

# Zurich Insurance Group

April 2016

**Credit Investor Briefing Pack**



# Our proposition to investors



1

We are a leading Corporate and Commercial insurer, with strong Retail positions in select local markets

2

We have a very strong and stable financial position, built on excellent capital security and disciplined approach to ALM

3

We run a highly cash generative business, with focus on enhancing returns and improving capital allocation

4

Focused on improving GI performance after disappointing recent results

# Group Overview

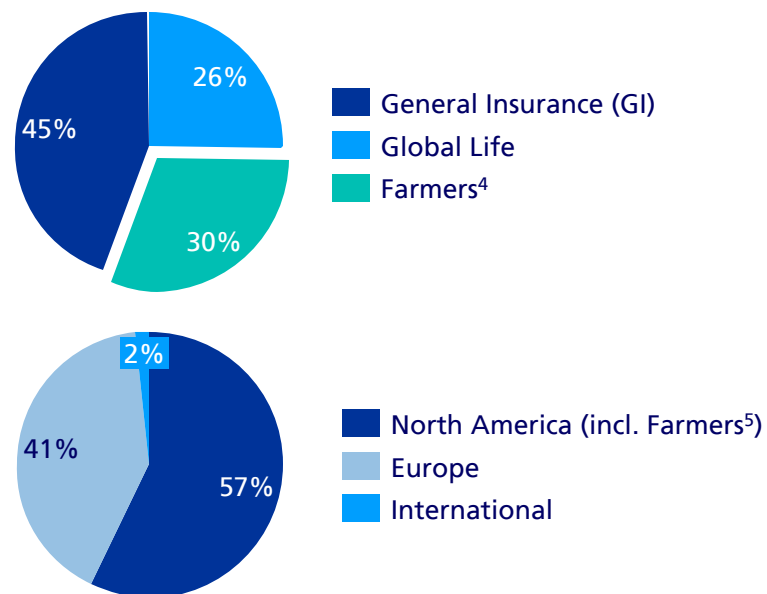
One of the few genuinely global multiline insurers



## KEY FACTS<sup>1</sup>

- USD **60bn** total revenues
- USD **382bn** total group and unit linked investments
- USD **2.9bn** business operating profit (BOP)
- USD **1.8bn** net income attributable to shareholders (NIAS)
- **114%** Zurich Economic Capital (Z-ECM) ratio calibrated to 'AA' rating (1 in 2000 year event)<sup>2</sup>
- **203%** SST regulatory solvency ratio<sup>2,3</sup>
- USD **31.2bn** shareholders' equity
- USD **35.8bn** market cap

## BOP BY SEGMENT AND REGION<sup>4</sup>



<sup>1</sup> Values are for the full year 2015 unless otherwise noted. Investments, Shareholders' equity and market cap are as of December 31, 2015.

<sup>2</sup> Economic solvency ratio is as of the first 9 months of 2015 while the Swiss solvency Test (SST) is for the half year 2015.

<sup>3</sup> 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 ratio is filed with FINMA at the full year and is subject to its approval.

<sup>4</sup> BOP splits per segment and region in % are a three year 2013-2015 average and exclude central and financing costs and non-core business.

<sup>5</sup> 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. Farmers BOP consists of Farmers Management Services and Farmers Re.

# Group – Selected business franchise highlights

Genuinely global franchise with distinct capabilities




**#4 commercial lines** insurer<sup>1</sup>



**5% US personal lines** market share through the **Farmers Exchanges**<sup>1</sup>



**>5%** general insurance market share<sup>2</sup>



**8%** life market share in Latin America through **Bank Distribution JV** with **Santander**<sup>2</sup>



**Top 10** general insurance insurer<sup>2</sup>



**5%** general insurance, **4%** life market share<sup>2</sup>



**#3** personal & commercial lines provider<sup>2</sup>



**5%** general insurance market share<sup>2</sup>

**6%** life insurance market share<sup>2</sup>



**>5%** general insurance market share<sup>2</sup>



**4%** general insurance market share<sup>2</sup>



**8%** market share in commercial lines<sup>2</sup>

**#2** cross-border insurer to multinational corporations through **Global Corporate** franchise<sup>2</sup>

<sup>1</sup> Source: 2015 SNL Data.

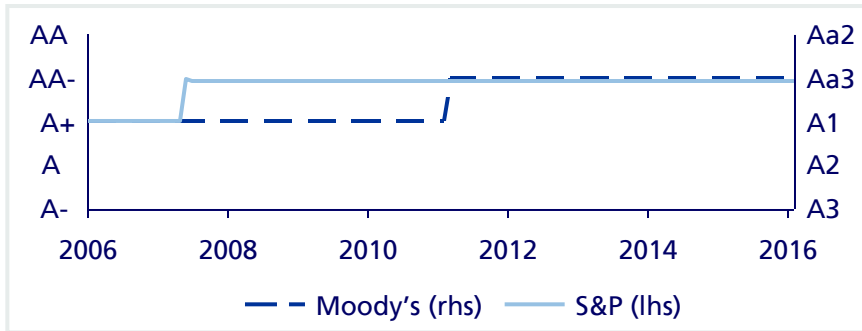
<sup>2</sup> Source: 2014 McKinsey 'Global Insurance Pools', Zurich internal data and estimates. 2013 used where 2014 data are unavailable. Market share based on Gross Written Premiums.

# Group – Balance Sheet and Capital

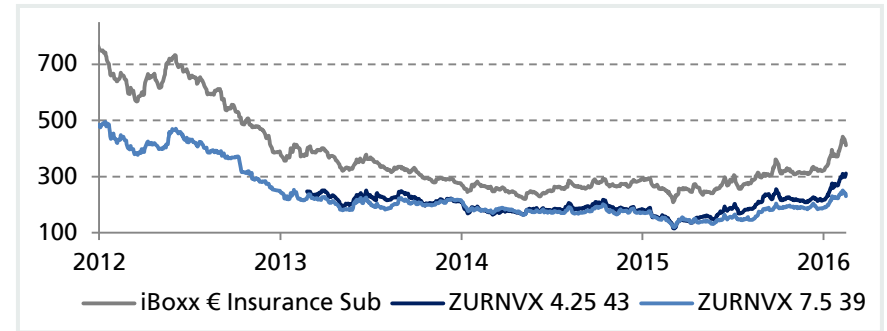
Strong rating and capital position



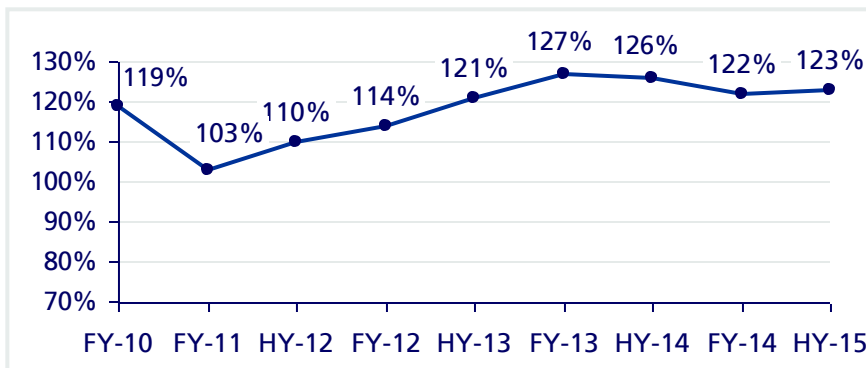
## CONSISTENT FINANCIAL STRENGTH



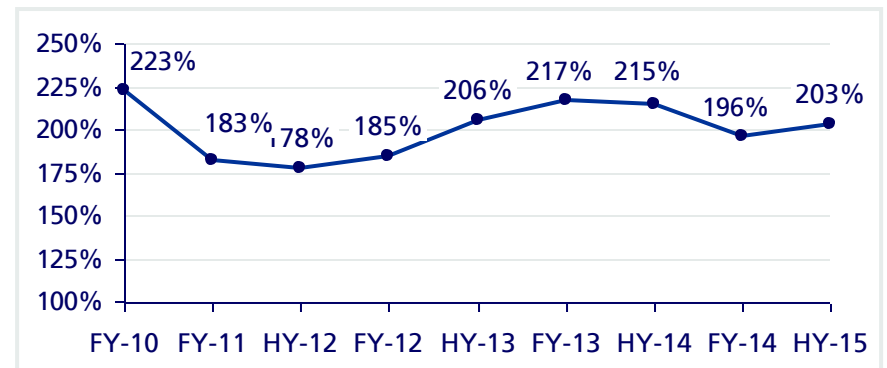
## EUR CREDIT SPREADS (BP)



## Z-ECM RATIO (%) (9m-15: 114%)<sup>1</sup>



## SST RATIO (%)<sup>1,2</sup>



<sup>1</sup> HY-15 values exclude macro equity hedge.

<sup>2</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

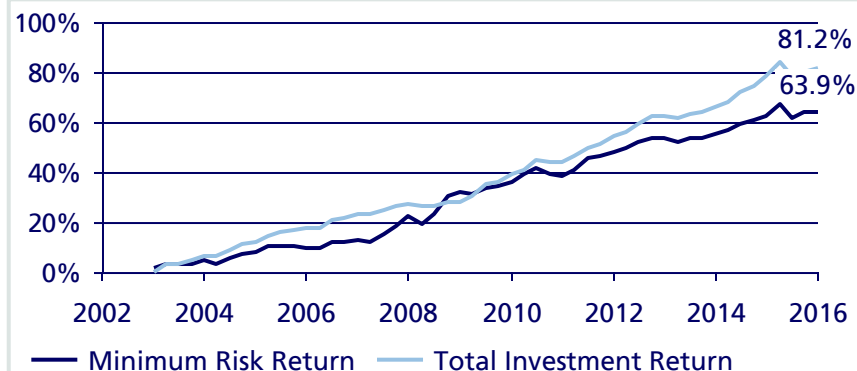
# Group – ALM focused strategy

Consistent and sustainable excess returns delivered

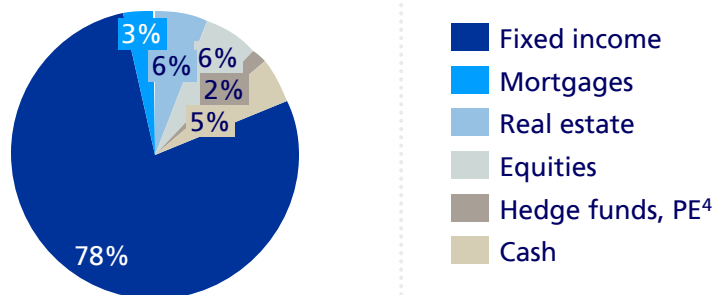
## PROFILE

- ~70% of group investments are managed by third parties
- ALM focused investment strategy
- Generally lower risk investment portfolio than peers, with clear focus on avoiding pro-cyclical actions
- Emerged well from credit crisis

## CONSERVATIVE APPROACH

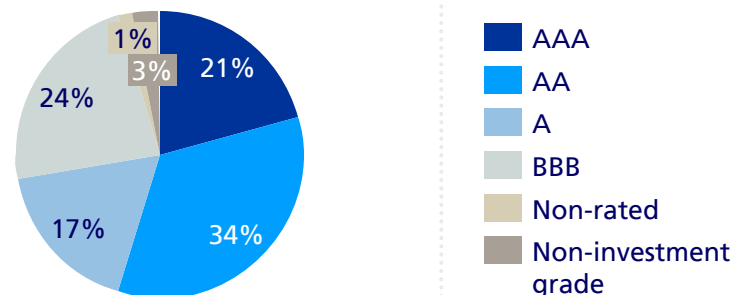


## ASSET ALLOCATION



Total Group Investments of USD 191bn

## ASSET QUALITY

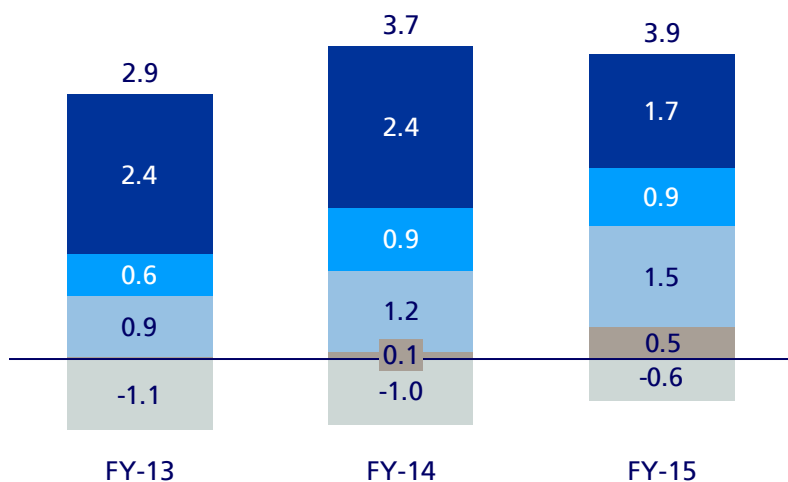


Group Investment in debt of USD 138bn

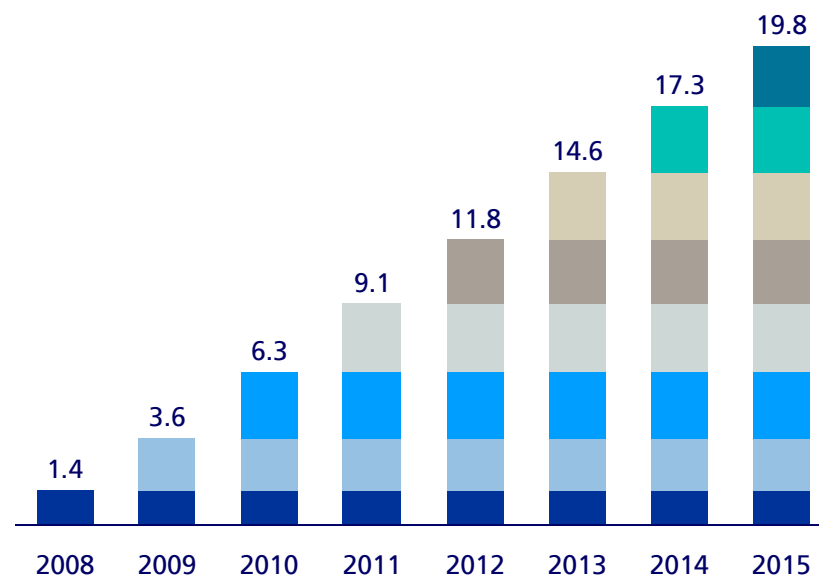
# Group – Cash remittances & dividend

Strong cash remittances and attractive dividend policy

## NET CASH REMITTANCES (USDbn)



## CUMULATIVE DIVIDEND (USDbn)<sup>1</sup>



■ General Insurance   
 ■ Farmers   
 ■ NCB  
■ Global Life   
 ■ OOB<sup>2</sup>

<sup>1</sup> 2015 dividend estimated based on CHF/USD exchange rate as of April 5, 2016.

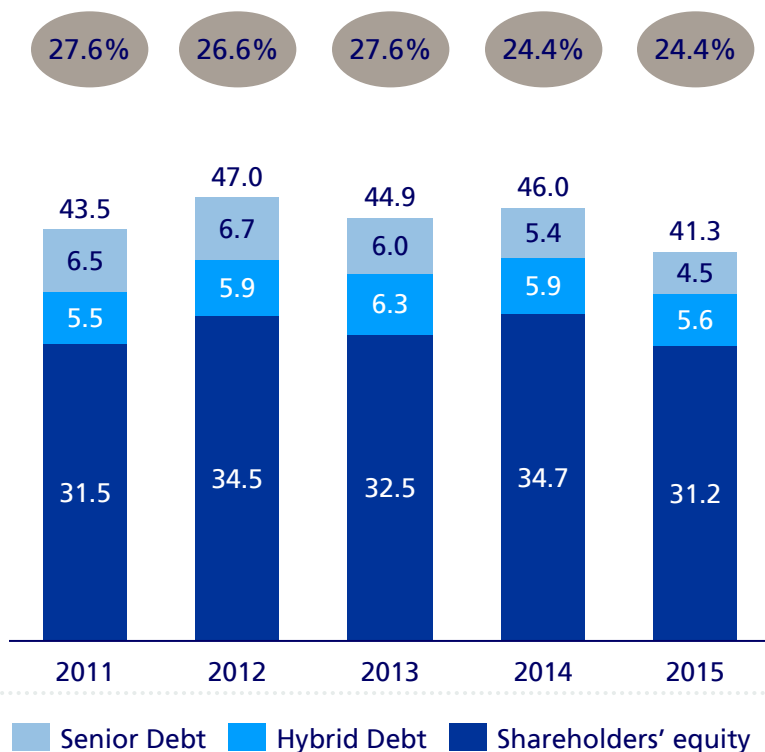
<sup>2</sup> Including external debt expense.

# Group – Leverage and coverage

Stable AA-Level

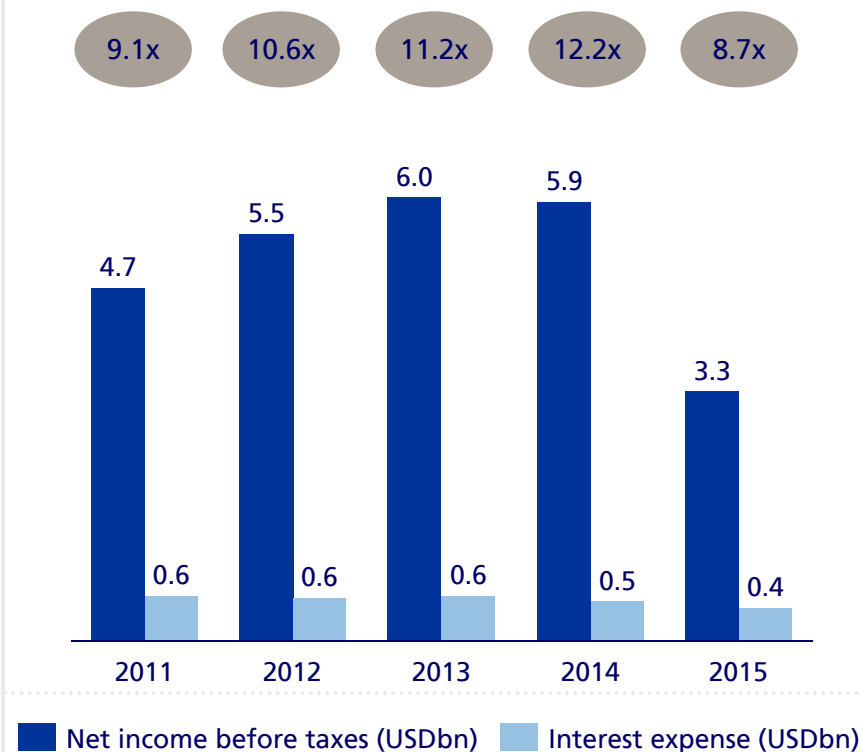
## CAPITAL STRUCTURE (USDbn) AND LEVERAGE

Leverage ratio<sup>1</sup>



## INTEREST EXPENSE COVERAGE

Coverage ratio<sup>2</sup>



<sup>1</sup> Calculated as sum of senior debt and hybrid debt divided by sum of senior debt, hybrid debt and shareholders' equity.

<sup>2</sup> Calculated as interest expense plus net income before taxes, divided by interest expense.



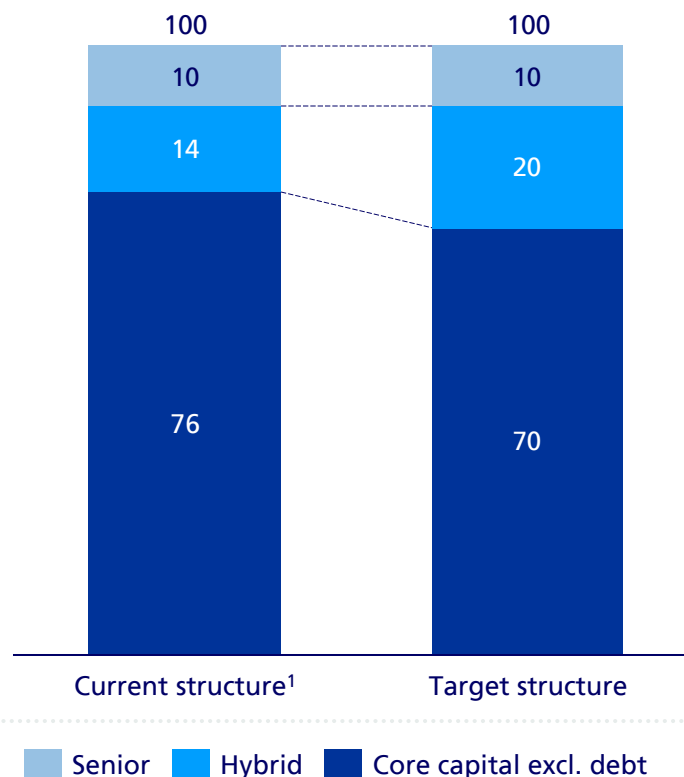
# Group – Target capital structure

Gradual re-shaping over medium term horizon

## OVERVIEW AND RATIONALE

- Target capital structure minimizes total cost of capital subject to maintaining our AA rating and internal liquidity targets
- Capacity to increase leverage according to our capital and rating agency models
- Most likely step is to rebalance the mix of equity and hybrid capital
- Allow for volatility buffer in future target structure (+/-5%)

## CURRENT AND TARGET STRUCTURE OF Z-ECM AFR (%)

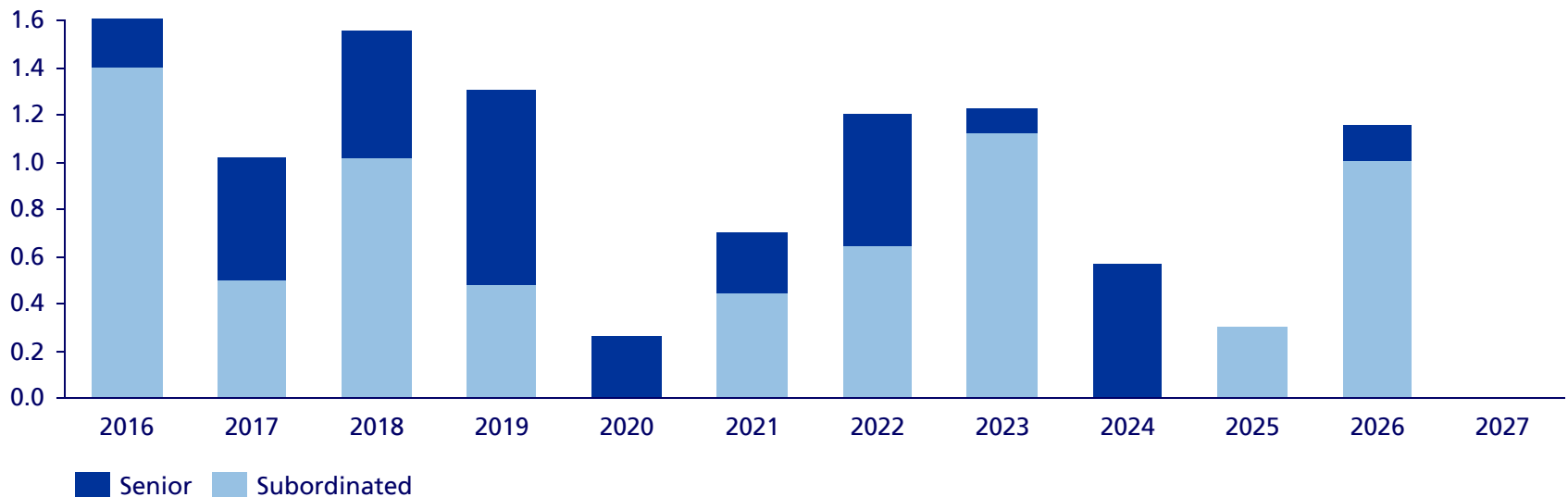


<sup>1</sup> As of 31 December, 2015.

# Group – Financial flexibility

## Balanced call and redemption profile

### EXTERNAL DEBT CALL AND REDEMPTION PROFILE (USDbn)<sup>1</sup>



- **Excellent access to funding** – even in periods of market stress, we have been able to issue in different markets
- **Balanced debt maturity profile** - we aim to diversify the maturity profile

<sup>1</sup> Includes USD 1.2bn issued in 2016. Maturity profile based on first call dates for hybrid debt and maturity date for senior debt.

# Specific features of our Notes

Driven by domicile and company specific aspects

## FEATURES

Zurich Insurance Company Ltd (ZIC) the most regular issuing entity

“Repackaging structure” used by ZIC for non-CHF issuance

Choice of non-call period

## RATIONALE

- ZIC is the main operating company and holdco for the group’s subsidiaries
- The holding company, Zurich Insurance Group Ltd (ZIG) is the entity whose shares are listed on the SIX Swiss Exchange
- Standard market practice is for Swiss companies to issue internationally through vehicles to address Swiss withholding tax considerations (see appendix, slide 35)
- Call date set to fulfill 6-month dividend pusher requirement. This can lead to slightly longer than 10y non-call periods, and is not aimed at tapping the Note

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# Annual results 2015



# Group – Key 2015 financials

Disappointing ROE, strong Z-ECM and cash remittances



## FY-15 KEY RESULTS

**BOP**

**USD 2.9bn (-37%)**

**NIAS**

**USD 1.8bn (-53%)**

## TARGET METRICS OVER STRATEGIC PERIOD

<b>BOPAT ROE<sup>1</sup></b>	<b>FY-15</b>	<b>Target</b>
	6.4%	12 - 14%
<b>Z-ECM<sup>2</sup></b>	<b>Q3-15</b>	<b>Target</b>
	114%	100 – 120%
<b>Net cash remittances</b>	<b>FY-15</b>	<b>Cumulative 3-year target</b>
	USD 3.9bn	> USD 9bn

<sup>1</sup> Business Operating Profit after tax return on equity (annualized), excluding unrealized gains and losses.

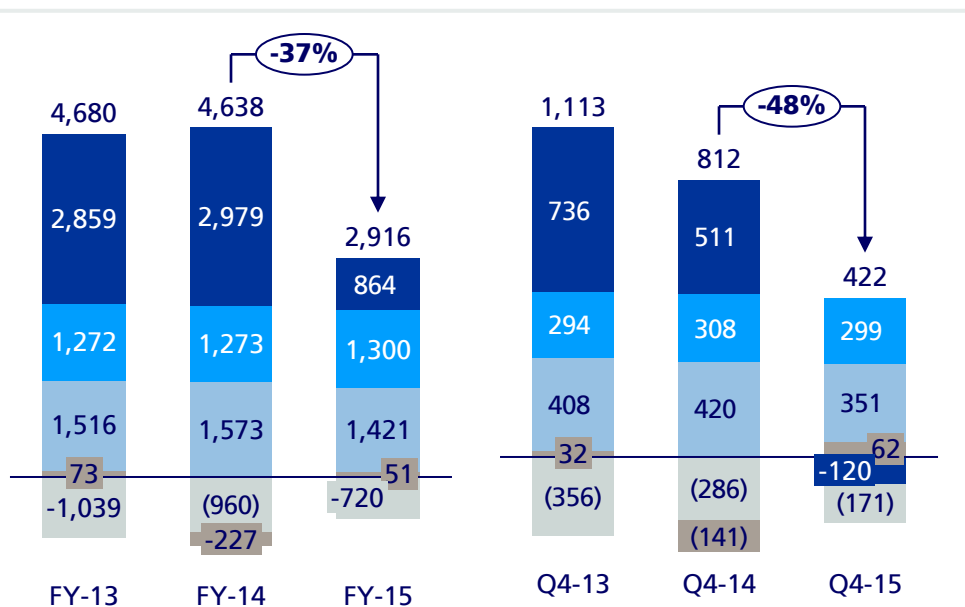
<sup>2</sup> Zurich Economic Capital Model (Z-ECM).

# Group – Business Operating Profit

Disappointing GI results, other businesses on track

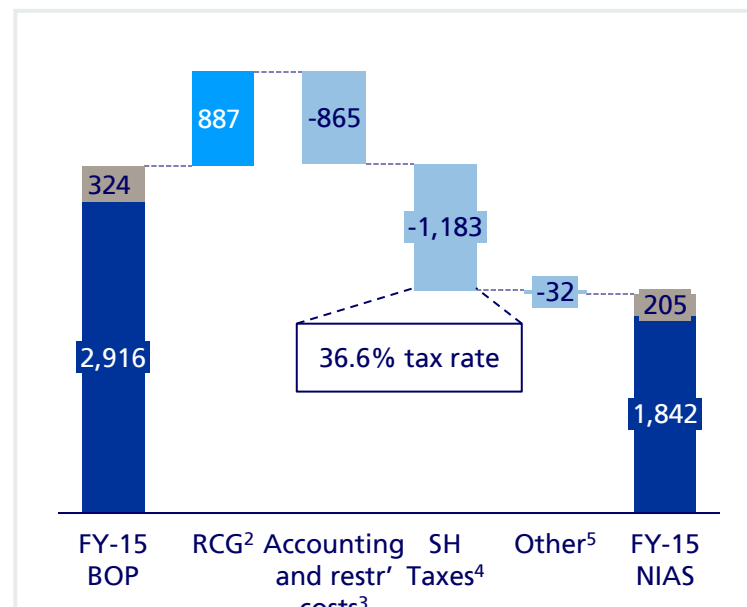


## BOP BY SEGMENT (USDm)<sup>1</sup>



■ General Insurance ■ Global Life ■ Farmers ■ OOB ■ NCB

## BOP TO NIAS WALK (USDm)



■ Non-controlling interests

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

<sup>2</sup> Realized capital gains/losses.

<sup>3</sup> Includes impairments of goodwill, restructuring provisions and other restructuring charges.

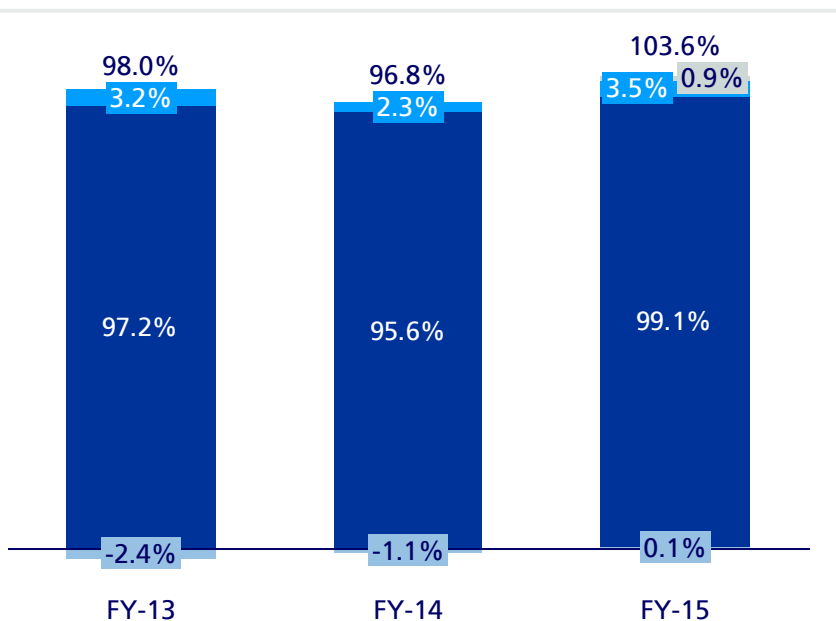
<sup>4</sup> Shareholder taxes (income tax expense attributable to shareholders).

<sup>5</sup> Includes change in estimate of earn-out liabilities.

# General Insurance – Combined ratio

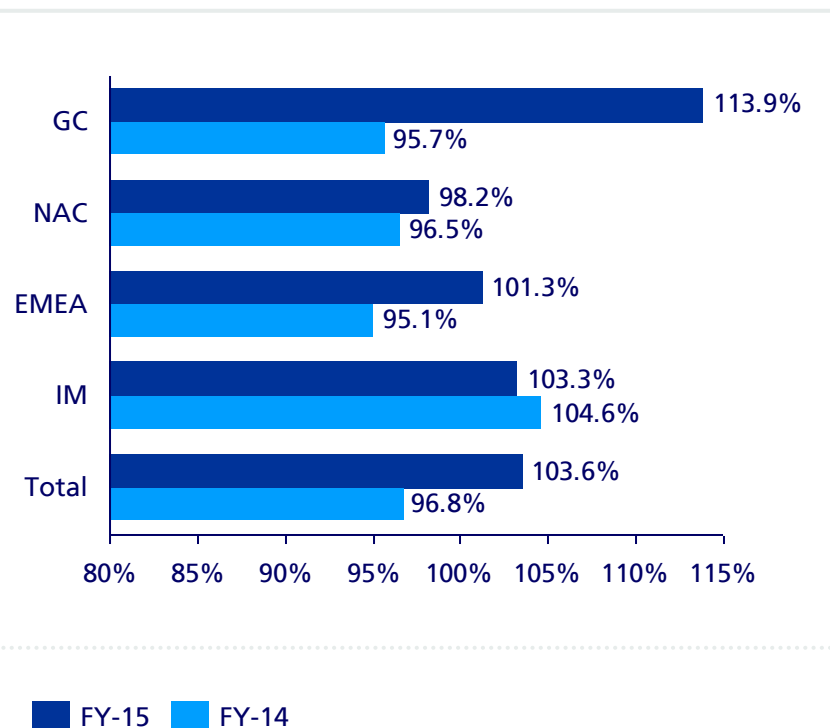
Poor results in Global Corporate

## COMBINED RATIO SPLIT (%)<sup>1</sup>



■ Tianjin loss    ■ AY CR (excl. catastrophes)<sup>3</sup>  
■ Catastrophes<sup>2</sup>    ■ PYD

## COMBINED RATIO BY REGION (%)<sup>1</sup>



■ FY-15    ■ FY-14

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. 2013 was not restated.

<sup>2</sup> Catastrophes include major and mid-sized catastrophes, including significant weather related events.

<sup>3</sup> Accident year combined ratio (AY CR) excludes prior year reserve development (PYD).



# GI – Loss and paid to ultimate triangles

Consistent reserving approach over time for the group

## ULTIMATE NET LOSS AND PAID TO ULTIMATE RATIOS (%)

	AY	2008	2009	2010	2011	2012	2013	2014	2015
Ultimate Net Loss Ratio <sup>1,2</sup>	In the year	76.6%	74.5%	75.8%	76.1%	72.4%	70.7%	67.4%	71.8%
	1 year later	76.2%	74.5%	75.6%	75.7%	70.9%	70.2%	68.3%	
	2 years later	74.3%	72.9%	74.3%	75.4%	70.4%	70.3%		
	3 years later	74.2%	72.9%	73.8%	75.5%	70.5%			
	4 years later	74.0%	72.8%	73.7%	75.5%				
	5 years later	73.5%	72.5%	73.6%					
	6 years later	73.5%	72.2%						
	7 years later	73.7%							
Paid to Ultimate Loss Ratio <sup>1,3</sup>	In the year	37.3%	38.6%	38.2%	37.6%	37.1%	36.3%	35.8%	33.3%
	1 year later	62.6%	63.0%	63.1%	62.2%	63.5%	60.8%	58.9%	
	2 years later	72.0%	72.4%	72.7%	71.6%	72.4%	70.7%		
	3 years later	78.4%	79.7%	79.9%	77.8%	78.7%			
	4 years later	83.7%	85.1%	84.5%	83.0%				
	5 years later	87.1%	88.6%	88.0%					
	6 years later	89.5%	90.7%						
	7 years later	91.2%							

## KEY TAKEAWAYS

- Initial 2015 AY higher due to more cat and large losses in 2015
- AYs 2012-2014 contributed the majority of unfavorable PYD in 2015
- Paid to ultimate ratios have for the most part developed consistently

<sup>1</sup> In % of net earned premiums in the respective accident year.

<sup>2</sup> Refers to General Insurance only. Financial Statements present total Group non-life business which includes General Insurance, Farmers Re and Non-Core Businesses.

<sup>3</sup> Ratio of paid to ultimate losses shows cumulative losses paid out for a given accident year, divided by the ultimate losses for that accident year, expressed as a percentage. Approximations made for cumulative FX movements over time to improve comparability.

# General Insurance – Status update

2015 results driven by combination of factors



## KEY FACTORS

- Growing in a softening market – e.g. in Global Corporate in North America
- Execution of planned portfolio actions not delivered consistently
- Growing interconnectivity of risk not sufficiently accounted for in portfolio
- Slow reaction to emerging trends in rate environment
- Expense discipline not aligned to market realities

# General Insurance – Focus in 2016

It will take time to adjust, but early signs for 2016 are positive

## ADDRESSING KEY ISSUES

- Prioritizing technical excellence by:
  - Reinforcing underwriting culture by emphasizing the trade-off between profit and growth
  - Focusing on attritional losses
  - Reducing large loss exposure
  - Strengthening accumulation management
  - Renewing business with clear targets for rate increases and retention by account tier
- Exiting some underperforming portfolios
- Exploring the reinsurance options
- Accelerating expense program and implementing absolute expense targets

## TIERING AND RATE INCREASES

- Encouraging results from rate in Global Corporate in Europe
- Rate and retention in line with our expectations, with emphasis on bottom tiers

## BUSINESSES EXITED

- Transportation book in US (only for GC)
- Boiler and Machinery
- Personal lines and commercial lines in ME
- CTP in motor commercial in Australia

# Global Life – New business & Net Inflows

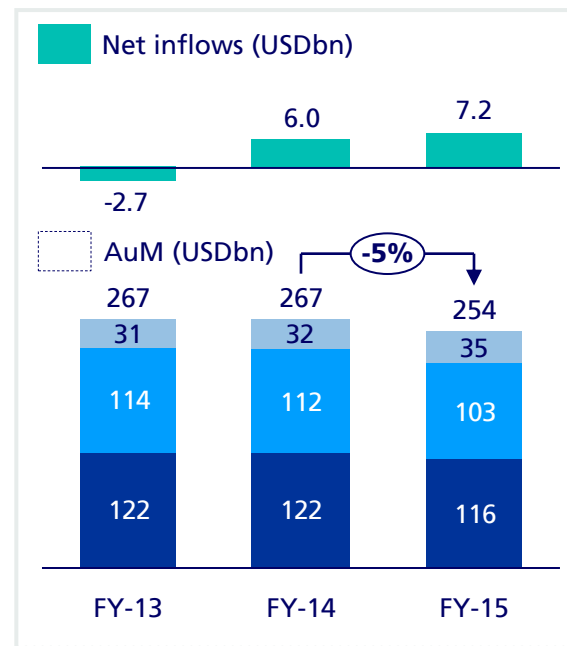
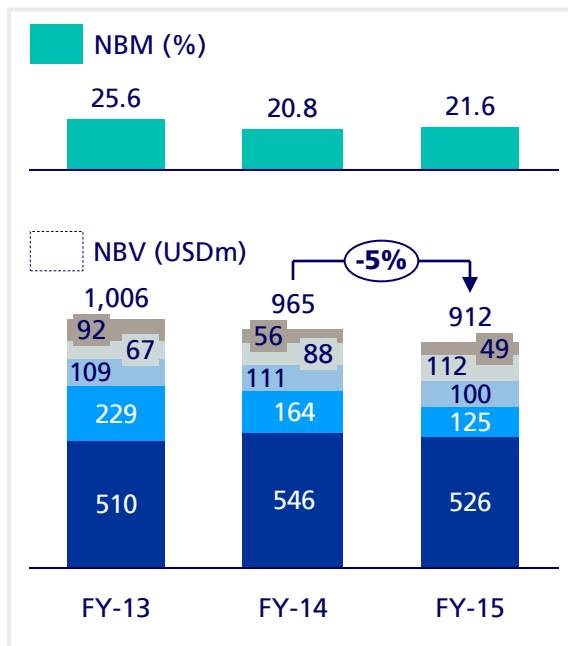
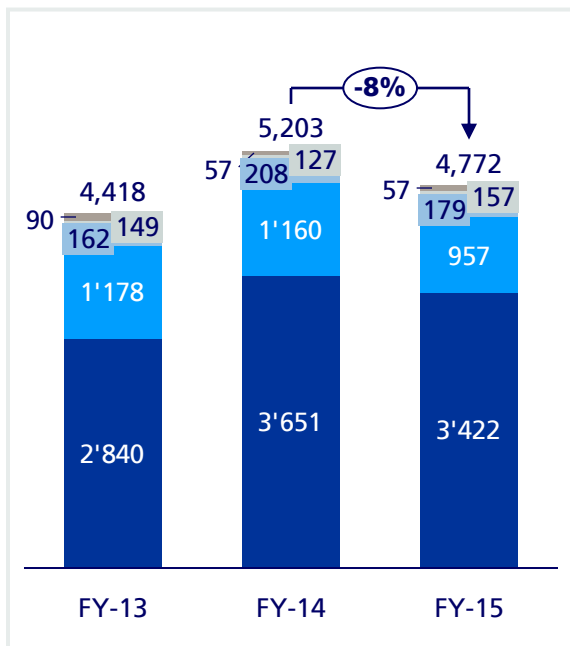


APE growth offset by currency impacts with overall higher margin

## APE (USDm)<sup>1,2</sup>

## NBM & NBV<sup>1,2,3</sup>

## NET INFLOWS & AUM<sup>4,5</sup>



Other APAC North America Latin America EMEA

3rd party investments  
Group investments  
Unit-linked

<sup>1</sup> APE is reported before non-controlling interests. NBM and NBV are reported net of non-controlling interests.

<sup>2</sup> 2013 and 2014 restated to reflect the change in regional structure from Europe/APME to EMEA/APAC.

<sup>3</sup> 2013 and 2014 figures have been restated to reflect a change in the MCEV CRNHR methodology.

<sup>4</sup> 2013 net policyholders flows did not include inflows for certain short-duration contracts. AuM is reported as at the respective quarter end.

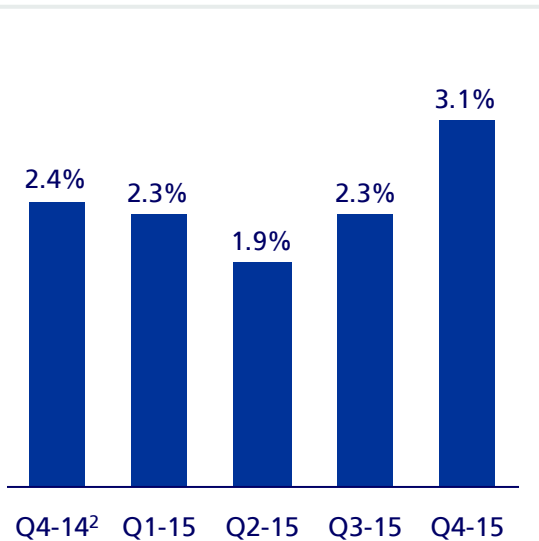
<sup>5</sup> 2014 Net inflows and AuM have been adjusted to reflect the full consolidation of a recently re-launched fund management business.

# Farmers Exchanges<sup>1</sup> – KPIs

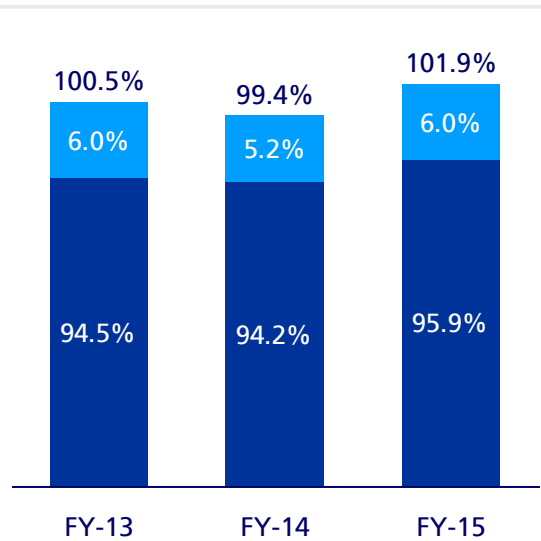
Continued growth, Capital remitted by Farmers Reinsurance Co.



## GWP GROWTH (%)<sup>3</sup>

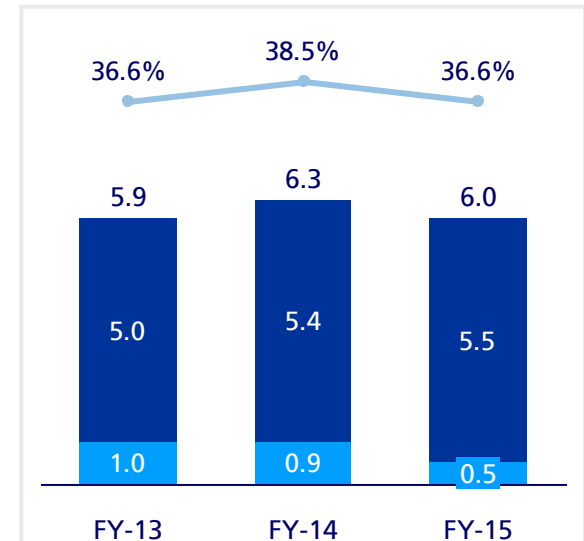


## COMBINED RATIO (%)<sup>3</sup>



■ Catastrophe losses  
■ CR (excl. catastrophe losses)

## SURPLUS<sup>4</sup> (USDbn)



—●— Surplus ratio  
■ Farmers Exchanges surplus  
■ Farmers Reinsurance Co. surplus

<sup>1</sup> 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 administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Adjusting for a one-time accounting change growth was 1.9% in Q4-14.

<sup>3</sup> Before quota share treaties with Farmers Reinsurance Company, Zurich Insurance Company Ltd and a third party reinsurer.

<sup>4</sup> Estimated. Surplus ratio excludes surplus of Farmers Reinsurance Company.

# Report card – Group

Clear priorities for next 12 months

## GROUP STRATEGY

1

**Prioritizing investment in distinctive positions**

## FY-15 KEY ACTIONS

- Acquisition of Rural Community Insurance Services
- Stepped up investments in data and analytics capabilities

## 2016 PRIORITIES

- Further investments in technology, including in data and analytics
- Targeted investments in select retail markets, building 'omni channel' capabilities

2

**Managing other businesses for value**

- GI "turnarounds" progressing
- In-force initiatives in "maximize value" life markets gaining traction, including exit from UK annuity book and sale of 7IM

- Next phase of in-force initiatives in manage for value life markets
- Extract capital from some blocks of business
- Footprint actions

3

**Growing our operating earnings**

- Efficiency initiatives launched, with aim of reducing costs by at least USD 1bn by end of 2018
- Accelerated activities in Q4 2015

- Deliver on USD 300m cost saving target by end of 2016
- Turn around GI profitability

# Appendix



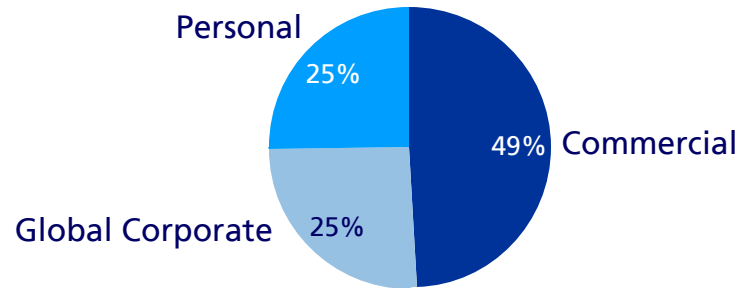
# Leading corporate and commercial insurer, and one of the few genuinely global players



## PROFILE

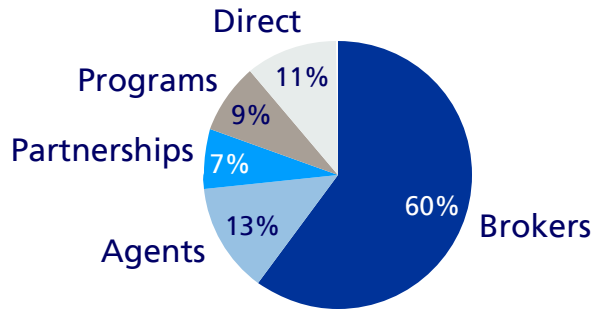
- Top three insurer to multi-nationals, with proven differentiated capabilities and global scale
- Strong positions in many commercial insurance markets, notably US, UK and Switzerland
- Good positions in a number of developed retail markets
- Growing presence in Latin America

## CUSTOMER SEGMENTS



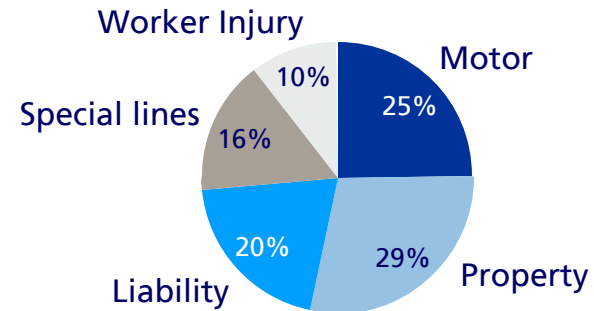
FY-15 Gross Written Premiums, total of USD 34.0 billion

## DISTRIBUTION CHANNELS



FY-15 Gross Written Premiums, total of USD 34.0 billion

## LINES OF BUSINESS

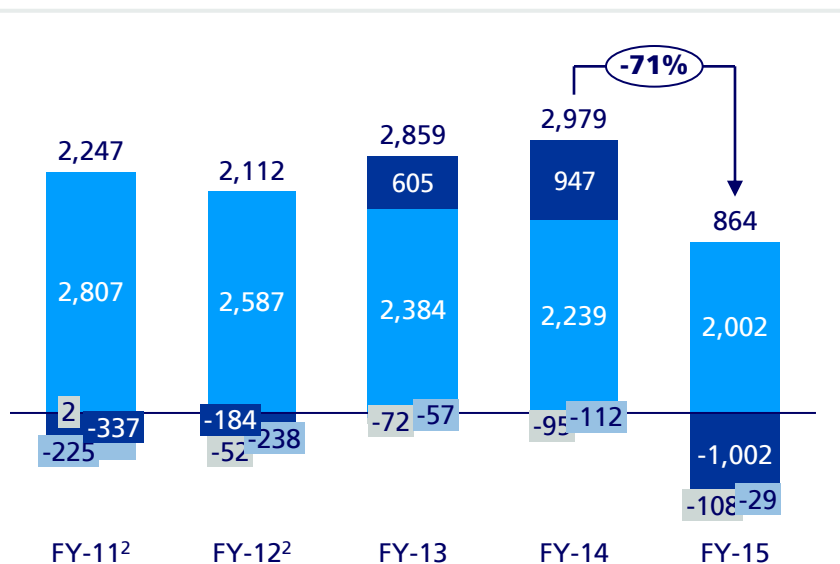


FY-15 Gross Written Premiums, total of USD 34.0 billion

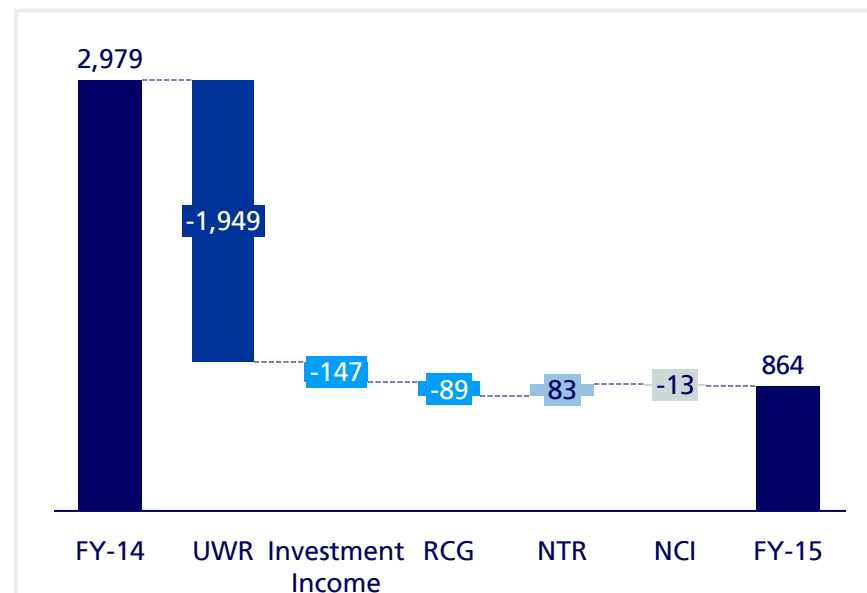


# Material reduction in 2015 BOP driven by underwriting loss

## BOP BREAK DOWN (USDm)<sup>1</sup>



## KEY DRIVERS (USDm)<sup>1</sup>



■ Underwriting result 
 ■ Investment inc. / Realized capital gains (RCG) 
 ■ Non-technical result (NTR) 
 ■ Non-controlling interest (NCI)

<sup>1</sup> 2014 restated for the transfer of certain General Insurance business to Non-Core Business (NCB) in 2015. Previous years were not restated.

<sup>2</sup> Impact for the shift of parts of the non-technical result is an estimation.

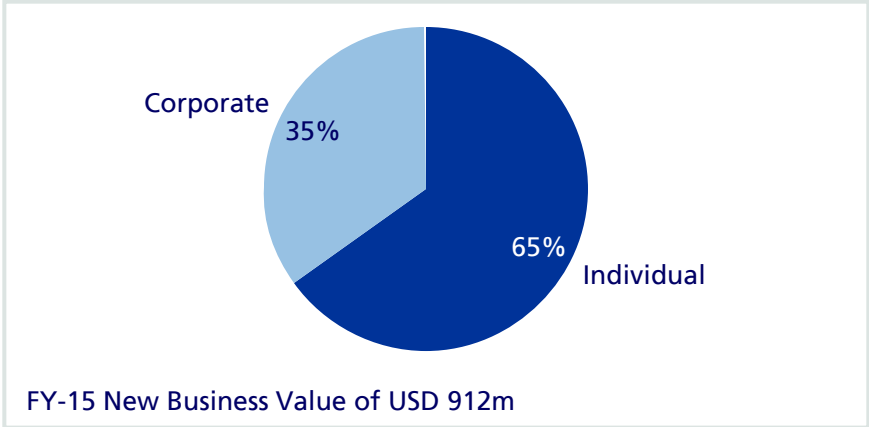
# Lower risk life business, focused on protection and corporate life & pensions



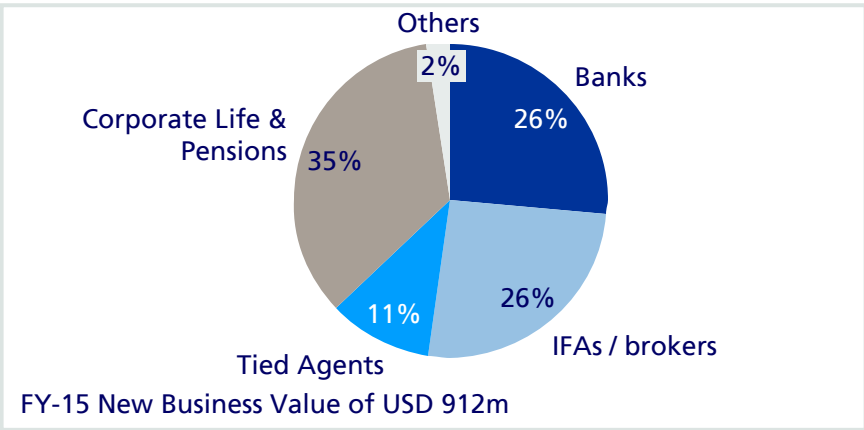
## PROFILE

- In-force mainly in developed markets in Europe and the US, with relatively low exposure to spread products vs. peers
- Growing NBV, focused on protection products and corporate life & pensions
- Santander JV in Latin America positions us in the top 5 insurers in the region

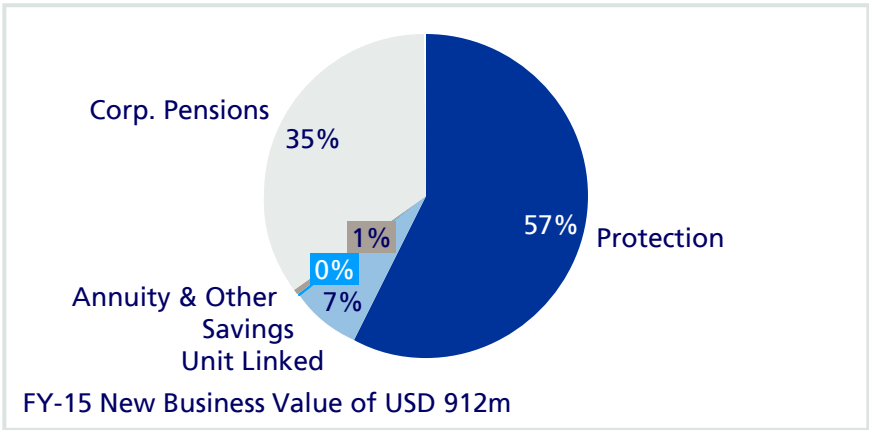
## CUSTOMER SEGMENTS



## CHANNELS AND PILLARS

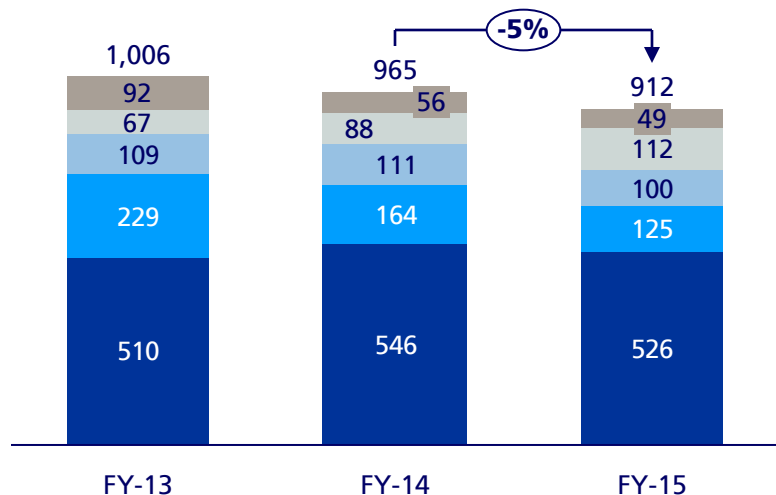


## LINES OF BUSINESS

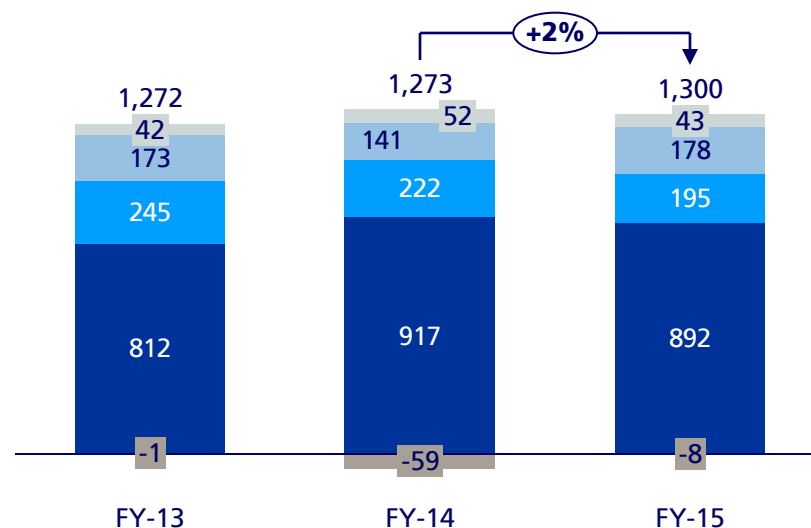


# Focus on translating new business growth into tangible measures of value

## NEW BUSINESS VALUE (USDm)



## GLOBAL LIFE BOP (USDm)



Other APAC North America Latin America EMEA

- Strong value creation in recent years in Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC)
- FX headwinds mask local currency growth

- Lower yields and investment in start up businesses has impacted operating profits
- But lower risk profile vs. peers given limited product mix
- Aim to significantly improve profitability through in-force management activities

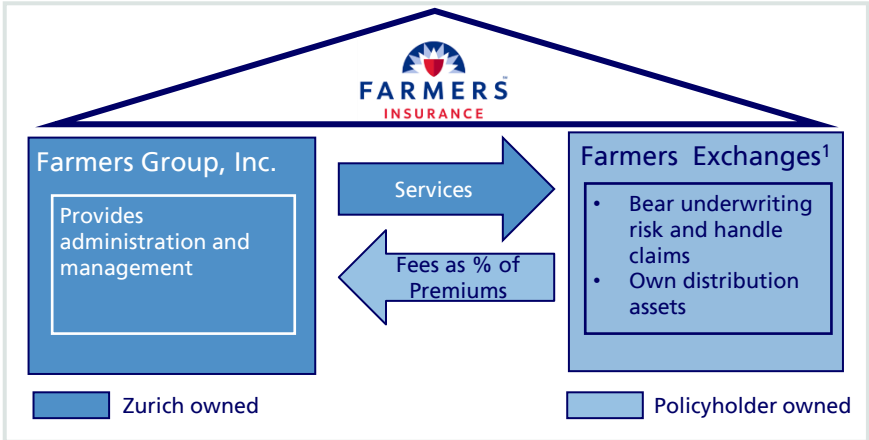
# A unique structure



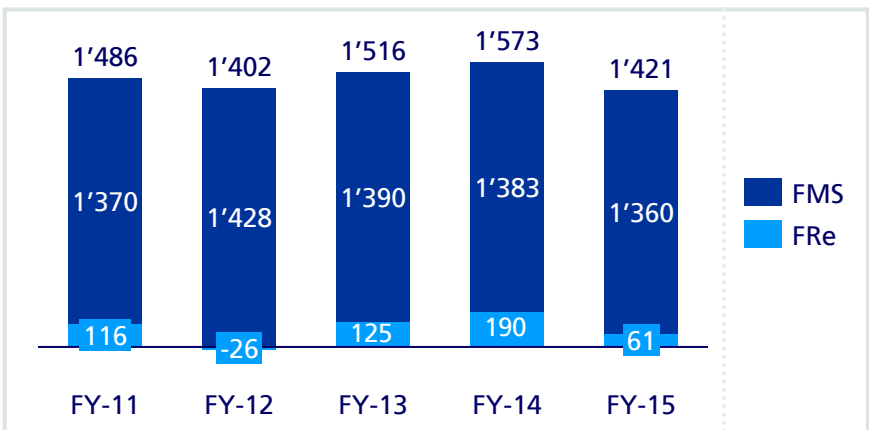
## MAINLY A FEE BUSINESS TO ZURICH

- The Farmers Exchanges are a group of US insurance companies, which are owned by their policyholders
- Zurich owns Farmers Management Services (FMS), which manages the Farmers Exchanges on behalf of the policyholders in an arrangement known as an “attorney-in-fact”
- FMS receives fees from Farmers Exchanges for the services it provides
- The fee based nature of the business model allows FMS to generate stable earnings and high cash remittances.
- Zurich also owns Farmers Re, a reinsurer which provides capital support to Farmers Exchanges

## FARMERS’ UNIQUE STRUCTURE



## FARMERS BOP HISTORY (USDm)



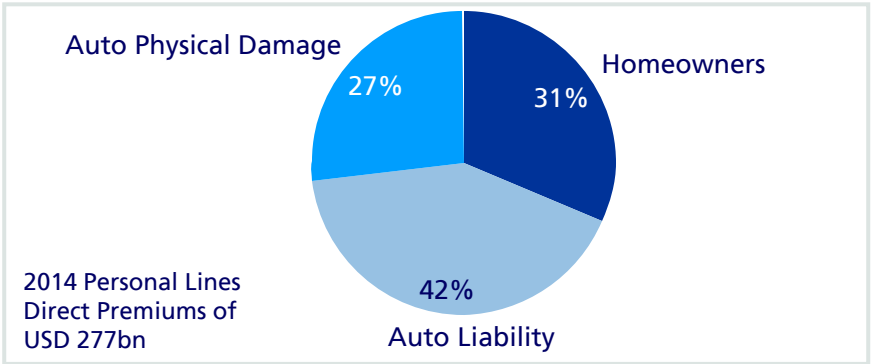
# Leading player in US personal lines insurance



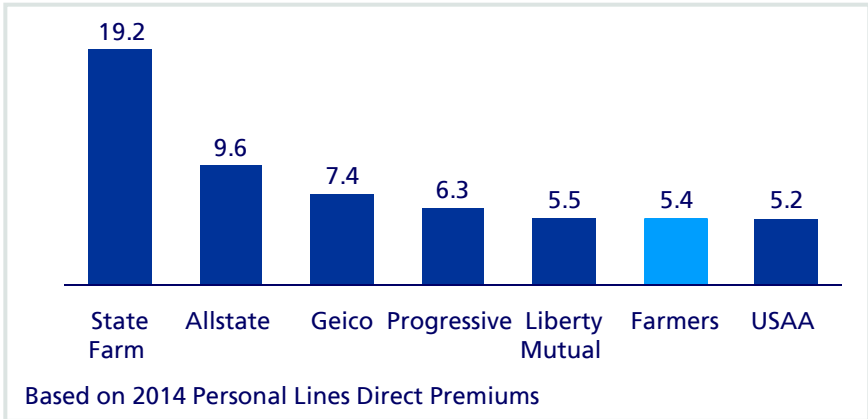
## PROFILE

- Farmers Exchanges is the #3 personal lines insurer in 29 'core' states in the Western US
- Split of business is predominantly personal lines, but also offer commercial lines products for small businesses
- Primary distribution through ~13,500+ Exclusive Agents, under Farmers brand
- Growing business in Eastern US

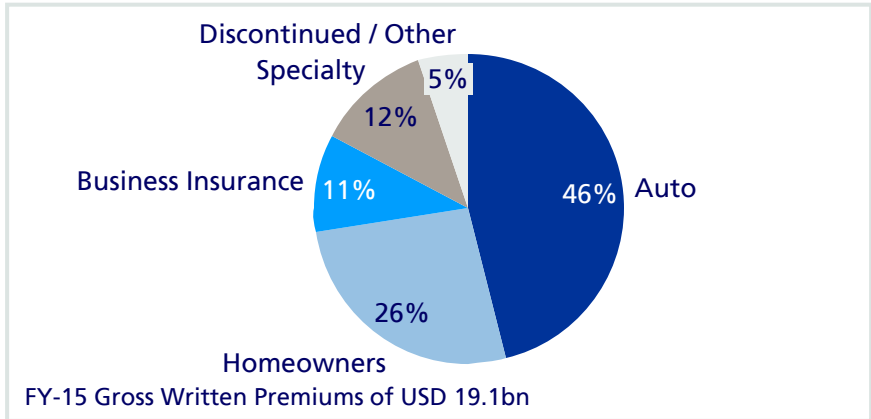
## US PERSONAL LINES MARKET



## PERSONAL LINES MARKET SHARE (%)



## FARMERS PREMIUM SPLIT



# Z-ECM, SST, SII – Main differences

## Required capital

	Z-ECM	SST <sup>1</sup>	SII (PILLAR 1)		
Most onerous impact on ratio					
Risk Measure	VaR 99.95% (~AA)	ES 99% (~BBB)	VaR 99.5% (~BBB), usually < ES 99%		
Risk-types covered	<ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium and Reserve Risk</li> <li>NatCat Risk</li> <li>Life Liability Risk</li> <li>Business Risk</li> <li>Operational Risk</li> <li>Reinsurance Credit Risk</li> </ul>	<ul style="list-style-type: none"> <li>Market Risk</li> <li>Investment Credit Risk</li> <li>Premium, Reserve and UPR Risk</li> <li>NatCat Risk</li> <li>Life Liability Risk</li> <li>Life Business Risk</li> <li>Reinsurance Credit Risk</li> <li>Scenarios</li> <li>Farmers Management Services</li> </ul>	<table border="1"> <tr> <td>                     Internal model (ZIP):                     <ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium, Reserve and UPR Risk</li> <li>NatCat Risk</li> <li>Business Risk</li> <li>Operational Risk</li> <li>Reinsurance Credit Risk</li> <li>Receivables Credit Risk</li> <li>Scenarios</li> </ul> </td> <td>                     Standard Formula (all other entities):                     <ul style="list-style-type: none"> <li>Market risk</li> <li>Counterparty default risk</li> <li>Life underwriting risk</li> <li>Health underwriting risk</li> <li>Non-life underwriting risk (including premium, reserve and NatCat)</li> <li>Intangible asset risk</li> <li>Operational risk</li> </ul> </td> </tr> </table>	Internal model (ZIP): <ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium, Reserve and UPR Risk</li> <li>NatCat Risk</li> <li>Business Risk</li> <li>Operational Risk</li> <li>Reinsurance Credit Risk</li> <li>Receivables Credit Risk</li> <li>Scenarios</li> </ul>	Standard Formula (all other entities): <ul style="list-style-type: none"> <li>Market risk</li> <li>Counterparty default risk</li> <li>Life underwriting risk</li> <li>Health underwriting risk</li> <li>Non-life underwriting risk (including premium, reserve and NatCat)</li> <li>Intangible asset risk</li> <li>Operational risk</li> </ul>
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Equivalence	No concept of equivalence, ZECM applied to the entire Group	No concept of equivalence, SST applied to the entire Group	Possibility to use local regimes for subsidiaries in equivalent third countries. Not applicable for Zurich		

<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

# Z-ECM, SST, SII – Main differences

## Yield curves and transitionals

	Z-ECM	SST <sup>1</sup>	SII (PILLAR 1)
Most onerous impact on ratio			
Base risk-free yield-curve	Swaps	Swaps for USD, EUR, GBP Government bonds for CHF, other	Swaps
Entry-point to extrapolation of yield-curve	Use all available market data CHF: 30 years EUR, USD, GBP: 50 years	CHF: 15 years (Zurich uses 30) EUR: 30 years USD, GBP: 50 years	CHF: 25 years EUR: 20 years USD, GBP: 50 years
Ultimate Forward Rate	Flat extrapolation from last observable data point	CHF: 2.7% EUR, USD, GBP: 4.0%	CHF: 3.2% EUR, USD, GBP: 4.2%
Adjustments to yield-curve	None (no liquidity premium)	-30bps for swap based curves (credit)	-10bps (credit) + volatility adjustment (between 9 bps (CHF) and 78bps (USD) at Q4-16) + matching adjustment (currently not used by Zurich)
Transitional requirements	n/a	Transition period from 2006-2011	Various transitional measures, especially for yield-curves and technical provisions, lasting until 2032. Zurich does not make use of these.

<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

# Z-ECM, SST, SII – Main differences

## Other key elements

	Z-ECM	SST <sup>1</sup>	SII (PILLAR 1)
Most onerous impact on ratio			
Senior debt	Available Capital	Liability	Liability
Tax	Pre-tax	Pre-tax	Post-tax
Granularity	Management view <ul style="list-style-type: none"> <li>Internal reinsurance not relevant</li> <li>Full Group diversification taken into account and allocated back to business units</li> </ul>	Legal entity view <ul style="list-style-type: none"> <li>Internal reinsurance considered</li> <li>Only legal entity diversification taken into account</li> <li>Risk of subsidiaries included (with limited liability)</li> </ul>	Legal entity view <ul style="list-style-type: none"> <li>Internal reinsurance considered</li> <li>Only legal entity diversification taken into account</li> </ul>
Risk Margin	Cost of residual non hedgeable risk (CRNHR) considered in AFR for Life	Market Value Margin added to Target Capital	Risk Margin as part of insurance liabilities

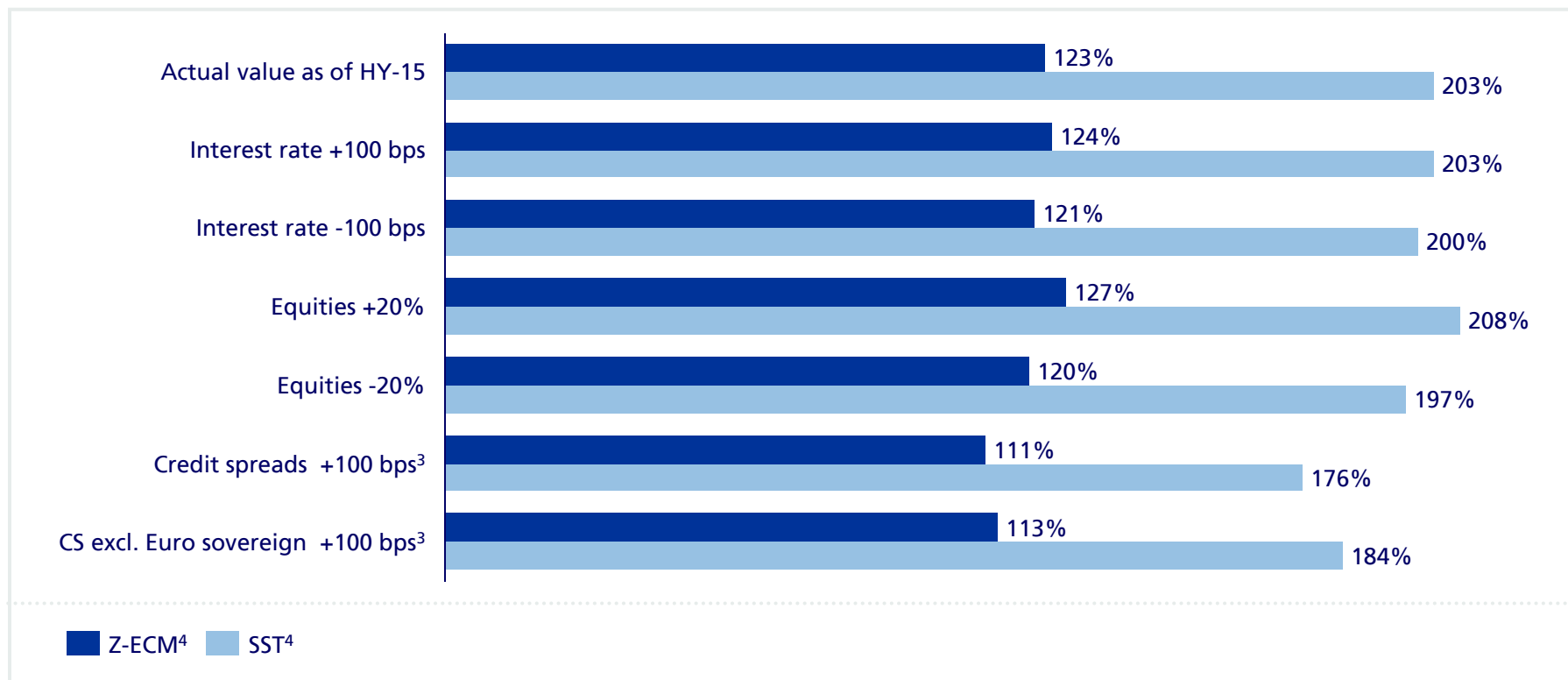
<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.



# Group – Solvency ratio sensitivities<sup>1</sup>

Solvency ratios resilient to market movements

## SOLVENCY RATIO IMPACT<sup>2</sup>



<sup>1</sup> Sensitivities are shown excluding the macro equity hedge. They are best estimate and non-linear, i.e. will vary depending on prevailing market conditions at the time.

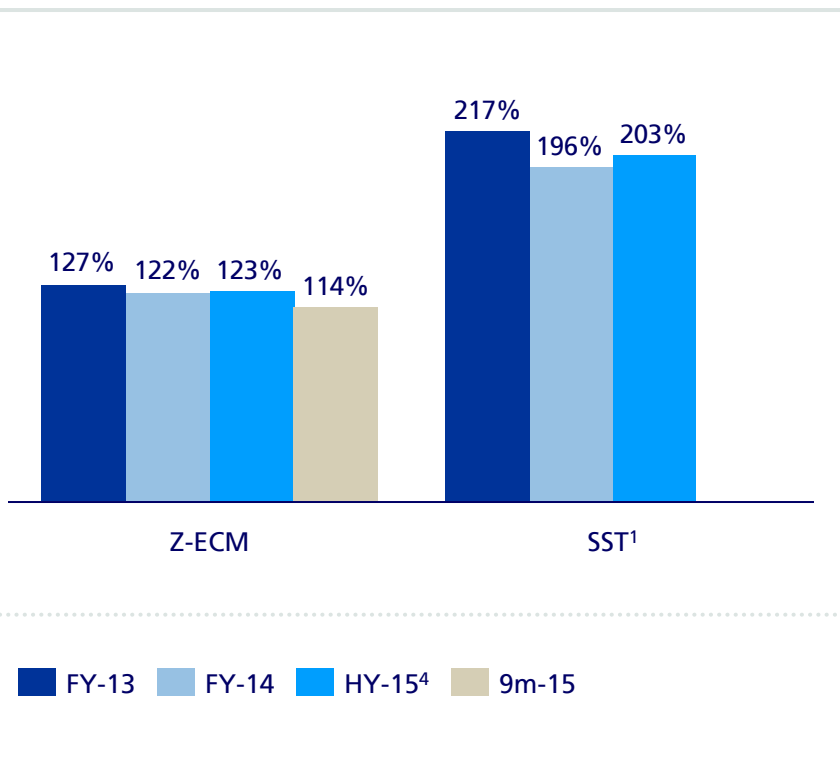
<sup>2</sup> The impact of the changes to the required capital is approximated and only taken into account on Market risk.

<sup>3</sup> Credit Spreads (CS) include mortgages and incl./excl. Euro sovereign spreads. Z-ECM sensitivity is net of profit sharing with policyholders.

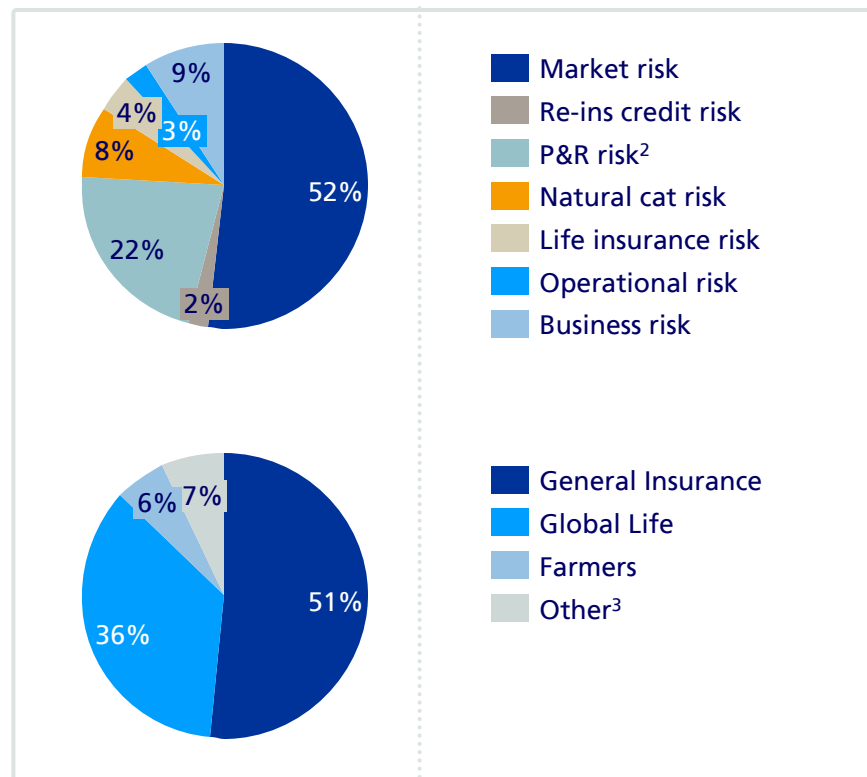
<sup>4</sup> Z-ECM: 99.95% Value at Risk; SST: 99.00% Expected Shortfall. Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

# Managing our risks conservatively to AA financial strength

## GROUP SOLVENCY



## RBC BY RISK TYPE AND BUSINESS



<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

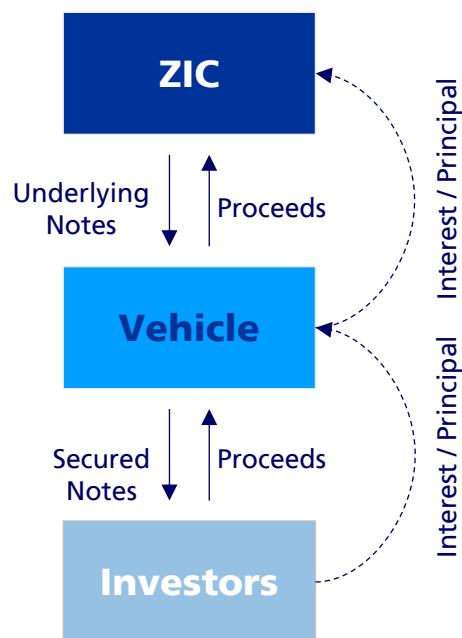
<sup>2</sup> Premium & reserving risk.

<sup>3</sup> Includes Other Operating Businesses and Non-Core Businesses.

<sup>4</sup> Excluding macro equity hedge.

## PROFILE

- ZIC has so far used three different vehicles (Aquarius, Cloverie and Willow). These structures enable investors to receive coupon payments without automatically incurring Swiss withholding tax of 35%, using a Swiss tax compliant structure.
- Many Swiss issuers make use of this repackaging approach when issuing internationally



- The ZIC Notes are held by Repack Vehicle
- Investors hold Secured Notes issued by Repack Vehicle, which are secured over the ZIC Notes
- The secured notes pass through the risk and returns on the underlying ZIC Notes
- Repackaging through such Repack Vehicle allows issuance of the Notes directly by ZIC from Switzerland without incurring Swiss withholding tax of 35%

### Examples of Repackaged Swiss Transactions ZIC:

- "Aquarius" - EUR 1bn 4.25% 2043 NC 2023
- "Willow No 2" - USD 300mn 4.25% 2045 NC 2025
- "Cloverie plc" - USD 1bn 5.625% 2046 NC 2026

### Credit Suisse:

- "Claudius Ltd" - USD 1,500mn 8.25% Perp NC 2013
- "Claudius Ltd" - USD 1,500mn 7.875% Perp NC 2015

### Swiss Re:

- "Elm BV" - GBP 500mn 6.3024% Perp NC 2019
- "Elm BV" - AUD 300mn 7.635% Perp NC 2017
- "Elm BV" - AUD 450mn FRN Perp NC 2017
- "Demeter" - USD 700mn 5.75% 2050 NC 2025

### Swiss Life:

- "Elm BV" - EUR 700mn 5.849% Perp NC 2017

### Reed Elsevier:

- "Elm BV" - EUR 550mn 2.5% 2020

# Disclaimer and cautionary statement



Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of 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.

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# For further information

## CALL US

### Investor Relations

Aaron Beharelle +41 44 625 25 50  
André Meier +41 44 625 37 75  
Gianni Vitale +41 44 625 48 26

### Group Treasury

Christian Carl +41 44 625 31 00  
Ulrik Schytz +41 44 625 45 38

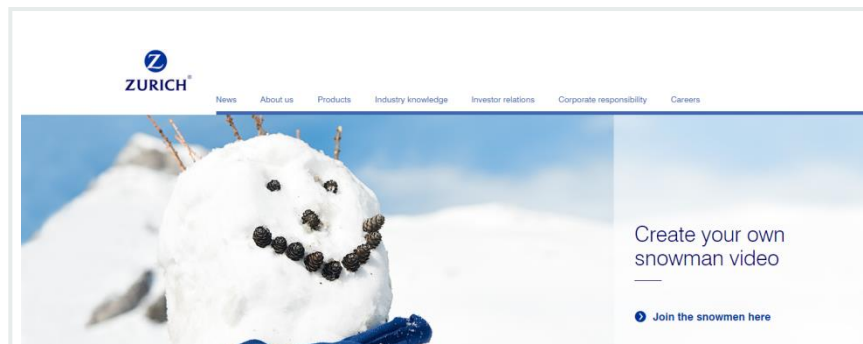
### Rating Agency Management

Michèle Matlock +41 44 625 28 50





### Events

Patricia Heina +41 44 625 38 44


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**Calendar:**

- May 12, 2016, Results for the three months to March 31, 2016
- August 11, 2016, Half year results 2016
- November 10, 2016, Results for the nine months to September 30, 2016

