

Zurich reports best first-half results in a decade and is set to exceed all 2017-2019 targets

- **Business operating profit (BOP) up 16% to USD 2.8 billion**
- **Business operating return on equity (BOPAT ROE) of 15.0%**
- **Property & Casualty (P&C) business operating profit up 46%**
- **P&C Combined ratio of 95.1% at the lowest level in the past decade, with improved performance in Commercial Insurance**
- **Underlying Life business operating profit up 2%**
- **Farmers business operating profit up 7% with continued growth at Farmers Exchanges¹**

Group Chief Executive Officer Mario Greco said: “In 2016 we gave ourselves ambitious targets and we launched a bold new strategy. Today, we are proud to report that we are set to exceed all our targets and that the strategy is proving successful.”

“Over the last three years, we have made substantial improvements in our business mix, reduced volatility and improved the profitability of our Property & Casualty portfolios while further growing our Life franchise through targeted acquisitions. We entered new and innovative markets, for example, through our acquisition of travel assistance provider Cover-More, and launched products aimed at millennials such as Klinc, an on-demand insurance proposition introduced in Spain, and ToggleSM, a rental insurance launched by Farmers Exchanges¹ which is being rolled out in the U.S. We also succeeded in reducing our expenditures.”

“Our management structure has been strengthened and reinforced by a diverse and highly qualified leadership team. Meanwhile, customer and employee satisfaction has improved.”

“In the first half, a number of new distribution agreements have given more than 10 million additional customers worldwide access to our wide range of innovative products and services.”

“Based on what we have achieved, we can look to the future with confidence and optimism as we prepare to present our plans for the next three years at our Investor Day in London in November.”

Select financial highlights (unaudited)

(For a more comprehensive set of financial highlights see page 9)

in USD millions, for the 6 months ended June 30, unless otherwise stated	2019	2018	Change in USD ¹
Business operating profit (BOP)	2,815	2,422	16%
Net income after tax attributable to shareholders (NIAS)	2,041	1,791	14%
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	15.0%	12.4%	2.6pts

Business operating profit (BOP) for the six months ended June 30, 2019, was USD 2.8 billion, up 16% compared to the prior year period. This was driven by underlying growth across the business and a strong underwriting performance in Property & Casualty.

Fully on track to exceed all 2017 to 2019 Group targets

In the first half of 2019, the annualized business operating profit return on equity (BOPAT ROE) was 15.0%, comfortably exceeding the target of in excess of 12% and growing over the three-year period. Cumulative cash remittances for the period 2017 through to end-June 2019 reached USD 9.2 billion and are on track to exceed the target of USD 9.5 billion of cash remittances by end-2019. Net cost savings of USD 1.3 billion have been achieved, with the balance of the USD 1.5 billion target expected to be delivered over the remainder of the year. The estimated Zurich Economic Capital Model (Z-ECM) ratio² stands at a very strong 121%, and is slightly above the 100% to 120% target range.

Innovating for our customers

We continue to listen to our customers and gain feedback by using the net promoter system (NPS), a measure of customer satisfaction and loyalty. In the first six months of 2019, the NPS improved consistently. We also expanded the program, which now covers regions representing over 90% of our business revenues, to two more countries,



bringing the total to 25. The number of customer responses also increased to 479,000 in the first six months of 2019, a 39% increase over the same period of 2018.

The Group has continued to work with a range of start-up ventures, both internally and externally, to develop innovative products and services for customers. Following the successful launch in 2018 of the collaboration with CoverWallet, offering tailored online cover to small and medium-sized businesses in Spain, this was expanded to the Swiss market in the first half of 2019. Based on Klinc in Spain, in 2019 Zurich launched a similar product in Argentina, Zurich Now, aimed specifically at millennials and anyone who wants the freedom to choose coverage on-demand. The Group also launched several new digital offerings including: LiveWell in Australia, an app designed to help support Zurich customers' mental and physical wellbeing; and Homeflix in Italy, which offers insurance to renters and home owners and also provides easy access to maintenance services. In June, the Group received the Gold award in the Efma-Accenture Innovation in Insurance Awards 2019 recognizing Zurich as a global insurance innovator.

Expanding Zurich's distribution agreements

Our strong performance lays the foundations for future growth. A series of new distribution agreements are already in place and will potentially attract more than 10 million customers.

In EMEA, the Group agreed with a leading retailer of electronic goods, MediaMarkt Saturn, to make purchase protection available to its five million customers in Germany. In Switzerland, the Group acquired 33.3% of autoSense, a collaboration between Zurich, Swisscom and a leading Swiss auto dealer AMAG, providing real-time information and services for drivers, such as paying for fuel and to service their cars.

In Asia Pacific the Group entered into a 15-year distribution agreement to provide insurance products through Alliance Bank in Malaysia. The completion of the OnePath Life acquisition in Australia saw the launch of a distribution cooperation with ANZ bank. In Latin America, the Group announced an extension of the Via Varejo relationship to offer insurance to customers of banQi, Via Varejo's digital bank.

Climate change pledges

The Group further strengthened its commitment to supporting the communities in which it operates. During the first half of the year, Zurich became the first insurance company to commit to the UN Global Compact Business Ambition Pledge that aims to limit the rise in global temperature to 1.5 degrees Celsius above pre-industrial levels. In line with Zurich's prior thermal coal position, the Group is proactively engaging with clients and investee companies in a dialogue over a two-year period to assist them in their mid- to long-term transition plans to reduce their exposure to thermal coal, oil sands and oil shales ([News release, June 25, 2019](#)).

Business performance

(for the 6 months ended June 30, 2019)

Property & Casualty

in USD millions, for the 6 months ended June 30, unless otherwise stated

	2019	2018	Change in USD ¹	Change like-for-like ^{4,5}
P&C gross written premiums and policy fees	18,555	18,543	0%	4%
P&C business operating profit (BOP)	1,656	1,137	46%	49%
P&C combined ratio	95.1%	97.5%	2.4pts	

- **Property & Casualty (P&C) business operating profit up 46%, combined ratio of 95.1% at the lowest level in the past decade with improved performance in Commercial Insurance.**

Property & Casualty (P&C) results showed strong progress across all regions, with BOP up 46%. This is a result of further improvement in the Group's combined ratio to 95.1%, the lowest level in the past decade, and a strong investment performance. The results clearly demonstrate the effectiveness of the Group's underwriting actions over recent years and the efforts to reduce administration costs. These resulted, in particular, in an improvement in Commercial Insurance.

Gross written premiums grew 4% on a like-for-like basis adjusting for currency movements, acquisitions and disposals. Underlying growth was seen across all regions.

The Group achieved rate increases of approximately 3%. In the second quarter, rates further accelerated, especially in North America where the Group achieved rate increases of just under 7%.

The combined ratio improved by 2.4 percentage points driven by a reduction in the underlying accident year loss ratio excluding natural catastrophes of 2.7 percentage points, a 0.6 percentage points lower other underwriting expense ratio and lower natural catastrophe losses. Prior year development of 1.6% remained in line with the expected 1-2% range.

Life

in USD millions, for the 6 months ended June 30,
unless otherwise stated

	2019	2018	Change in USD ⁴	Change like-for- like ^{4,5}
Life gross written premiums, policy fees and insurance deposits	18,101	16,966	7%	13%
Life business operating profit (BOP)	701	760	(8%)	2%
Life new business annual premium equivalent (APE)	2,229	2,291	(3%)	4%
Life new business margin, after tax (as % of APE)	25.9%	26.4%	(0.5pts)	(0.3pts)
Life new business value, after tax	505	522	(3%)	3%

- **Underlying life business operating profit up 2%**

Life continued to deliver a robust underlying performance against the high prior year level. As reported in U.S. dollars, business operating profit declined 8% due to the strengthening of the U.S. dollar compared to the first half of 2018. On a like-for-like basis, before the impact of currency movements, acquisitions and disposals, business operating profit increased 2%. Underlying growth in EMEA together with a reduced loss in North America more than compensated for a decline in Latin America and Asia Pacific.

New business annual premium equivalent (APE) declined 3% due to currency movements. Underlying growth across all regions was more than offset by lower exchange rates against the U.S. dollar as well as the absence of a large corporate protection scheme included in the first half of 2018.

New business value (NBV) decreased 3% reflecting the impact of currencies. Higher underlying sales volumes were offset by a lower margin as a result of changes in business mix, assumptions and modelling changes.

The new business margin remained at a healthy level of 25.9%, a slight decrease of 0.5 percentage points on a headline basis.

Farmers

in USD millions, for the 6 months ended June 30, unless otherwise stated	2019	2018	Change in USD ⁴
Farmers Exchanges¹			
Gross written premiums	10,458	10,335	1%
Gross earned premiums	10,137	9,965	2%
Combined ratio	100.0%	98.3%	(1.7pts)
Surplus ratio ⁶	41.1%	39.5%	1.6pts
Farmers			
Farmers business operating profit (BOP)	866	808	7%
Farmers Management Services (FMS) management fees and related revenues ⁷	1,868	1,586	18%
Farmers Life annual premium equivalent (APE)	39	45	(13%)
Farmers Life new business value (NBV)	45	64	(31%)

- **Farmers business operating profit up 7%, with 2% growth in Farmers Exchanges¹ gross written premiums from continuing operations³**

Farmers BOP of USD 866 million was 7% higher than the prior year. This was driven by favorable performance in Farmers Management Services and Farmers Life.

The Farmers Exchanges¹, which are owned by their policyholders, showed continued growth in the first half of the year. Gross written premiums for continuing operations³ increased by 2% compared to prior year, with growth coming in all lines of business and driven by a combination of rate increases, improved retention and further expansion in the eastern U.S. Overall reported gross written premiums were up 1%,

reflecting the impact from the run-off of discontinued operations. The Farmers Exchanges¹ combined ratio stood at 100.0% in the first half, up 1.7 percentage points compared to the prior year. Continued underlying improvement in auto was more than offset by a deterioration in home and specialty business and higher natural catastrophe losses. The Farmers Exchanges¹ surplus ratio increased to 41.1%, one of the highest levels recorded in recent years.

After a successful launch, ToggleSM, a new and innovative rental insurance offering aimed at millennials, has been rolled out to 21 additional states since the beginning of the year and has already attracted more than 10,000 new policies. The agreement with Uber to provide commercial rideshare insurance in two U.S. states was expanded to cover 'Uber Eats' drivers. A collaboration was established with Talespin, a leading provider of virtual reality and artificial intelligence workplace solutions. The Farmers Exchanges¹ also launched refreshed propositions for both auto and home insurance.

The Farmers Exchanges¹ continued to make progress with their customer-focused strategy. Key metrics remained strong as a result of this strategy, with both net promoter score and retention close to record high levels in the second quarter of 2019.

Farmers Management Services (FMS) fees and other related revenues increased 18% in the first half. The increase was driven by underlying growth of 1% and a change in accounting treatment which has no impact on FMS's business operating profit and managed gross earned premium margin.

Farmers Life new business APE was USD 6 million lower than in the prior year, while new business value decreased by USD 20 million driven by lower sales volumes and assumption updates.

Group Functions & Operations net operating loss of USD 371 million was USD 37 million higher than in the prior year. The increase was driven by lower gains on currency hedges and an increase in external interest expenses, while headquarters' expenses were 3% lower than prior year.



The Group's **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 37 million. The loss reflected the net impact of previously announced transactions to exit legacy liabilities related to UK employer's liability and U.S. asbestos and environmental business.

The **net investment result on Group investments**, which includes net investment income, realized net capital gains, and losses and impairments, contributed USD 3.6 billion to the Group's total revenues for the first half of 2019, up 14% on the prior year. The net return on Group investments was 1.9%.

Shareholders' equity increased by 9% to USD 32.9 billion over the first half of the year as a result of movements in asset values.

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, management, and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

² Reflects midpoint estimate as of June 30, 2019, with an error margin of +/- 5pts for Z-ECM.

³ Continuing operations exclude 21st Century outside of California and Hawaii, Business Insurance Independent Agents and other businesses.

⁴ Parentheses around numbers represent an adverse variance.

⁵ In local currencies and adjusted for closed acquisitions and disposals.

⁶ Ratios as of June 30, 2019, and December 31, 2018, respectively.

⁷ First half 2018 numbers restated as a result of an IFRS 15 adjustment made in December 2018, which resulted in a USD 141 million increase to revenues and a USD 141 million increase to expenses.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2019 and June 30, 2018, and the financial position as of June 30, 2019 and December 31, 2018, 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 other financial reports published by Zurich Insurance Group on zurich.com. 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 6 months ended June 30, unless otherwise stated	2019	2018	Change ¹
Business operating profit (BOP)	2,815	2,422	16%
Net income attributable to shareholders after tax	2,041	1,791	14%
P&C business operating profit (BOP)	1,656	1,137	46%
P&C gross written premiums and policy fees	18,555	18,543	0%
P&C combined ratio	95.1%	97.5%	2.4pts
Life business operating profit (BOP)	701	760	(8%)
Life gross written premiums, policy fees and insurance deposit	18,101	16,966	7%
Life new business annual premium equivalent (APE) ²	2,229	2,291	(3%)
Life new business margin, after tax (as % of APE) ²	25.9%	26.4%	(0.5pts)
Life new business value, after tax ²	505	522	(3%)
Farmers business operating profit (BOP)	866	808	7%
Farmers Management Services management fees and related revenues ³	1,868	1,586	18%
Farmers Management Services managed gross earned premium margin	7.0%	7.0%	0.0pts
Farmers Life new business annual premium equivalent (APE) ²	39	45	(13%)
Average Group investments ⁴	189,334	192,606	(2%)
Net investment result on Group investments ⁴	3,564	3,139	14%
Net investment return on Group investments ^{4,5}	1.9%	1.6%	0.3pts
Total return on Group investments ^{4,5}	6.0%	0.2%	5.8pts
Shareholders' equity ^{6,7}	32,929	30,114	9%
Z-ECM ^{7,8}	121%	124%	(3pts)
Diluted earnings per share (in CHF)	13.67	11.57	18%
Book value per share (in CHF)	216.7	200.3	8%
Return on common shareholders' equity (ROE) ⁹	14.2%	12.5%	1.7pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁸	15.0%	12.4%	2.6pts

¹ Parentheses around numbers represent an adverse variance.

² Details of the principles for calculating new business are included in the embedded value report in the annual results 2018. 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 First half 2018 numbers restated as a result of an IFRS 15 adjustment made in December 2018, which resulted in a USD 141 million increase to revenues and a USD 141 million increase to expenses.

⁴ Including investment cash.

⁵ Calculated on average Group investments.

⁶ Balance as of December 31, 2018 includes adjustment for effect of adoption of IFRS 16 and IAS 29.

⁷ As of June 30, 2019, and December 31, 2018, respectively.

⁸ Ratio as of June 30, 2019, reflects midpoint estimate with an error margin of +/- 5 pts.

⁹ 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

Supplemental financial information and written comments to accompany the [investor presentation](#) will be available from 06:45 CEST on our [webpage](#).

The Half Year Report 2019, with detailed information about Zurich's financial performance, will be published on Zurich's [webpage](#) on August 9, 2019.

Media conference call

There will be a media conference call starting at 07:30 CEST with Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. The presentation will be held in English.

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.

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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.



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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 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, management, and ancillary 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. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

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