



# Zurich Insurance Group

Mike Foley, CEO North America Commercial  
Deutsche Bank Global Financial Services Investor Conference  
New York, May 31, 2016



# Zurich Insurance Group – Cornerstones of our strategy

## GROUP STRATEGY

## KEY FOCUS AREAS

1

**Prioritizing investment in distinctive positions**

- Corporate
- Commercial mid-market

**Zurich in North America**



- Select retail

2

**Managing other businesses for value**

- Extract value from Global Life back books
- Continue to capture value from profitable, smaller General Insurance markets
- Turnaround/exit non-performing businesses

3

**Growing our operating earnings**

- Efficiency
- Value extraction
- Investment risk return

# We continue to invest and have made significant progress

## Customer

- Commercial primary research
- Customer feedback (NPS)
- Moments of truth
- Whole-account view



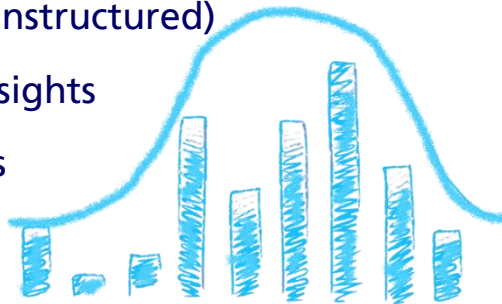
## Broker

- Broker behavioral segmentation
- Select broker strategy
- Broker analytics
- Broker engagement model



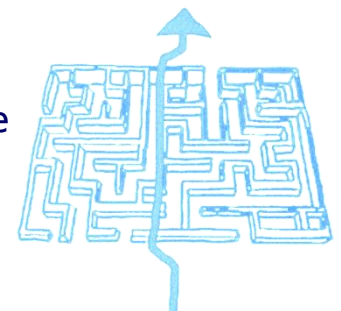
## Predictive Analytics

- External and internal data (structured and unstructured)
- Distinctive risk insights
- Predictive models
- Pricing tools
- Field adoption



## Operations and IT

- People, process, and technology
- Role-based user-interfaces
- Service-oriented architecture
- Application rationalization
- Data integration



# Zurich North America goes to market through five major businesses



NORTH AMERICA COMMERCIAL (NAC)				GCINA
Commercial Markets	Specialty Products	Programs	Direct Markets	Global Corporate
Standard P&C and industry specific specialty lines for <b>targeted customer industry segments</b>	<b>Sophisticated products for non-standard risks</b>	Business distributed through <b>Program Administrators</b> targeting niche markets as well as <b>captives</b>	Business distributed through <b>direct sales force</b> targeting the auto dealer segment	Standard P&C lines for <b>large customers with global exposures</b> based in North America
<b>RCIS acquisition<sup>2</sup> closed on 3/31/2016</b>				
USD 10.8bn GWP <sup>1,2</sup>		98% CR <sup>1</sup>		

ZNA SHARED SERVICES		
<b>Claims</b>	<b>Operations</b>	<b>Marketing &amp; Distribution</b>
<b>Product Underwriting</b>	<b>Finance &amp; Actuarial</b>	<b>Other Support Services</b>

<sup>1</sup> Includes North America Commercial, for the year ended December 31, 2015.

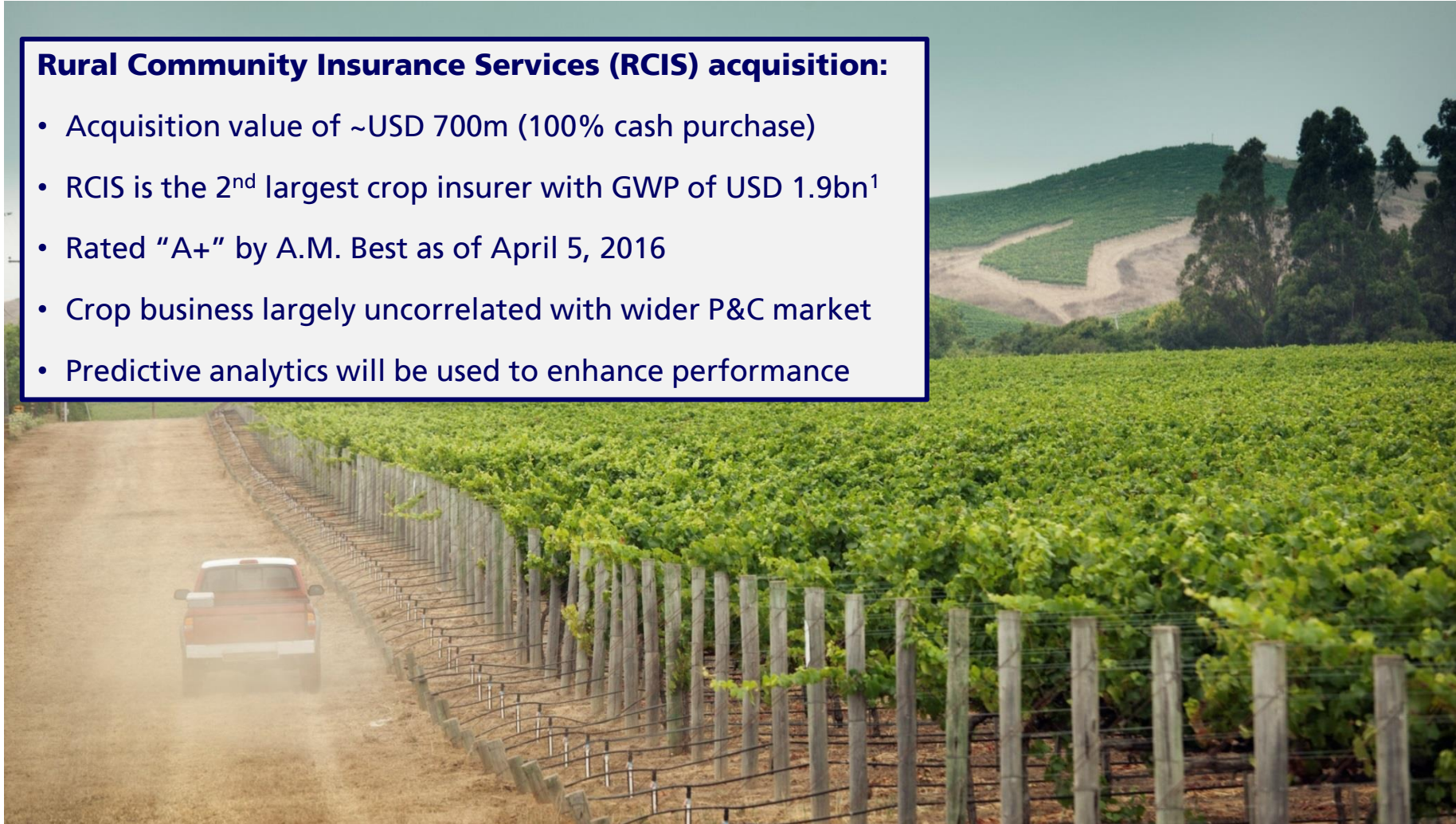
<sup>2</sup> Zurich acquired RCIS, 2<sup>nd</sup> largest US crop insurer with 2015 GWP of USD 1.9B; deal closed on March 31, 2016; ~USD 400m of GWP annually was already placed with Zurich through Reinsurance and is included in the USD 10.8bn NAC GWP.

# Recent acquisition of RCIS positions Zurich as the #2 crop insurer in the United States



## Rural Community Insurance Services (RCIS) acquisition:

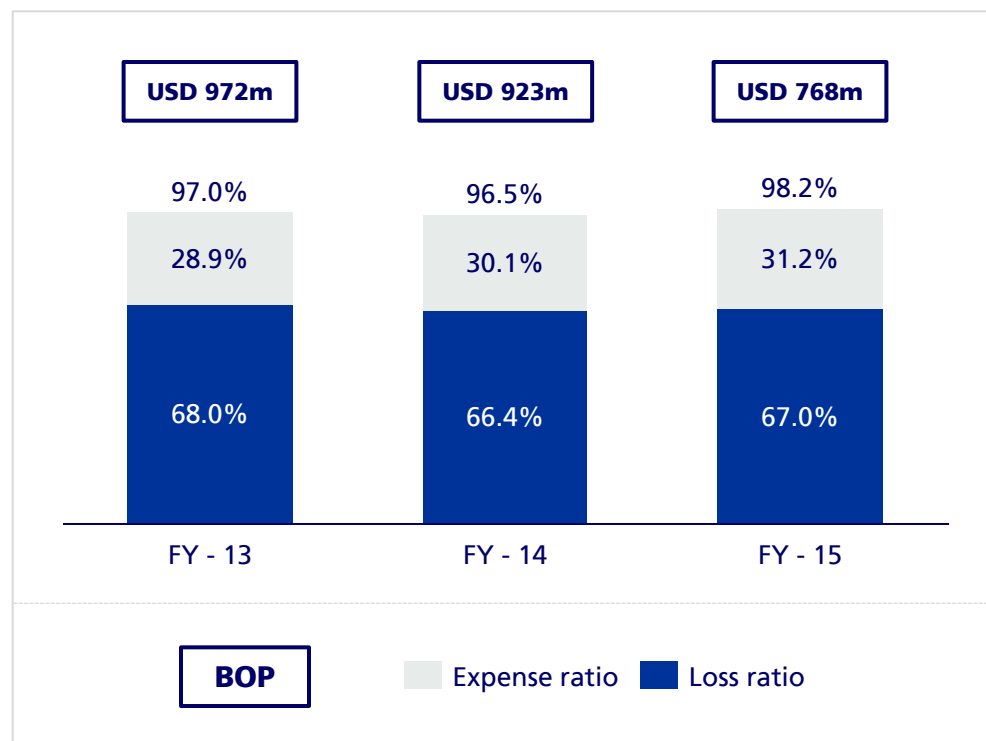
- Acquisition value of ~USD 700m (100% cash purchase)
- RCIS is the 2<sup>nd</sup> largest crop insurer with GWP of USD 1.9bn<sup>1</sup>
- Rated "A+" by A.M. Best as of April 5, 2016
- Crop business largely uncorrelated with wider P&C market
- Predictive analytics will be used to enhance performance



<sup>1</sup> Figures as of FY-15.

# North America Commercial: FY-15 combined ratio ticked up 1.7 points

## FY-15 KEY FINANCIALS



GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined ratio
7%	1%	98%

## KEY DRIVERS

- Modest growth with continued execution of strategic growth initiatives (incl. captives) and increase in retentions
- Market pressure on rates, especially in property lines and workers' compensation
- Combined ratio increased mainly due to a higher attritional loss ratio and slightly higher commissions, partly offset by lower catastrophes

<sup>1</sup> GWP Growth compared to FY-14.

<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.

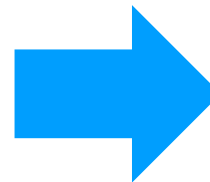
# In 2016 we are planning to hold top line and improve our combined ratio

## 2015 Plan

## 2016 Plan

**Gross Written  
Premium (GWP)**

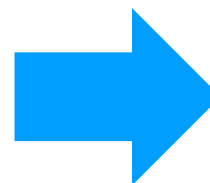
**Grow**



**Hold**

**Combined Ratio**

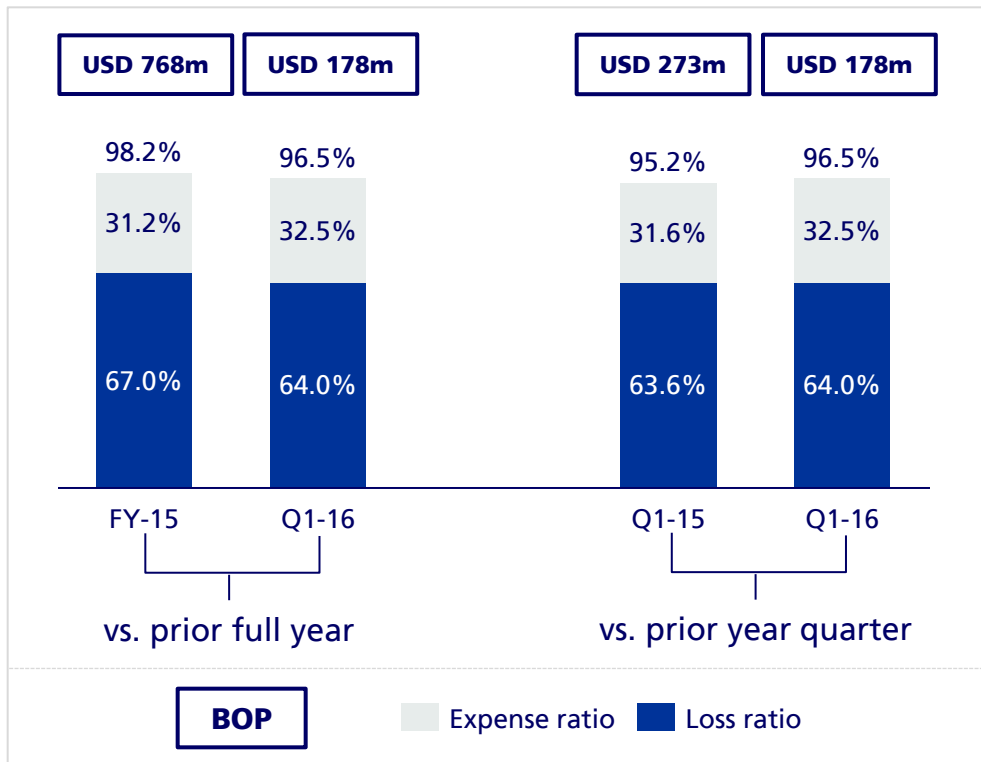
**Hold**



**Improve**

# North America Commercial: combined ratio improved in Q1-16 but more work to be done

## Q1-16 KEY FINANCIALS



GWP Growth <sup>1</sup>	Zurich rate change <sup>2</sup>	Combined ratio
-4%	2%	97%

## KEY DRIVERS

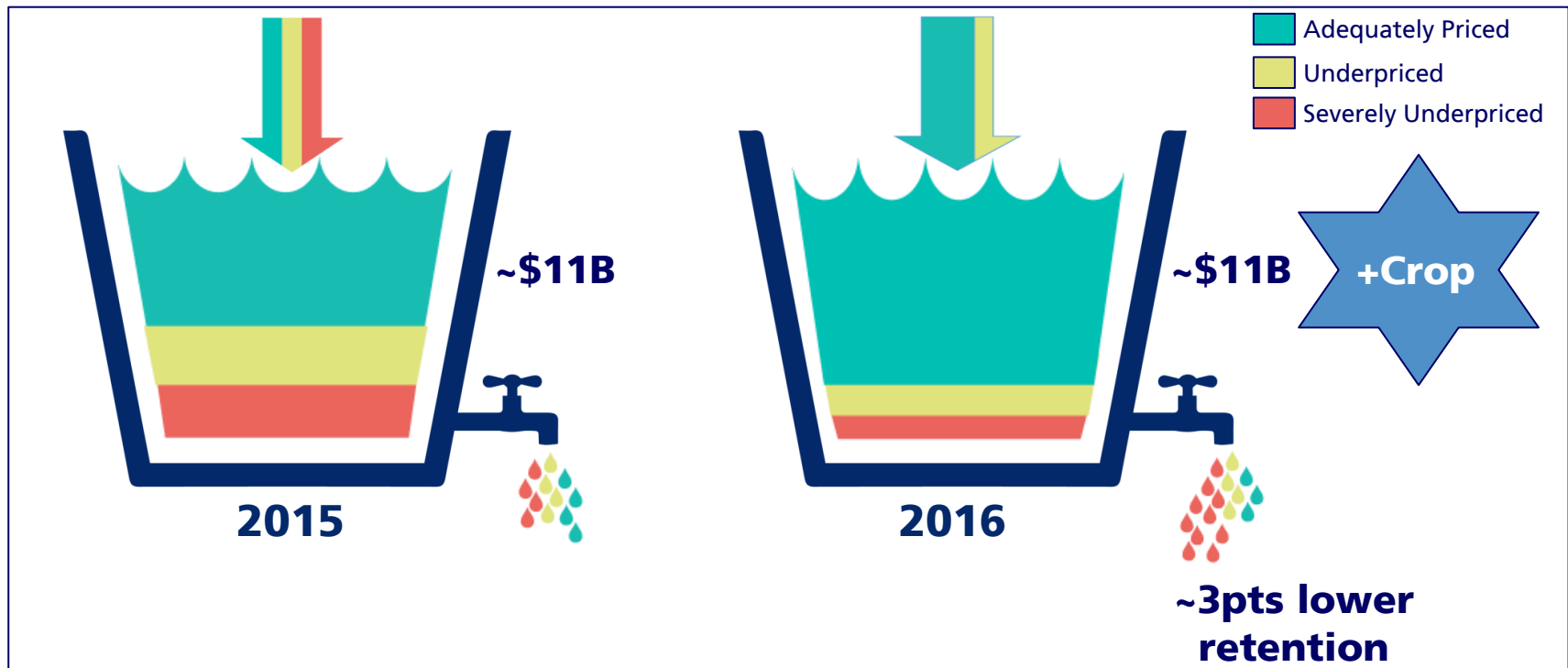
- Decrease in GWP includes some timing and other one-off items but is mainly driven by broad market conditions and the effects of rate tiering actions
- Overall rate increases stable
- Favorable PYD and improvements in attritional LR are partly offset by two large surety losses and an uptick in commissions

<sup>1</sup> GWP Growth compared to Q1-15.

<sup>2</sup> GWP development due to premium rate change as a percentage of the renewed portfolio against the comparable prior year period.



# In 2016 we plan to improve profitability and hold top line

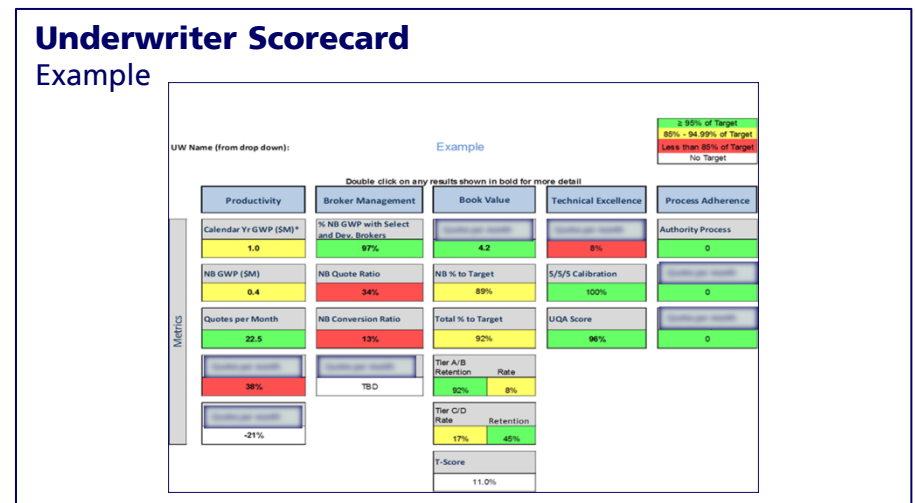
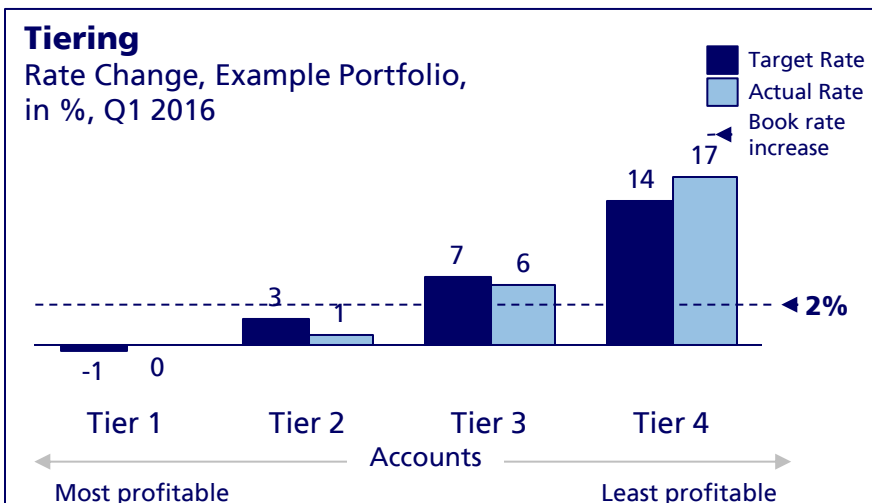
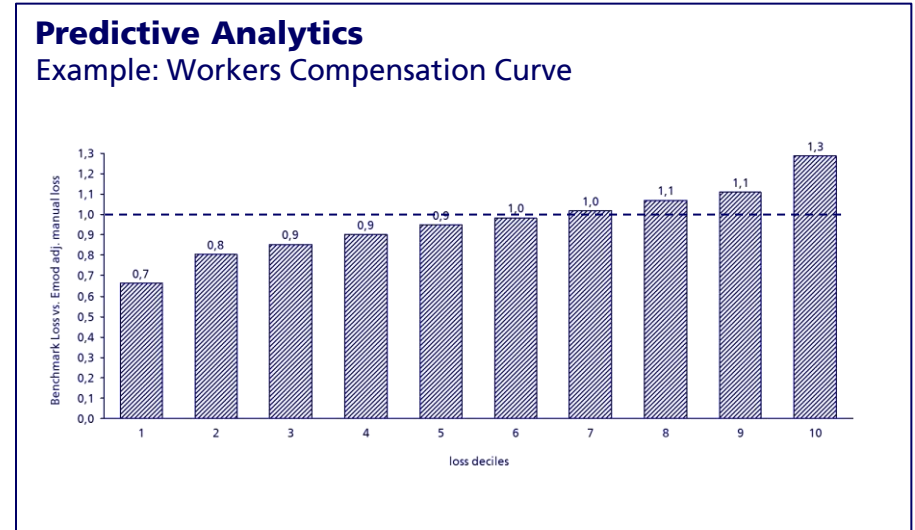
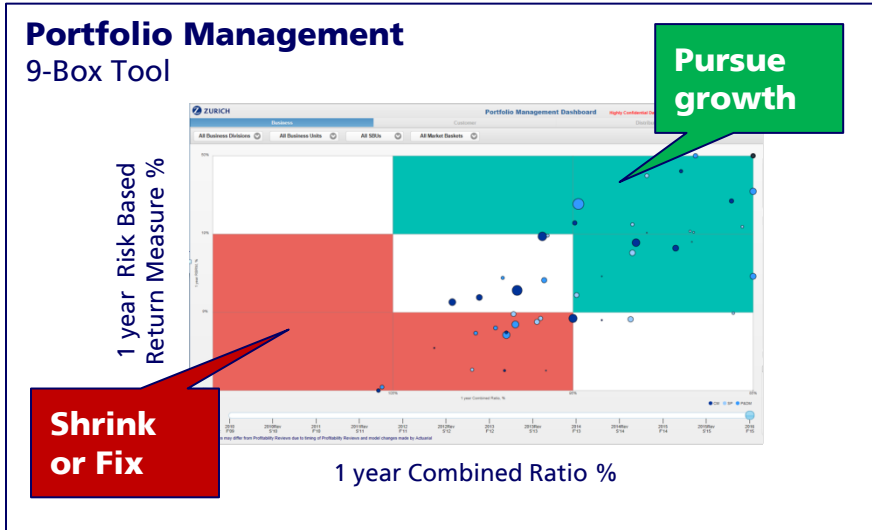


## Plans for 2016:

- Hold top line and focus on growing new business versus 2015
- Execute tiering more diligently
- Non-renew a small number of significantly underpriced accounts

# We have tools and processes to ensure we take the appropriate action on each account

ILLUSTRATIVE



# US Commercial Lines managing through significant strategic dynamics

## KEY INDUSTRY TRENDS

- Management information and **execution** is critical
- Rate environment is **challenging**, but manageable
- **Scale matters** – largest carriers able to invest in information-based advantage (e.g. predictive analytics, automation of knowledge work)
- **Industrialization** of processes differentiate competitors
- Individual judgment not sufficient: **institutional insight** with **underwriter expertise** will win
- Continued **“barbelling”** of distribution channels to large and small

# Disclaimer and cautionary statement



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.

Farmers is a trade name and may refer to Farmers Group, Inc. or the Farmers Exchanges, as the case may be. Farmers Group, Inc., a management and holding company, along with its subsidiaries, is wholly owned by Zurich Insurance Group. The Farmers Exchanges are three reciprocal insurers, Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange, including their subsidiaries and affiliates, owned by their policyholders, and managed by Farmers Group, Inc. and its subsidiaries.

It should be noted that past performance is not a guide to future performance. Please note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

**THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.**

# 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

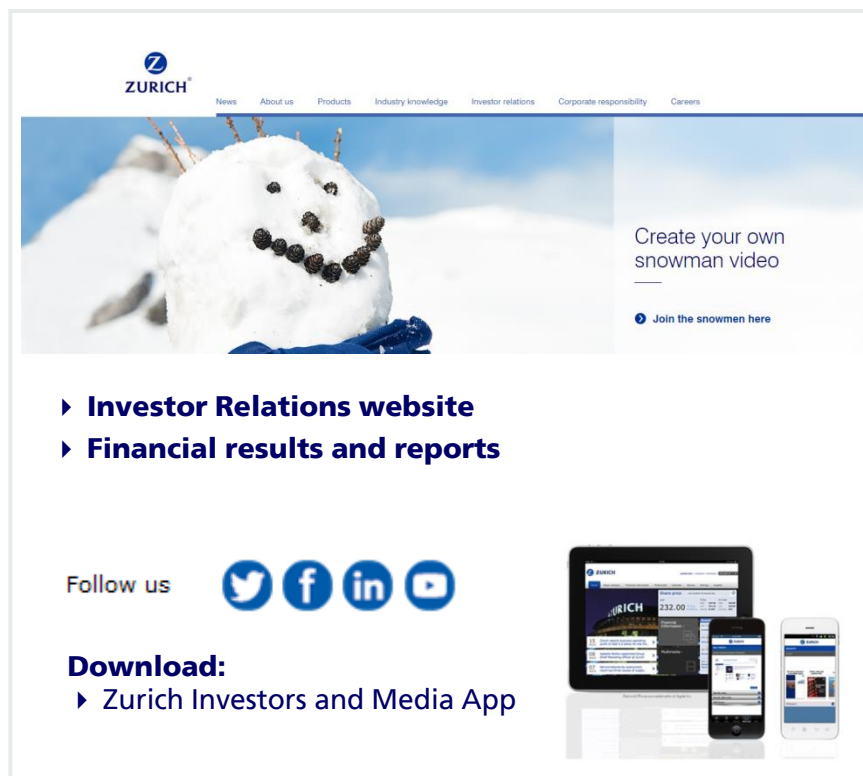
### Rating Agency Management

Michèle Matlock +41 44 625 28 50

### Events

Patricia Heina +41 44 625 38 44

## VISIT OR FOLLOW US



The screenshot shows the Zurich Investor Relations website. At the top, the Zurich logo is on the left, and a navigation menu includes News, About us, Products, Industry knowledge, Investor relations, Corporate responsibility, and Careers. The main content area features a large image of a snowman with a carrot nose and stick arms. To the right of the snowman, the text reads "Create your own snowman video" with a link "Join the snowmen here". Below the main content, there are two bullet points: "Investor Relations website" and "Financial results and reports". Further down, the text "Follow us" is followed by social media icons for Twitter, Facebook, LinkedIn, and YouTube. At the bottom, the text "Download:" is followed by a bullet point "Zurich Investors and Media App". To the right of the text, there are images of a tablet, a smartphone, and a smartphone displaying the Zurich mobile app interface.

**Calendar:**

- August 11, 2016, Half year results 2016
- September 27-29, Bank of America Meryl Lynch conference
- November 10, 2016, Results for the nine months to September 30, 2016
- November 17, 2016, Investor Day

