

# Zurich Insurance Group

Kristof Terryn, Group Chief Operating Officer  
Madrid, June 7, 2017

**Goldman Sachs Twenty-First Annual European Financials Conference**



# Key messages

## Group

Zurich is a globally diversified insurance group with earnings growth and significant expense reduction potential, focused on its customers and shareholders

## Targets

2017-2019 financial targets support our attractive dividend policy

## Expenses

Cost delivery on track, with Group Operations a key contributor

## Underwriting

Good momentum in P&C turnaround

## Capital

Very strong capital position, supported by efficient group structure

# A new strategy fit for purpose, now and in the future

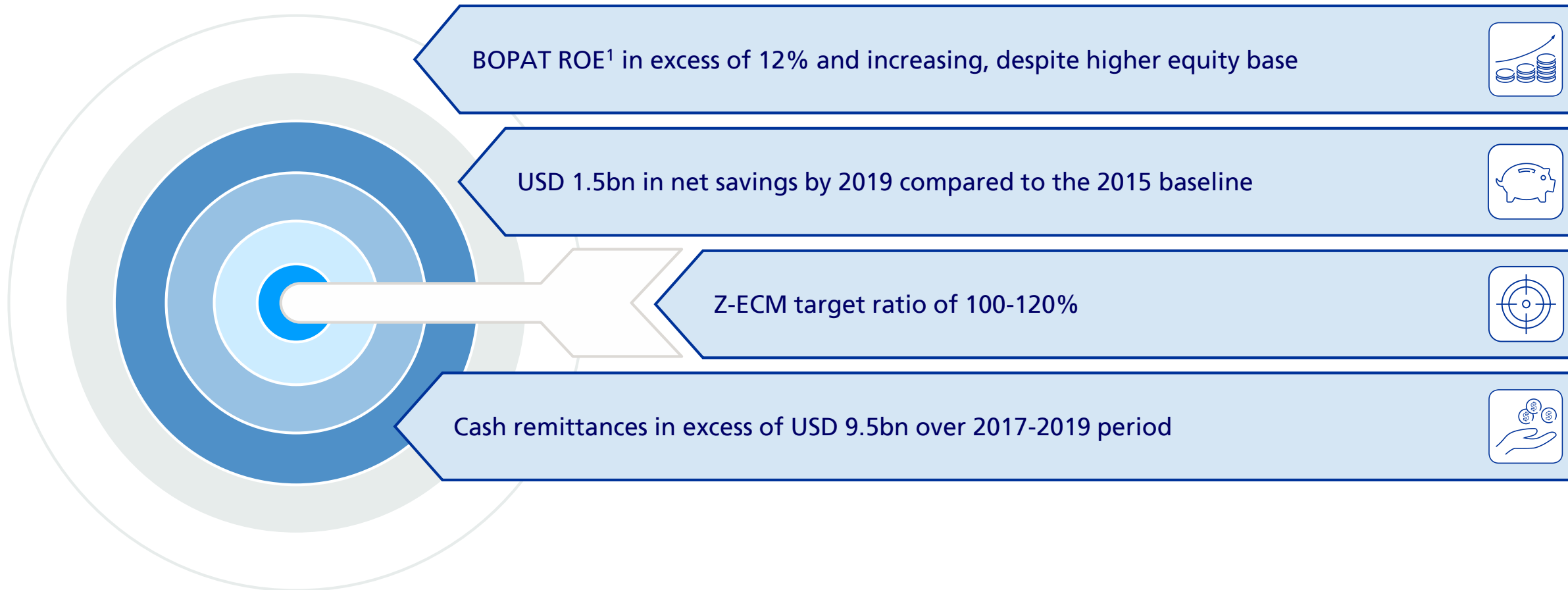


**Focus on the customer:** We will focus our significant investments on improving our quality of service and the experience of our customers. A laser focus on investing for the benefit of our customers will guide all that we do.

**Simplify:** We aim to become a more agile and more responsive organization, better able to serve our customers and respond to their needs. We will strive to put the customer at the center of everything we do.

**Innovate:** We will prioritize innovation – in products, services and customer care – to give us even more of a leading edge over our competitors.

# 2017-2019 Financial targets



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

# We are focused on continuing to reward our shareholders



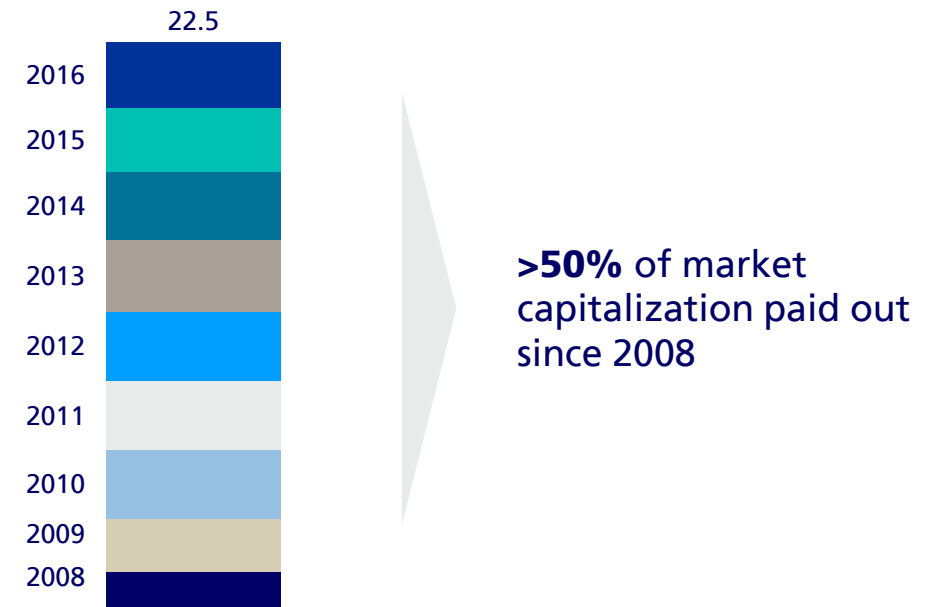
## ZURICH'S DIVIDEND POLICY<sup>1</sup>

NIAS payout ratio of approx. 75%

Dividend increases based on sustainable earnings growth

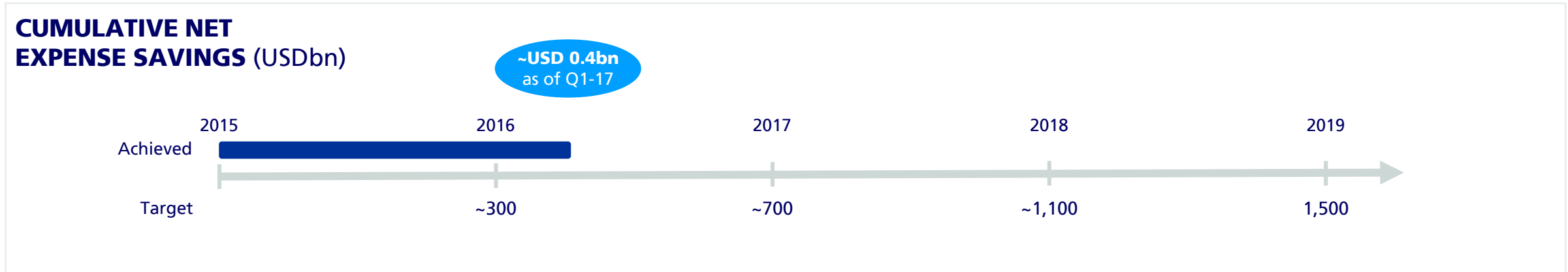
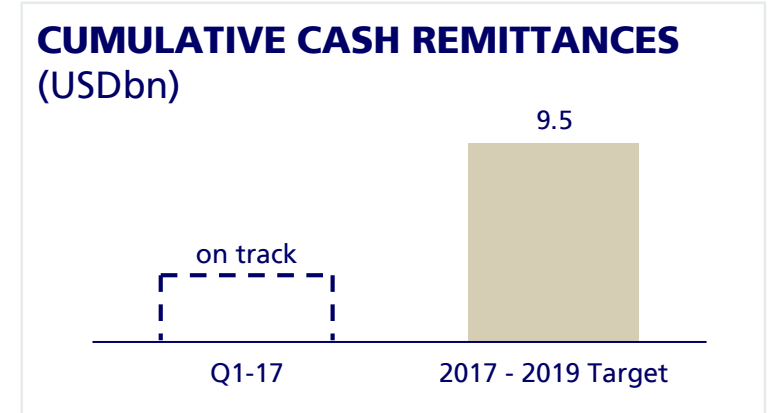
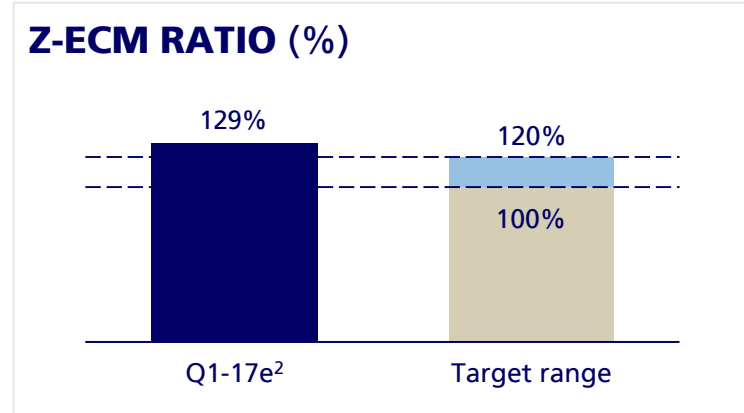
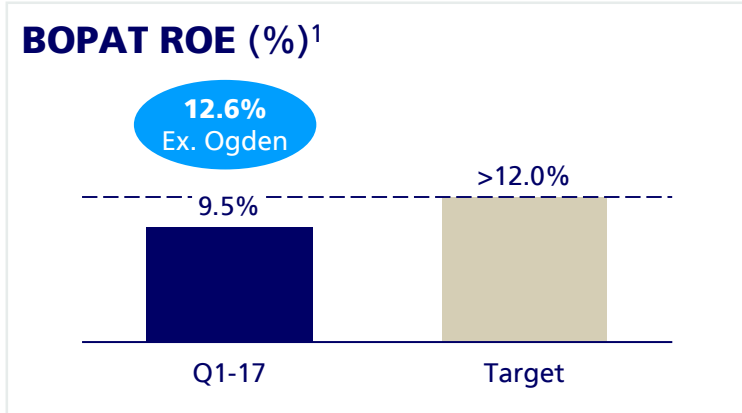
Target minimum CHF 17 per share dividend

## CUMULATIVE DIVIDENDS PAID (FOR YEAR ENDING, USDbn)



<sup>1</sup> The dividend is subject to approval by the shareholders at the Annual General Meeting.

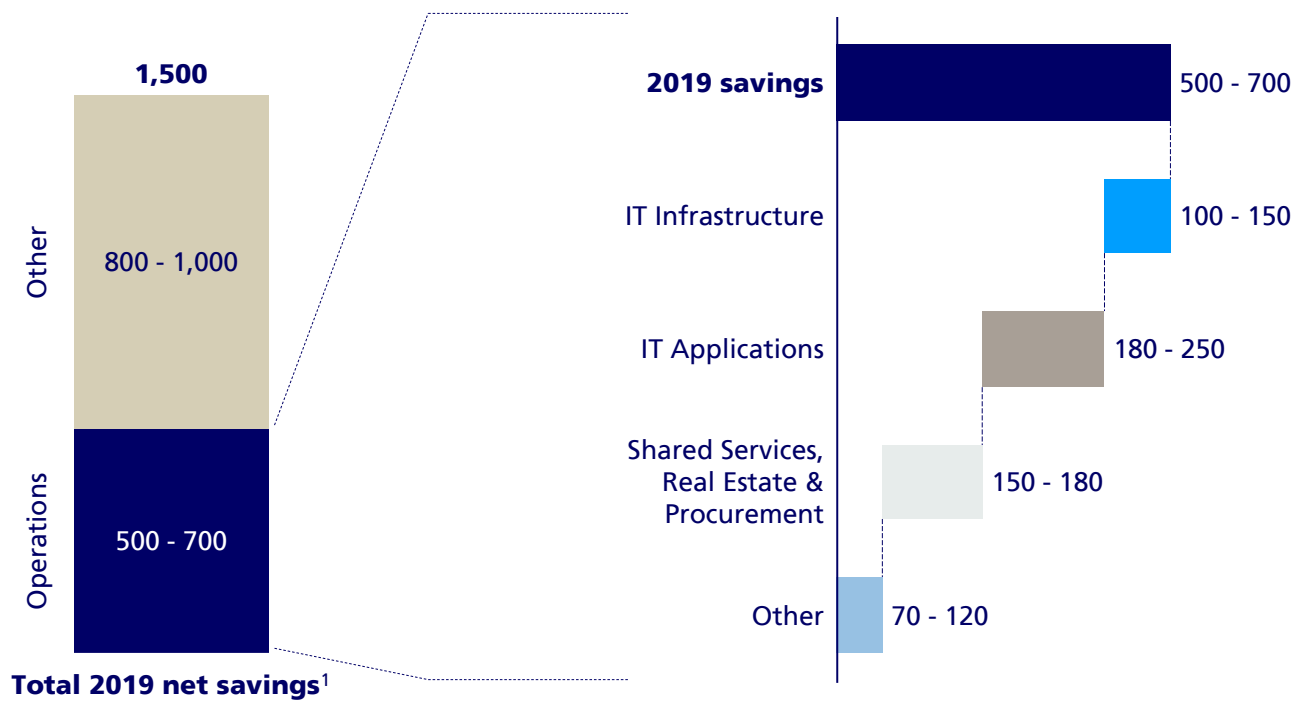
# On track to achieve our financial targets



<sup>1</sup> Business Operating Profit after tax return on equity, excluding unrealized gains and losses.  
<sup>2</sup> Q1-17 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

# Group Operations will significantly contribute to the expense base reduction by 2019

## PLANNED OPERATIONS NET SAVINGS BY 2019 (USDm)



## EXAMPLES

- Simplification and modularization of products
- Standardization and streamlining of processes
- Increased automation through use of robotics
- Rationalization of IT applications
- Standardization of IT infrastructure
- Optimization of shared services
- Real estate consolidation

<sup>1</sup> Savings vs. 2015 actuals. Net savings means net of investments and inflation.

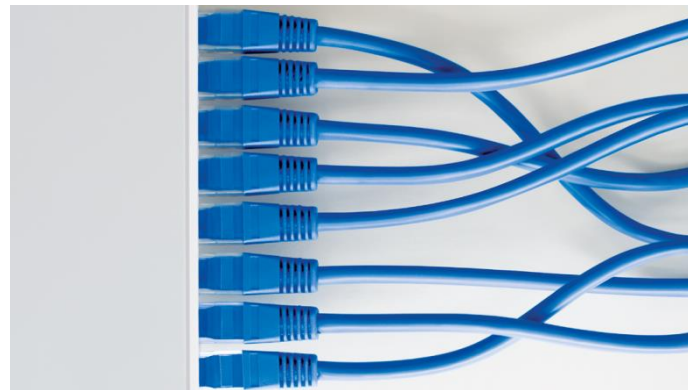
# Significant milestones achieved in standardizing and streamlining our IT infrastructure

## FROM



- > 70 data centers in early 2015
- 140+ network suppliers
- Limited ability to support new technologies

## TO



- 8 strategic data centers
- Single network provider
- Full ability to leverage new technologies, e.g. Hybrid Cloud

## RUN-RATE BENEFITS

- USD 100-150m p.a. in expense savings by end of 2019
- Capability and service uplift
- Risk and complexity reduction

## ACHIEVEMENTS (AS OF Q1-17)

- Number of data centers already reduced by more than 50%, 32 data centers remaining
- IT network transformation largely completed



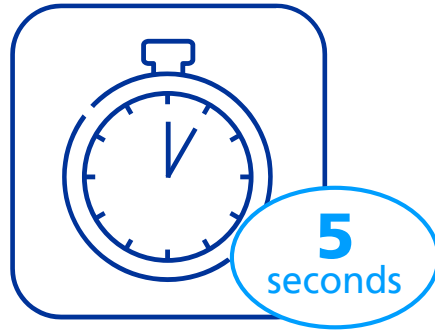
# UK injury claims cognitive automation now fully operational

## FROM



- 58 minutes per medical report
- Individual decision making based on general guidelines and experience
- Dependency on employee availability

## TO



- 5 seconds per medical report
- High reduction in leakage through standardized decision making
- 24/7 availability

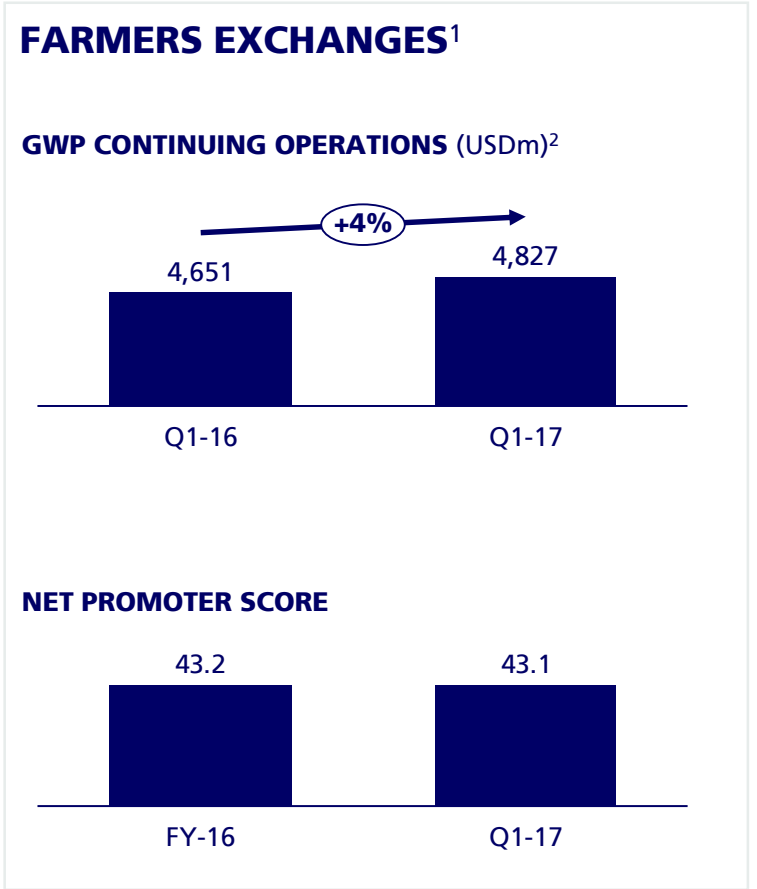
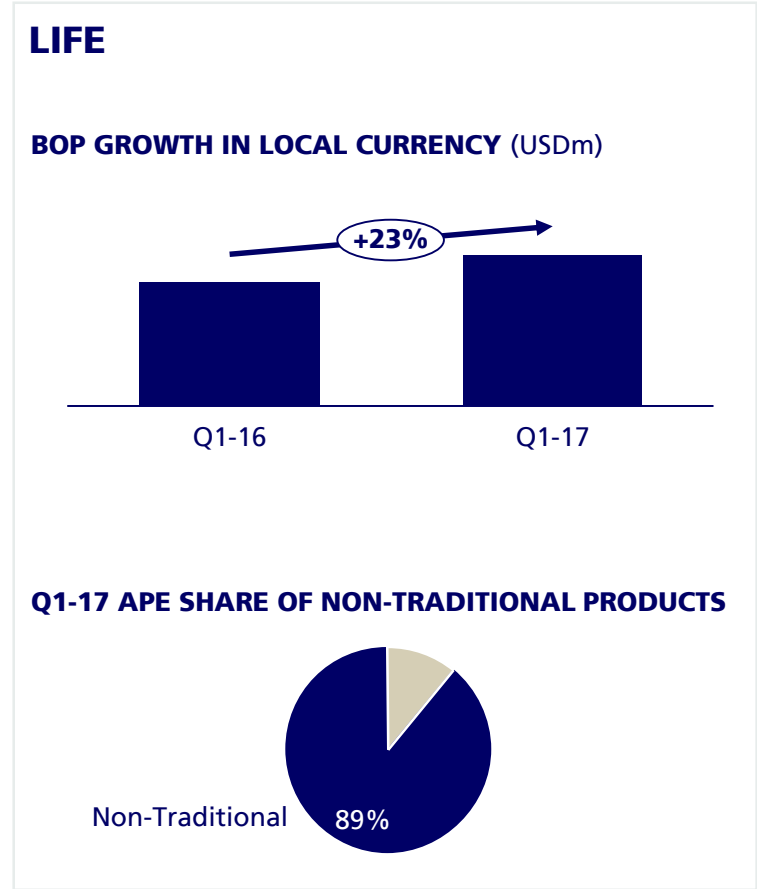
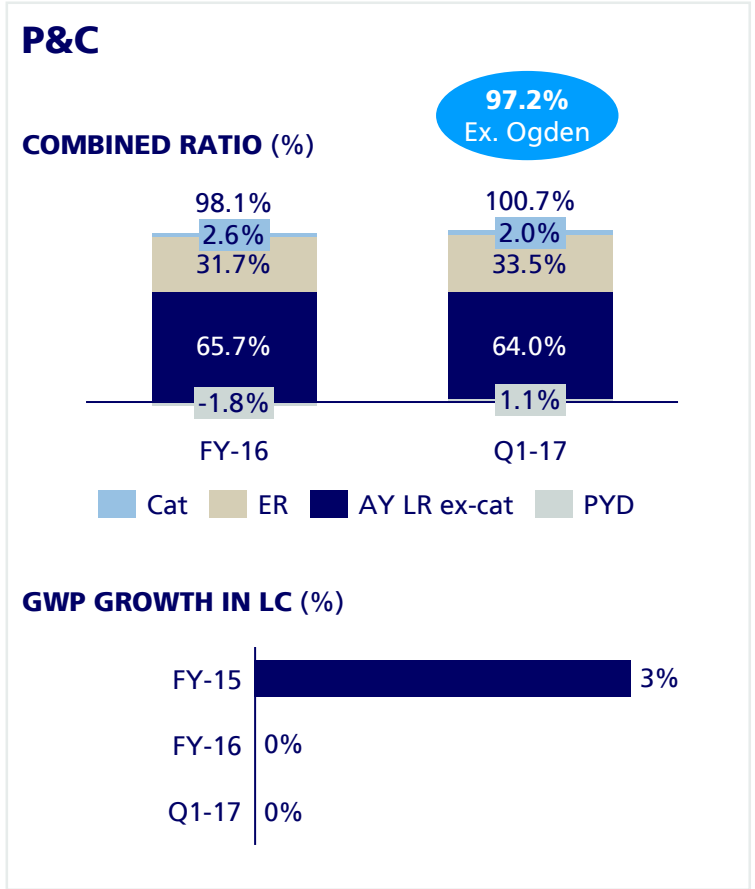
## RUN-RATE BENEFITS

- USD 5m per year from 2017
- 39'000 hours per year of freed-up capacity

## ACHIEVEMENTS (AS OF Q1-17)

- System moved from pilot status into full production mode on March 15, 2017
- Global agreement with cognitive computing specialist Expert System

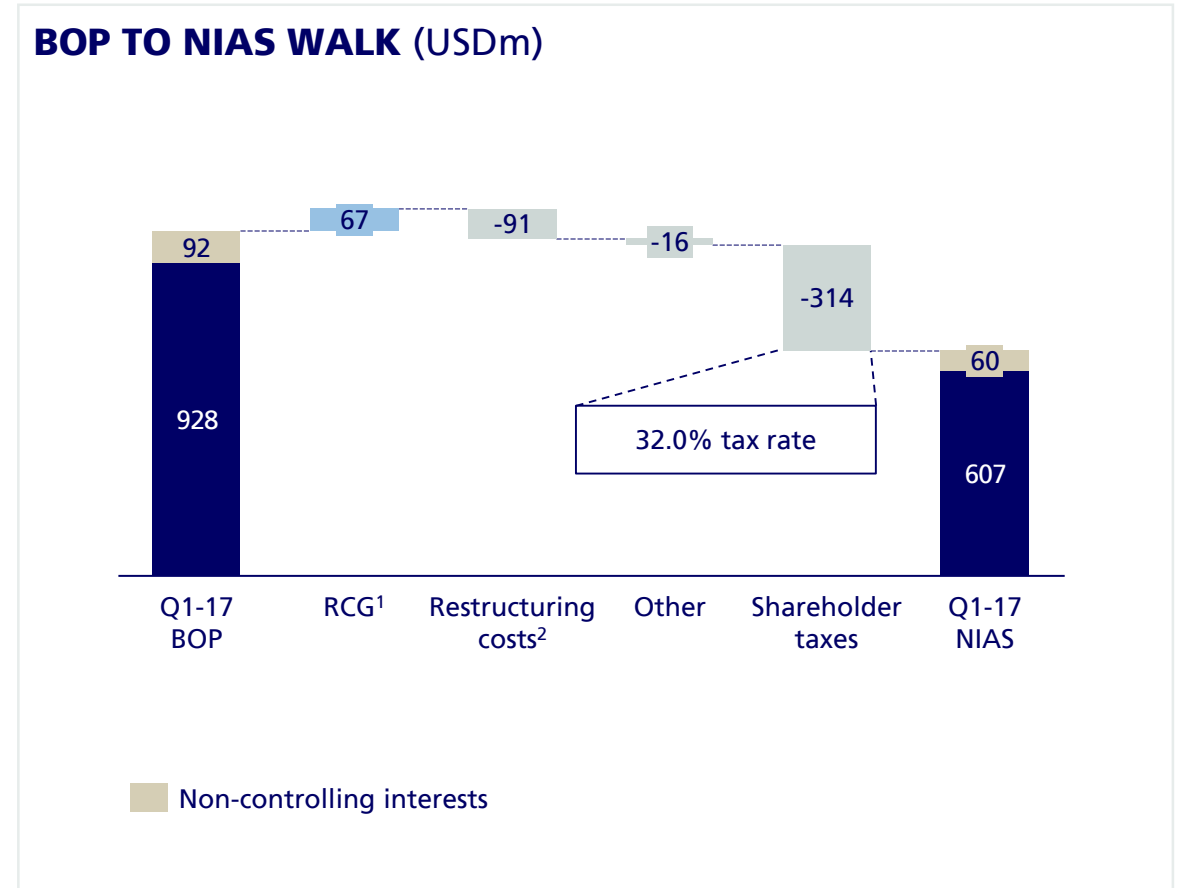
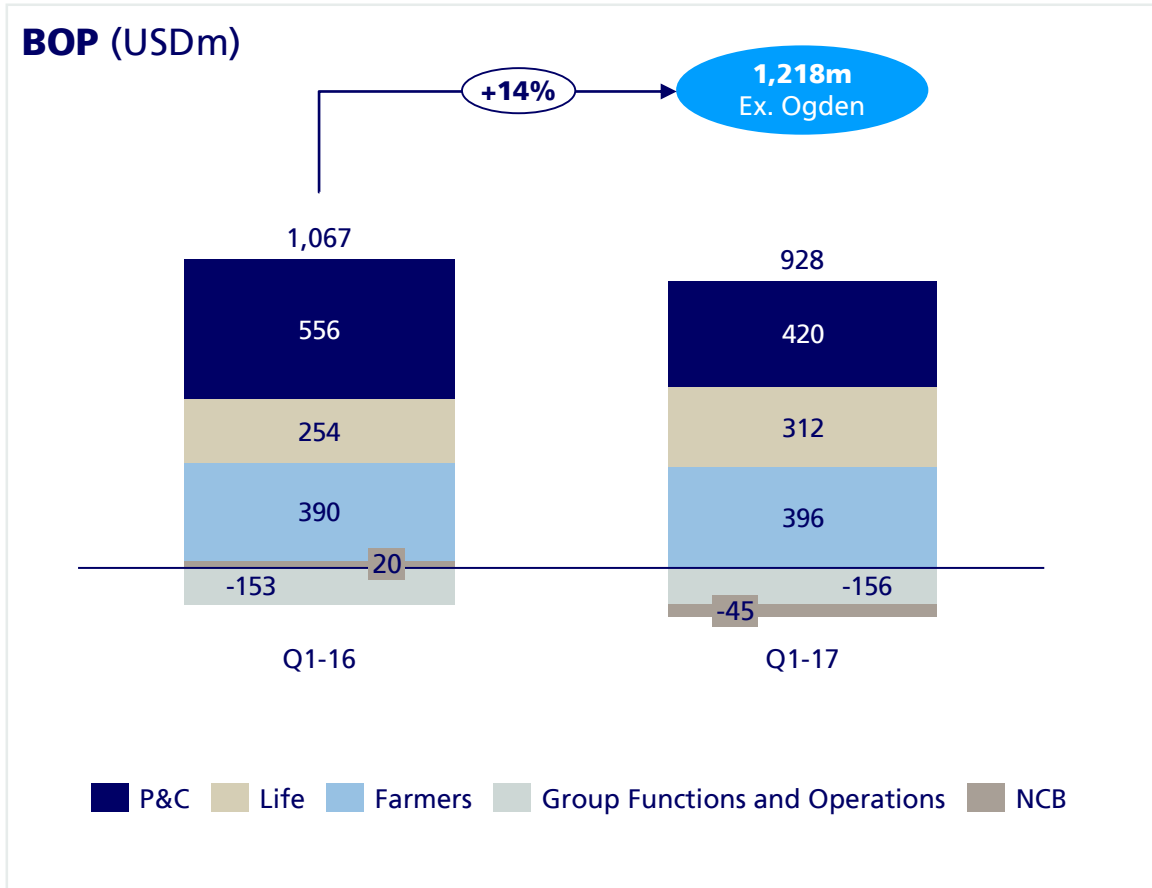
# Continued delivery across all businesses



<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 certain non-claims administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> Excludes discontinued operations (21st Century business outside of California and Hawaii mainly).

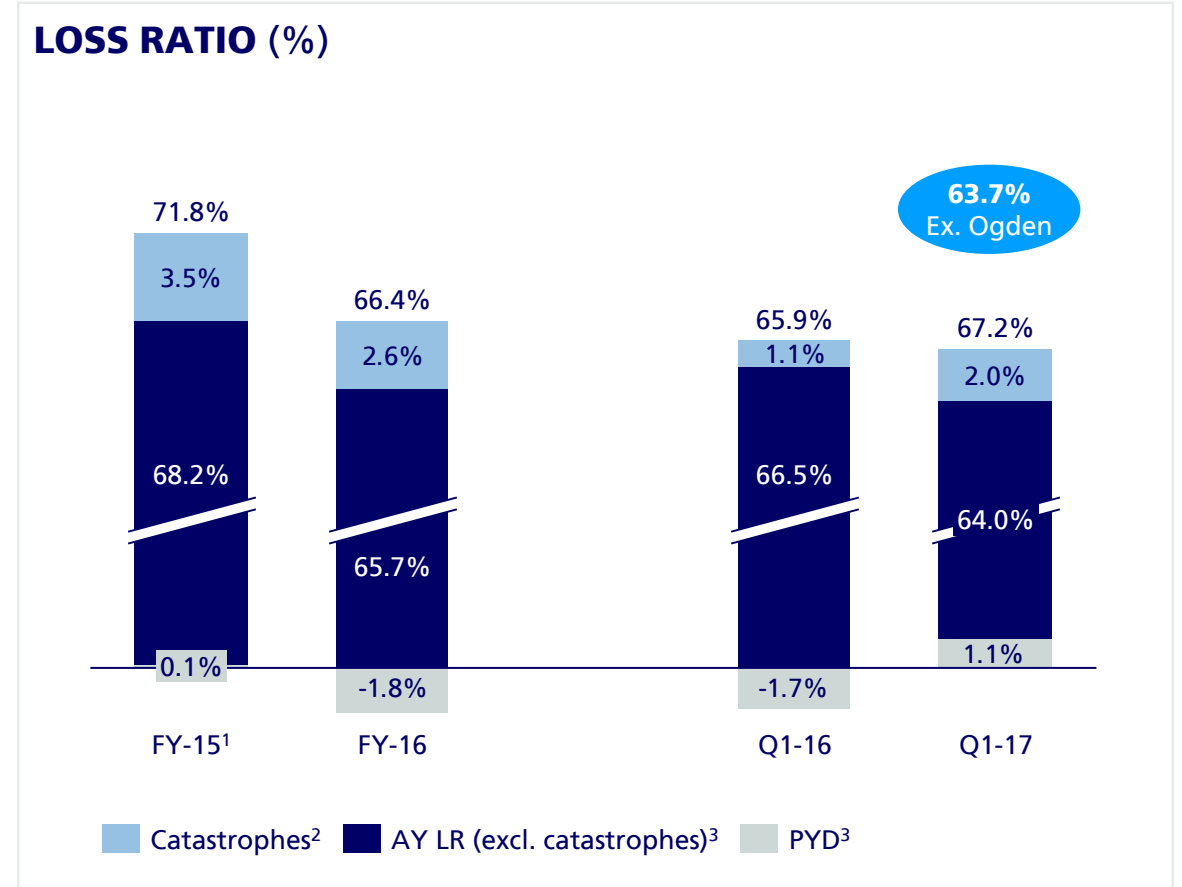
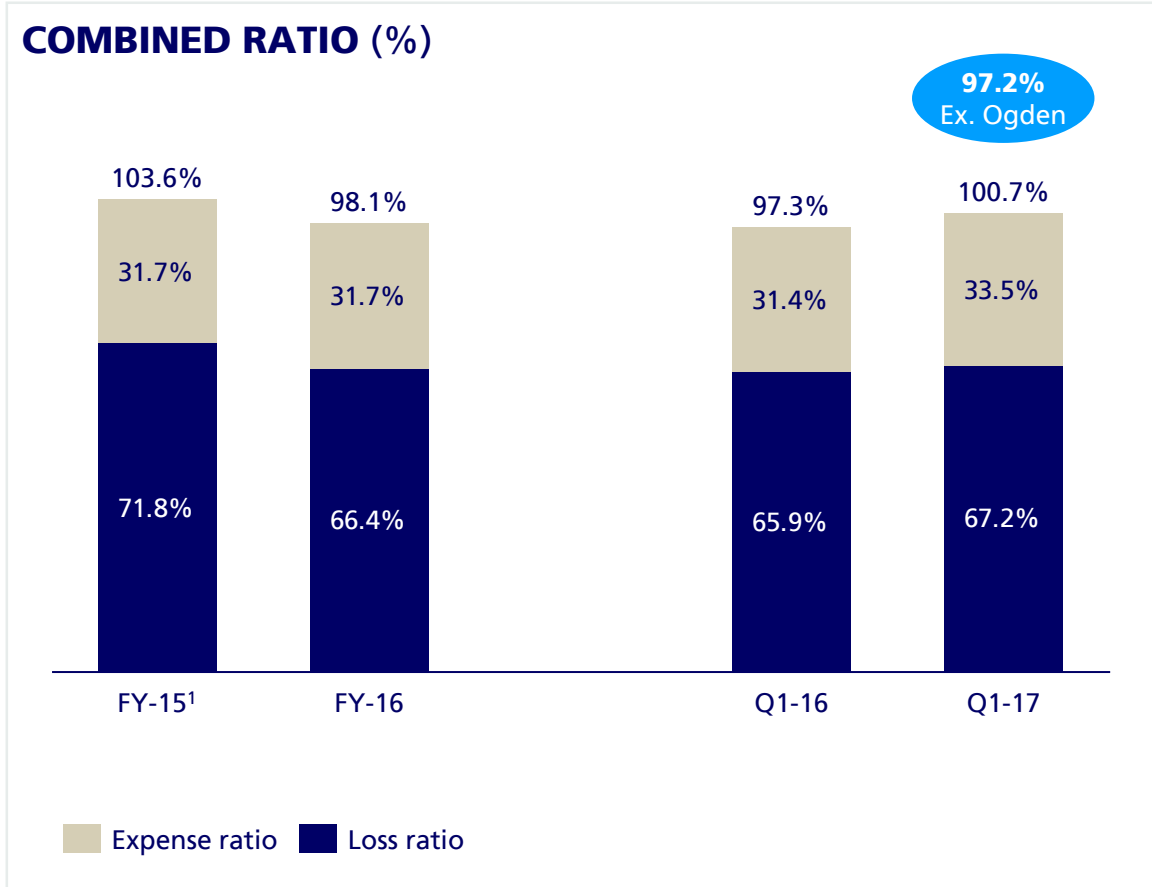
# BOP excluding Ogden is strong with all businesses contributing



<sup>1</sup> Realized capital gains/losses.

<sup>2</sup> Includes restructuring provisions and other restructuring charges.

# AY loss ratio continuing to improve, expense ratio impacted by premium timing



<sup>1</sup> FY-15 has not been restated.

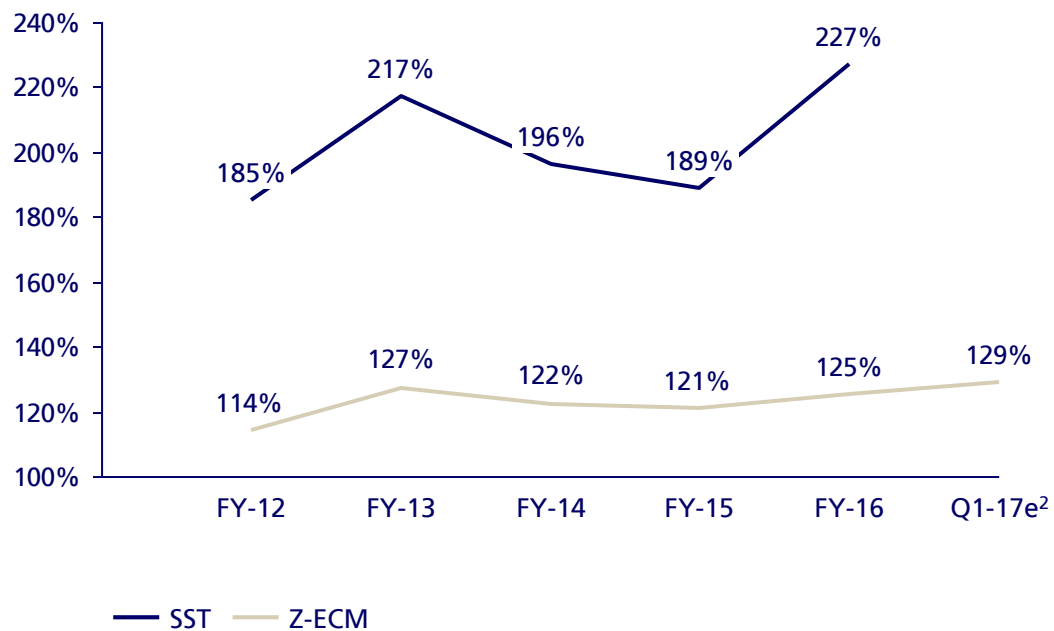
<sup>2</sup> Catastrophes include major and mid-sized catastrophes including significant weather-related events.

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

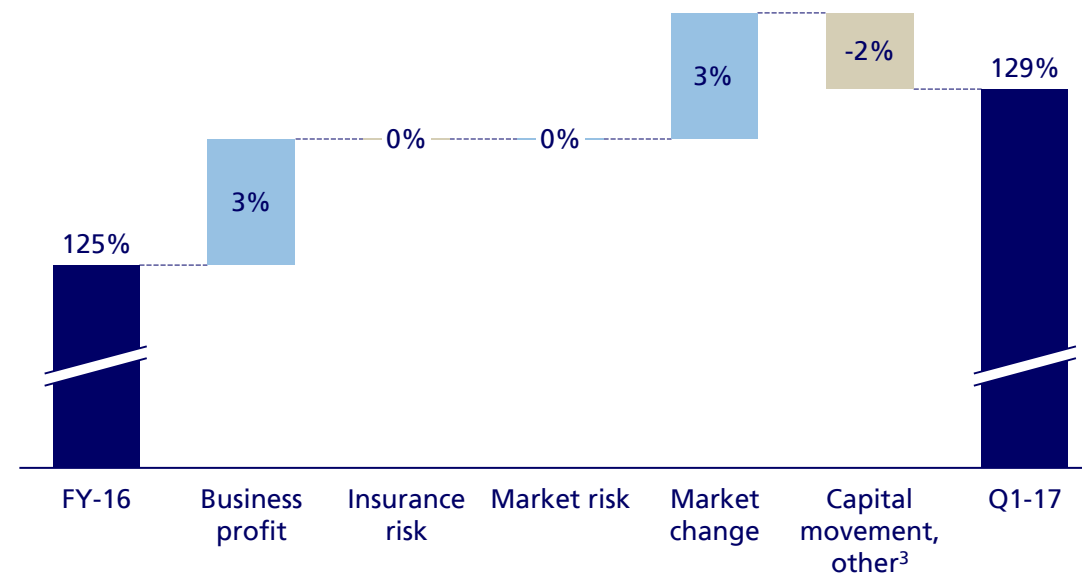
# Capital position remains strong and above target range



**Z-ECM AND SST<sup>1</sup> RATIO (%)**



**Z-ECM<sup>2</sup> RATIO DEVELOPMENT (INDICATIVE)**



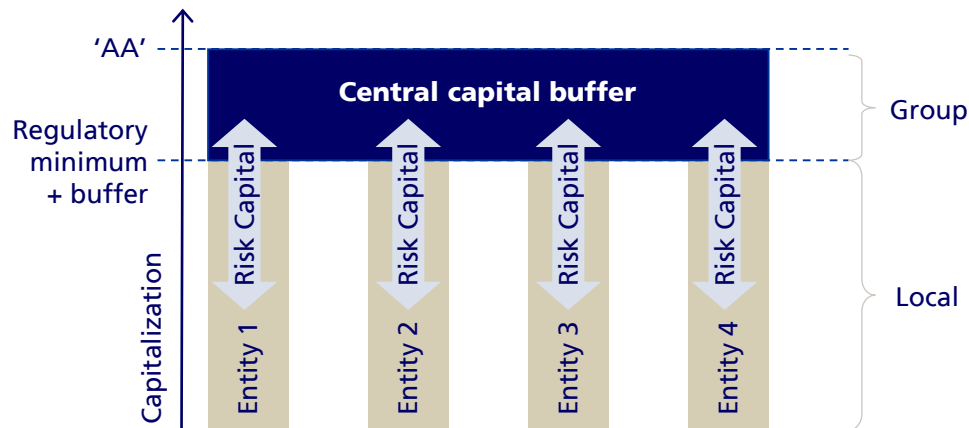
<sup>1</sup> As of January 1, 2017. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The full year ratio is filed with FINMA and is subject to its approval.

<sup>2</sup> Q1-17 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

<sup>3</sup> "Other" includes model changes and change in diversification benefit.

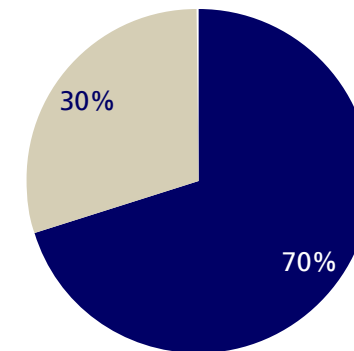
# We pool our capital and our business is concentrated on large balance sheets

## POOLING OF CAPITAL



## NIAS BY BALANCE SHEET (%)<sup>1</sup>

■ 5 largest balance sheets  
 ■ All other balance sheets



- Local entities capitalized at regulatory minimum plus adequate buffer for short-term volatility
- Regulatory minimum set according to the locally applicable solvency regime
- Excess local capital repatriated to build central pool of capital
- Concentration of operating businesses on a few large balance sheets is supportive of our capital management approach

<sup>1</sup> Approximated; represents average over 2013-15 period.

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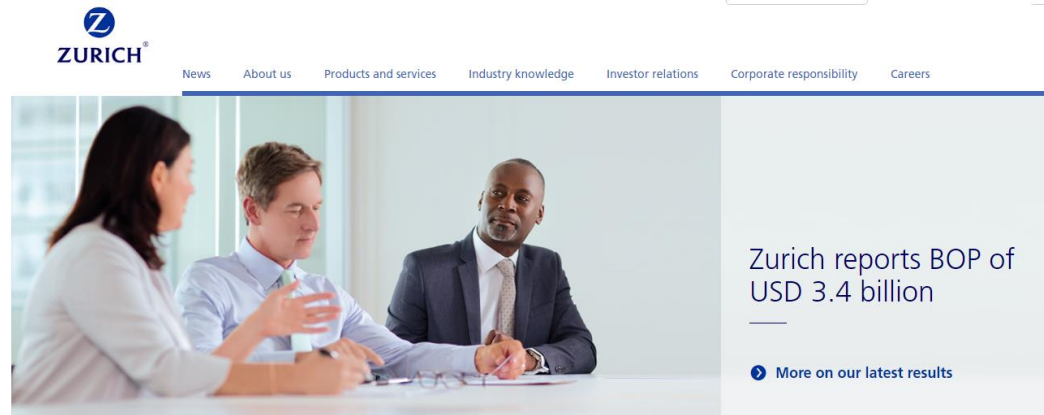
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## CALENDAR

- June 22, 2017, Autonomous, Insurance Rendezvous, London
- August 10, 2017, Half year results 2017
- September 14-15, 2017, UBS Best of Switzerland Conference 2017, Ermatingen
- September 26-27, 2017, Bank of America Merrill Lynch Conference, London
- November 9, 2017, Update for the nine months ended September 30, 2017
- November 15, 2017, Investor Day, London

