

# Letter to Shareholders

Annual results 2019



Michel M. Liès



Mario Greco

Dear Shareholder,

It gives us great pleasure to present to you our full year results for 2019. They confirm that we have successfully executed our plans over the last three years. We have significantly strengthened the business, organically and through transactions, reduced volatility and improved customer services. This gives us the confidence to propose an increase in our dividend to CHF 20 per share, the third increase in a row.

We are proud of these results and we are aware of our strengths: we are a simpler, more agile and more efficient company with a compelling strategic vision which will continue guiding us for the next phase of our journey. Importantly, both customer and employee satisfaction have been rising. We are well positioned to meet the ambitious new targets we have set ourselves for the next three years, and we look ahead with real confidence and excitement.

We also remain committed to supporting our customers, employees and communities in facing challenges such as climate change and work security, and we will continue to play a leading role in building a more sustainable future.

## Strong financial results

Business operating profit<sup>1</sup> (BOP) in 2019 was USD 5.3 billion, up 16 percent compared with 2018. This was driven by underlying growth across the business and a strong underwriting performance in Property & Casualty. Net income after tax attributable to shareholders (NIAS) increased by 12 percent to USD 4.1 billion, the highest level since 2010.

Property & Casualty (P&C) demonstrated further strong year-on-year progress, with BOP up 38 percent, driven by an improved underlying underwriting performance and higher investment results. The Group achieved price increases of about 4 percent overall. Improvements in pricing were particularly strong in North America. In 2020, we expect to deliver further improvement in underwriting performance. The combined ratio of 96.4 percent improved by 1.4 percentage points, led by a reduction in the underlying accident year combined ratio excluding natural catastrophes and a lower level of natural catastrophe losses.

Life results were strong against a high 2018 level. On a like-for-like basis,<sup>2</sup> BOP increased 2 percent, and declined 4 percent in U.S. dollars due to a stronger U.S. dollar relative to a number of key currencies. Underlying growth in Europe, Middle East & Africa (EMEA) and Latin America more than compensated for a decline in Asia Pacific and North America.

## USD 5.3 bn

Business operating profit<sup>1</sup>  
(2018: USD 4.6 bn)

## USD 4.1 bn

Net income attributable  
to shareholders  
(2018: USD 3.7 bn)

## 129%

Zurich Economic Capital  
Model ratio<sup>3</sup>  
(Dec 31, 2018: 124%)

## 14.2%

Business operating profit  
after tax return on common  
shareholders' equity<sup>4</sup>  
(2018: 12.1%)

## CHF 20

Proposed dividend per share  
(2018: CHF 19)

<sup>1</sup> Business operating profit indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

<sup>2</sup> In local currencies and adjusted for closed acquisitions and disposals.

<sup>3</sup> Ratio as of December 31, 2019, reflects midpoint estimate with an error margin of +/- 5 pts.

<sup>4</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

New annual premium equivalent (APE) sales achieved underlying growth across all regions, in particular in the corporate pension business in Switzerland, higher unit-linked sales in Brazil and Italy, and the retail protection business in the UK.

Farmers BOP increased by 4 percent, led by a positive performance in Farmers Management Services and Farmers Life, which offset lower earnings from Farmers Re. After a successful launch, Toggle<sup>SM</sup>, a new and innovative rental insurance offering aimed at millennials, was rolled out to 23 additional states. The Farmers Exchanges,<sup>5</sup> which are owned by their policyholders, showed continued growth, supported by their expansion in the eastern U.S., with their exclusive agency network now spanning 36 states. They also made further progress with their customer-focused strategy, with both net promoter score (NPS) and retention rate above 2018 levels. An agreement with Uber to provide commercial rideshare insurance was also broadened.

## **Delivering on our customer-centric strategy**

We continued to execute our customer-focused strategy, achieving further improvement in the level of customer satisfaction in the majority of our key retail markets as measured by NPS, with resulting improvements in customer retention. The aggregated NPS score rose 10 points in 2019 from 2018.

We also further developed a range of more flexible and innovative solutions aimed at the evolving needs of our customers, including in travel, mobility and wellness. Cover-More, the Group's innovative travel and assistance provider, has continued to evolve its offerings while driving growth. In Australia, LiveWell, a new wellness proposition that offers benefits to customers, has been taken up by around 30 percent of new life policyholders.

Seeking to attract the best startups to work with us, following the successful conclusion of the inaugural Zurich Innovation Championship in early 2019, we are continuing to work with 10 of the winners and finalists. A second edition of the Championship received more than 1,300 entries from startups in 68 countries and territories.

## **Growing access to customers and potential customers**

We continued to grow and expand our reach. We completed the previously announced acquisitions of OnePath Life in Australia and acquired an 80 percent stake in PT Asuransi Adira Dinamika (Adira Insurance) in Indonesia. These positions position us as a leading retail life insurer in Australia and the largest international P&C insurer in Indonesia.

We also added to distribution agreements in industries ranging from retail to banks, with the potential to give us access to an additional over 40 million customers. These included agreements with MediaMarkt Saturn in Germany, Tokyo Gas in Japan, and Swisscom and AMAG in Switzerland. We also signed a 15-year distribution agreement with Alliance Bank in Malaysia. Completing the acquisitions of OnePath Life and Adira Insurance saw the launch of related distribution agreements with ANZ bank in Australia, and PT Bank Danamon and Adira Finance in Indonesia.

## **Taking a responsible approach**

In 2019 we took further steps toward our ambition to be one of the most responsible and impactful businesses in the world by becoming the first insurance company to commit to the UN Global Compact Business Ambition for 1.5°C Pledge. We also pledged to use 100-percent renewable power in all of our global operations by 2022. Zurich has continued to actively engage with both customers and companies in which we invest to support their own transition to more sustainable business practices. Together with Zurich's industry-leading data commitment, these initiatives position us at the forefront of developing a more responsible and sustainable insurance industry.

<sup>5</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 services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

## Leadership appointments

In October 2019, Peter Giger joined Zurich as Group Chief Risk Officer, succeeding Alison Martin who was appointed in 2019 as Chief Executive Officer EMEA and Bank Distribution. Peter brings to his role a great deal of experience in our industry, holding various executive positions at Zurich from 2002 to 2014, before serving for four years as Head of the Insurance Division and Deputy CEO of the Swiss Financial Market Supervisory Authority FINMA.

Together with our skilled and talented employees, we will continue to build on our strengths, while executing our strategy and continuing to work for a more sustainable future.

We thank you for your support.

Yours sincerely,



**Michel M. Liès**  
Chairman of the  
Board of Directors



**Mario Greco**  
Group Chief  
Executive Officer

## Financial calendar

### Annual General Meeting

April 1, 2020

### Dividend payable from

April 7, 2020

### Half year results

August 13, 2020

Note: all dates are subject to change

## 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; (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.

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 interinsurance 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 services 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.

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.

The Letter to Shareholders is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.

## Contact information

### Registered Office

Zurich Insurance Group Ltd  
Mythenquai 2, 8002 Zurich,  
Switzerland

### For more information please visit:

[www.zurich.com/  
shareholder-area](http://www.zurich.com/shareholder-area)

[www.zurich.com/en/  
investor-relations/calendar](http://www.zurich.com/en/investor-relations/calendar)



**ZURICH**®