estimate with an error margin of +/- 5 ppts

⁶ 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

Written comments to accompany the [investor presentation](#) will be available from 06.45 CET on our website www.zurich.com.

Live media event

There will be a live media event at the Zurich Development Center (Keltenstrasse 48, 8044 Zurich) starting at 09.00 CET with Group Chief Executive Officer Mario Greco and members of the Executive Committee. Journalists who are unable to attend in person, may dial in using the details provided below. The presentation will be held in English.

The [media presentation](#) will be available from 08.45 CET on www.zurich.com.

Q&A session for analysts and investors

There will be a conference call Q&A session for analysts and investors starting at 13.00 CET. Media may listen in. A podcast of this Q&A session will be available from 17.00 CET.

Dial-in numbers

Please dial-in to register 10 minutes prior to the start of the respective conference call.

- Europe +41 (0)58 310 50 00
- UK +44 (0)203 059 58 62
- USA +1 (1) 631 570 56 13

Supplemental financial information is available on our [website](#).

Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 54,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, 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 about Zurich is available at www.zurich.com.



Contact

Zurich Insurance Group Ltd
Austrasse 46, 8045 Zurich, Switzerland

<https://www.zurich.com/>

SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

phone +41 (0)44 625 21 00

twitter [@Zurich](#)

media@zurich.com

Investor Relations

phone +41 (0)44 625 22 99

fax +41 (0)44 625 36 18

investor.relations@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 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.

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent advisor.

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