

# Annual results 2015

Media presentation  
February 11, 2016

Zurich Insurance Group



# **Tom de Swaan** **Chairman and Chief Executive Officer a.i.**



# Key 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

BOPAT ROE <sup>1</sup>	FY-15	Target
	6.4%	12 - 14%
Z-ECM <sup>2</sup>	Q3-15	Target
	114%	100 - 120%
Net cash remittances	FY-15	Cumulative 3-year target
	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).

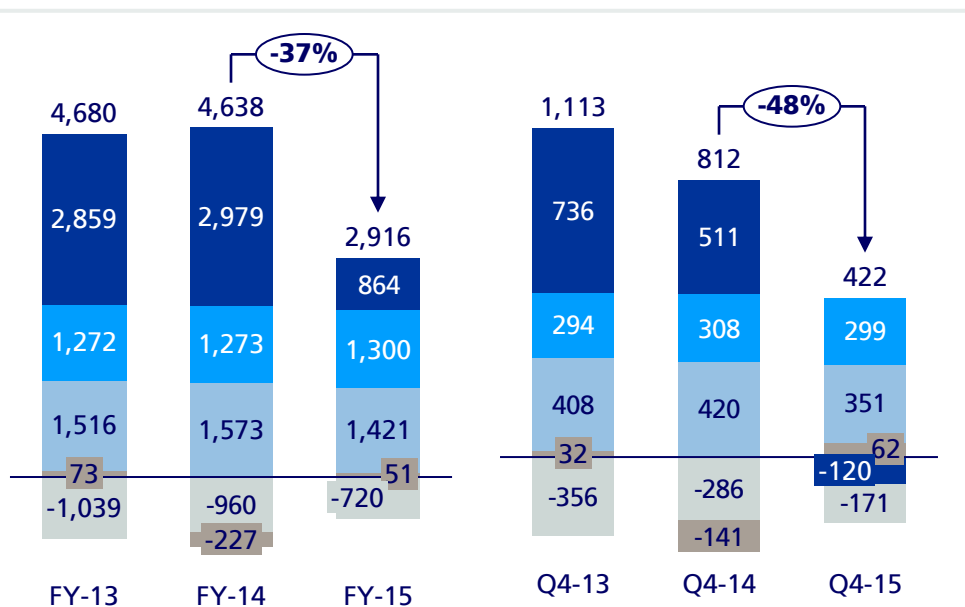
# George Quinn Chief Financial Officer Financial Highlights



# Group – Business Operating Profit

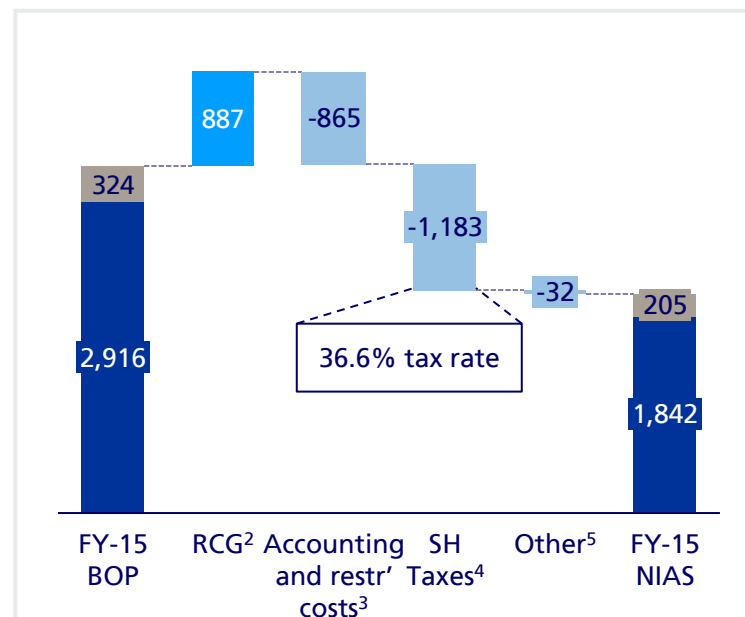
Disappointing GI results, other businesses on track

## 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.

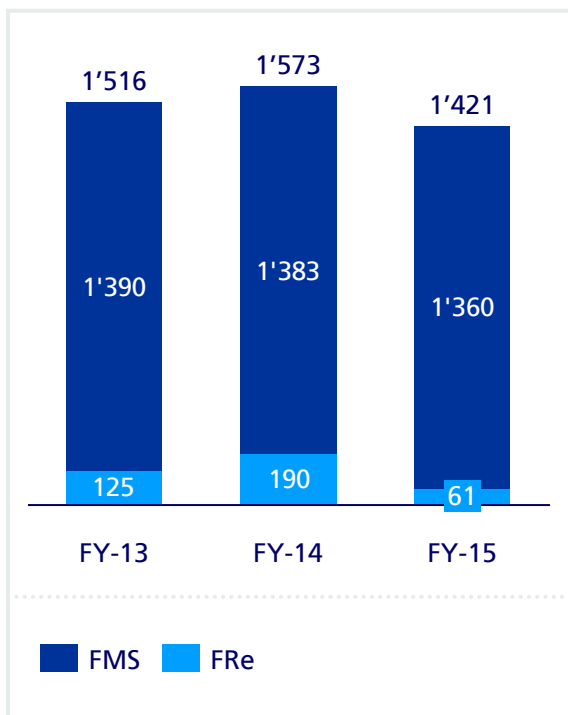
<sup>4</sup> Shareholder taxes (income tax expense attributable to shareholders).

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

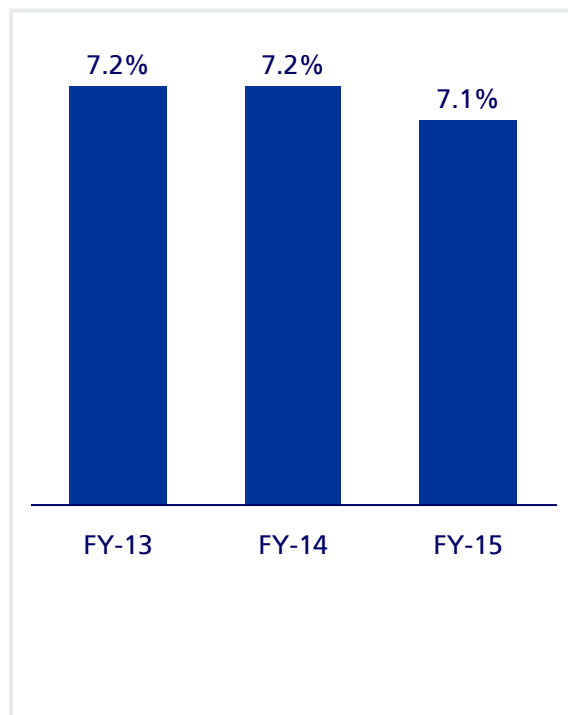
# Farmers – KPIs

Stable FMS results, Farmers Re results down due to higher CR

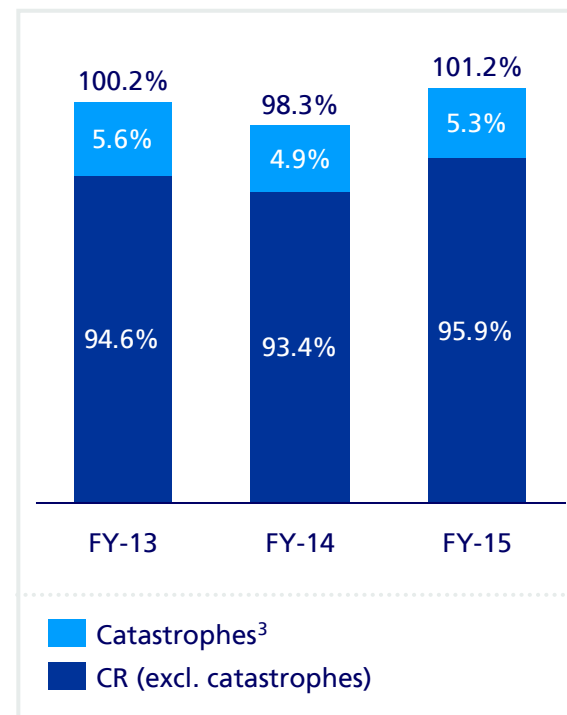
## BOP (USDm)



## MGEP MARGIN (%)<sup>1</sup>



## FARMERS RE CR (%)<sup>2</sup>



<sup>1</sup> Margin on gross earned premiums of the Farmers Exchanges. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc. (or Farmers Management Services (FMS)), 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> Farmers Re (FRe) business includes all reinsurance assumed from the Farmers Exchanges by the Group (i.e. Farmers Reinsurance Company and Zurich Insurance Company Ltd).

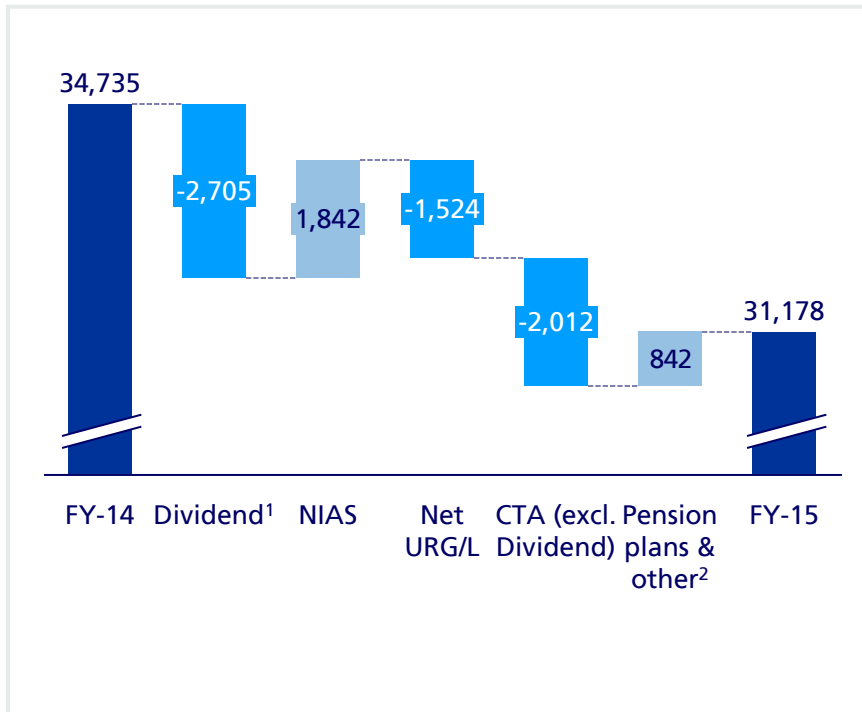
<sup>3</sup> As defined by the Quota Share reinsurance treaties.

# Group – Balance sheet and capital

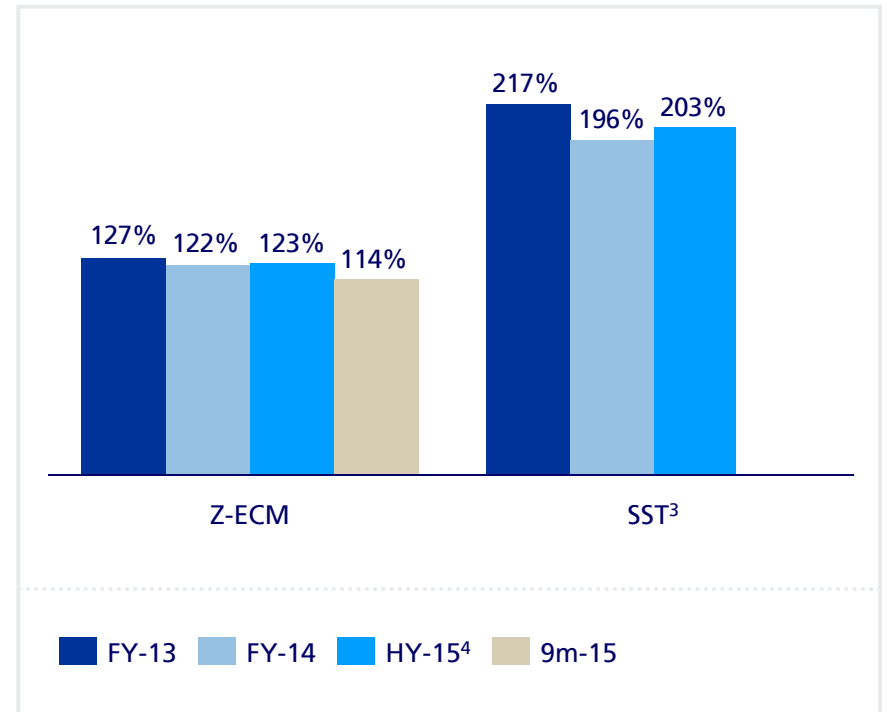
Strong capital position across all metrics



## SHAREHOLDERS' EQUITY (USDm)



## SOLVENCY RATIOS (%)



<sup>1</sup> Dividend as approved by the AGM on April 1, 2015, and at transaction day exchange rates. Dividend at historical exchange rates amounts to USD 1,683m, with the difference of USD 1,022m reflected in the cumulative foreign currency translation adjustment (CTA).

<sup>2</sup> Includes share-based payments transactions, issuance of share capital and other.

<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.

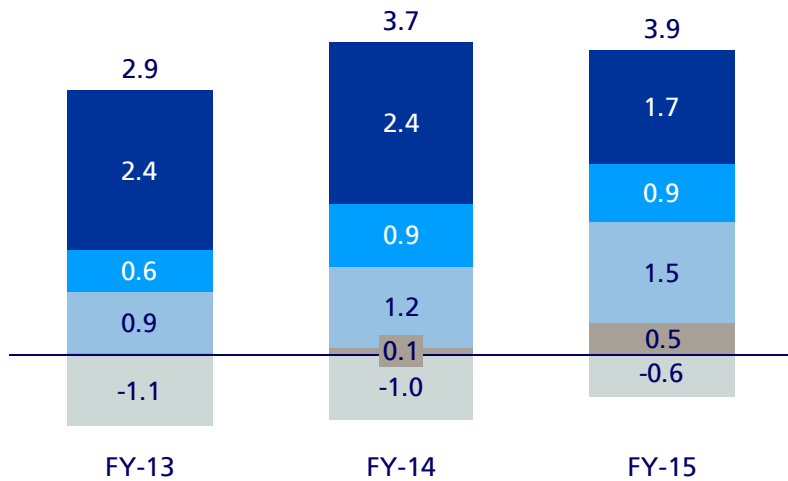
<sup>4</sup> Excluding macro equity hedge.

# Group – Cash remittances & dividend proposal

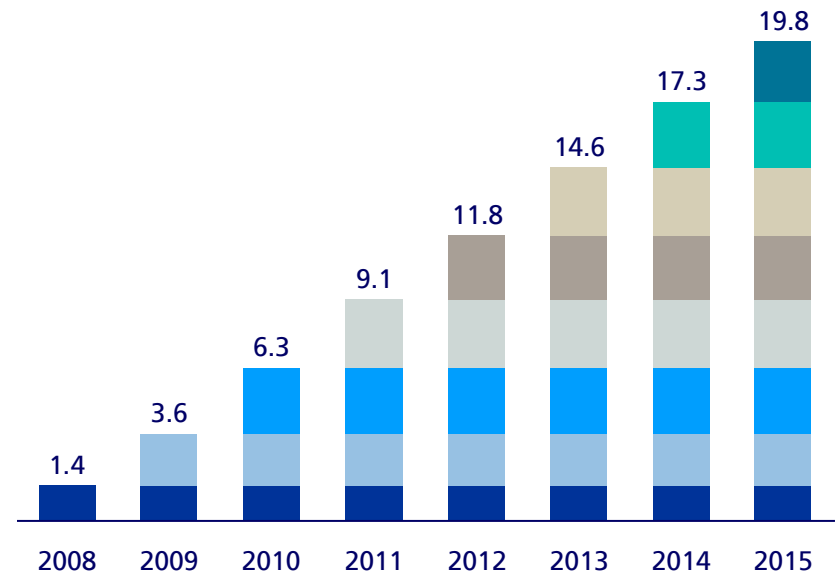


Overall good cash remittance, dividend maintained

## NET CASH REMITTANCES (USDbn)



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



<sup>1</sup> 2015 dividend estimated based on CHF/USD exchange rate as of February 9, 2016.



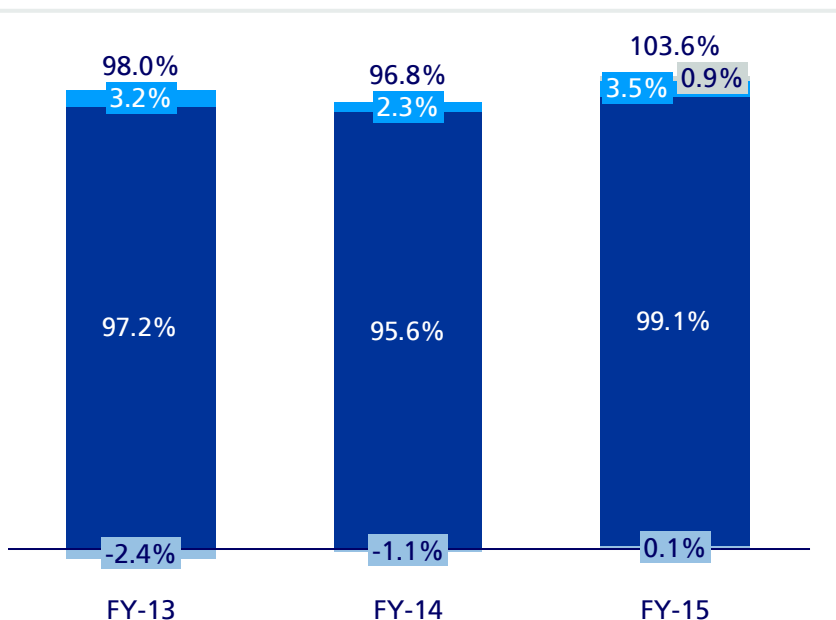
# Kristof Terryn CEO General Insurance



# General Insurance – Combined ratio

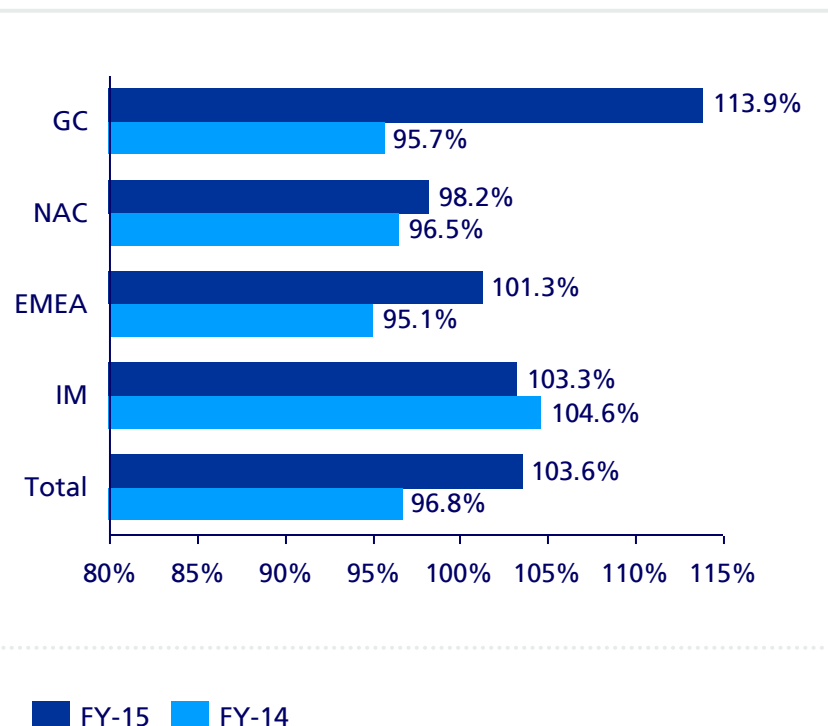
Poor results in Global Corporate

## 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).

# 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 U.S. (only for GC)
- Boiler and machinery
- Personal lines and commercial lines in ME
- CTP in motor commercial in Australia

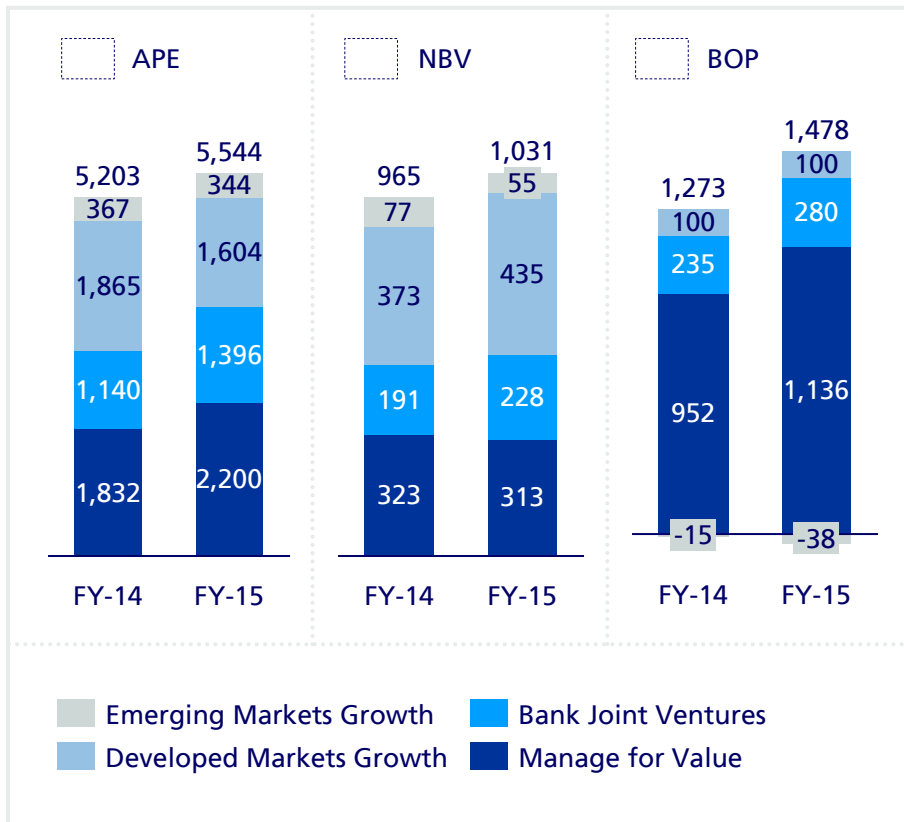
# Gary Shaughnessy CEO Global Life



# Report card – Global Life

On track to deliver sustainable BOP improvement

## INVESTOR DAY BUCKETS (USDm)<sup>1</sup>



## MANAGE FOR VALUE

- Exit of annuity book in UK
- Beginning to see BOP uplift from in-force management actions

## NEXT STEPS

- Continue to drive profitable Bank and CLP growth
- Expand in-force management initiatives to include Ireland and Isle of Man
- Implement efficiency improvements

<sup>1</sup> As presented at the May 21, 2015 Investor Day. All figures calculated at constant FY-14 exchange rates.

# **Tom de Swaan** **Chairman and Chief Executive Officer a.i.**



# Factors influencing 2016

## General Insurance

- OUE ratio expected to be broadly stable
- Significant improvement in loss ratio, weighted to second half
- Lower volatility, in part due to greater tactical use of reinsurance

## Global Life

- Continued growth and investment in Bancassurance and CLP
- Expect to see underlying improvement but with further strength of U.S. dollar likely to impact reported earnings

## Farmers

- Modest growth in FMS revenues, expected margin ~7%
- Significant reduction in Farmers Re premiums due to lower quota share participation and cancellation of APD treaty

## Other factors

- Continued strengthening of USD has modest negative impact on 2016
- Actions under way to achieve >\$1bn cost savings in 2018; likely ongoing high level of restructuring costs, update to be provided with Q1



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### Media Relations

Maeve Gallagher  
Sylvia Gäumann  
Roman Hess  
Frank Keidel  
Riccardo Moretto  
Pavel Osipyants

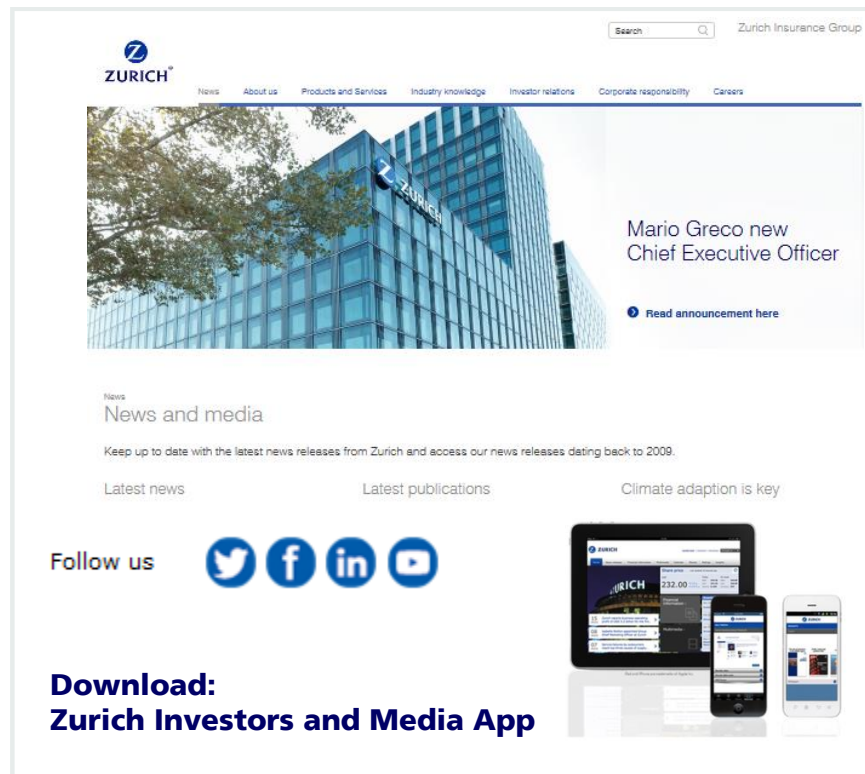
Phone +41 (0)44 625 21 00

Email [media@zurich.com](mailto:media@zurich.com)

Website [www.zurich.com](http://www.zurich.com)

Twitter @Zurich

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The screenshot shows the Zurich website's news and media section. At the top, there is a search bar and the Zurich logo. Below the navigation menu, a large image of a modern glass building is displayed. To the right of the image, the text reads: "Mario Greco new Chief Executive Officer" with a link "Read announcement here". Below this, the "News and media" section is visible, with a sub-header "News and media" and a description: "Keep up to date with the latest news releases from Zurich and access our news releases dating back to 2009." There are three sub-sections: "Latest news", "Latest publications", and "Climate adaption is key". At the bottom, there is a "Follow us" section with social media icons for Twitter, Facebook, LinkedIn, and YouTube. To the right, there is a "Download: Zurich Investors and Media App" section with an image of the app on a tablet, smartphone, and smartphone.

## Calendar 2016

March 4	Publication of Annual Report and invitation to Annual General Meeting 2016
March 30	Annual General Meeting 2016, Zurich
May 12	Results for the three months to March 31, 2016
August 11	Half year results 2016
November 10	Results for the nine months to September 30, 2016
December 1	Investor Day

