

Zurich posts record profit; raises dividend; expects EPS growth to exceed 10% over cycle

- **Group business operating profit (BOP) up 21% to a record USD 7.4 billion; highest ever return on equity (BOPAT ROE) at 23.1%**
- **Earnings per share up 12% in USD and 20% on an adjusted basis¹; net income attributable to shareholders rises 10% to USD 4.4 billion**
- **Zurich reports strong growth across all businesses, and expects positive momentum to continue**
- **P&C BOP grows 7% to USD 3.9 billion, up 10% on a like-for-like² basis; combined ratio at 94.5%**
- **Record-high Life BOP of USD 2.1 billion**
- **Farmers BOP grows 10% to USD 2.3 billion; management actions drive Farmers Exchanges³ combined ratio in fourth quarter to 89.8%**
- **Very strong capital position with Swiss Solvency Test (SST) ratio at 233%⁴**
- **Proposed dividend increase of 8% to CHF 26 per share, supplemented by a share buyback of up to CHF 1.1 billion**
- **John Rafter nominated for election to Board of Directors**

In the first year of its 2023-2025 financial cycle, Zurich Insurance Group (Zurich) posted its highest ever business operating profit (BOP) of USD 7.4 billion, strongly supported by an excellent performance by the Commercial Insurance business, a record performance in its Life business, and growth at Farmers. This result puts Zurich in an excellent position for further growth and allows the Group to return more than USD 5 billion to its shareholders.



We delivered record returns in 2023, well ahead of all targets for 2023-2025, with particularly strong growth in P&C and Life and highly effective management actions at the Farmers Exchanges. I expect this positive momentum to continue and to achieve EPS growth above 10% over the cycle.

Mario Greco, Group Chief Executive Officer

Select financial highlights (unaudited)

in USD billions, for the 12 months ended December 31, 2023, unless otherwise stated
(For a more comprehensive set of financial highlights see page 6)

BOP

7.4

2022⁵: **6.1**

Change in USD⁶: **21%**

NIAS

4.4

2022⁵: **4.0**

Change in USD⁶: **10%**

BOPAT ROE

23.1%

2022⁵: **17.8%**

Change in USD⁶: **5.3pts**

This strong set of results was driven by all of Zurich's businesses. Life contributed a record USD 2.1 billion BOP, and P&C achieved double digit premium growth, well above rate increases of 6%.⁷ Commercial Insurance showed continued strong returns with a BOP contribution of USD 3.6 billion and a combined ratio of 91.4%. It has made great strides in improving its profitability, by focusing on underwriting discipline, ensuring a balanced portfolio, and simplifying customer and broker interactions through enhanced connectivity and data analytics capabilities.

The excellent results of the Life business reflect the ongoing successful execution of the Group's Life strategy that focuses on protection and capital light savings business. Top-line growth was strong in all parts of the business, contributing to profit growth. Long-term insurance saw an increase in new business premiums, which will drive profits over time, and short-term insurance continued to grow strongly while maintaining stable underwriting margins. Fee business saw a strong improvement compared with the prior year, which was affected by adverse market performance.

Farmers in the U.S. also achieved strong growth, with a 10% increase in BOP and a Farmers Management Services margin of 7.0%. Gross written premiums for the Farmers Exchanges³ grew 5% on an underlying basis, and the combined ratio for the fourth quarter was better than expected, falling to 89.8%. Farmers Re also benefited from the improved underwriting at the Exchanges, contributing USD 117 million to the Group BOP. This performance reflects the successful management actions in 2023.

Zurich's Retail business continues to improve as the 2023 accident year combined ratio, excluding catastrophes, improved by 0.5 percentage points. In Retail, Zurich's customer retention rate has remained stable over the past years, improving customer loyalty despite rate increases. Further, Zurich has improved its brand consideration ranking in eight markets since 2019.

Enhancing the customer experience through investments in people and digitalization

Over the last three years, Zurich has invested USD 1.8 billion on technology, mostly focused on digitalizing the business, improving efficiency and customer experience. For instance, 89% of Zurich's retail quotes are now digitalized. Zurich is also leveraging artificial intelligence (AI) in more than 160 use cases providing advanced data insights to help underwriters, risk engineers and claims adjusters take better-informed decisions. Zurich strengthened its workforce with digital capabilities through an extensive upskilling program and the recruitment of over 1,000 digital technology specialists with critical skills, in areas like data analytics, AI, cyber security and cloud computing.

Natural catastrophes

Zurich's diligent management of its exposure to extreme weather events helped to reduce earnings volatility and make the quality of its financial performance more predictable and solid. The actions are paying off, with natural catastrophe losses within the guided range for the full-year 2023, despite severe flooding and hailstorms in Europe during the third quarter.

Industry-leading shareholder return

Generating industry-leading shareholder returns is one of Zurich's key ambitions, which is evidenced by its attractive dividend policy. Since 2016, Zurich has generated a shareholder return of 16% per annum. This compares favorably with the 9% annual shareholder return delivered by leading peers during the same period.⁸ Due to its record results and strong capital position, Zurich proposes an 8% dividend increase to CHF 26, a 19% increase in USD.⁹ Zurich plans to supplement the ordinary dividend with an additional share buyback of up to CHF 1.1 billion.

Outlook

Zurich now expects compound annual growth in 2023-2025 earnings per share (EPS) to exceed 10%. This compares with the target of 8%, which was established at the 2022 Investor Day.

The investor and media presentation provides more detailed guidance for the 2024 earnings outlook. It includes mid-single digit growth in insurance revenue for P&C, with the Life BOP expected to be at least in line with the record high level of 2023.

Business performance

Property & Casualty

in USD millions, for the 12 months ended December 31 unless otherwise stated.

	2023	2022 ⁵	Change in USD ⁵	Change like-for-like ^{2,6}
P&C business operating profit (BOP)	3,893	3,634	7%	10%
P&C gross written premium and policy fees	44,401	41,435	7%	9%
P&C insurance revenue	42,293	39,164	8%	9%
P&C combined ratio	94.5%	94.5%	0.Opts	nm

P&C business operating profit (BOP) of USD 3,893 million was up 7% on a reported basis and 10% on a like-for-like² basis compared with the prior year period. This was mainly driven by the increase in insurance revenue and an improvement in the investment result.

The combined ratio remained stable year-over-year at 94.5%. The strength of the Group's reserves is evidenced by its consistent prior year reserve development. The steps taken to manage exposure to natural catastrophes has resulted in a catastrophe loss ratio within the guided range and improving year-on-year. Commercial maintained strong returns with an accident year combined ratio excluding catastrophes of 90.7%, compared with 89.5% in the prior year. Retail P&C saw an improvement compared with the prior year period, with the accident year combined ratio excluding catastrophes improving by 0.5 percentage points to 97.3%.

Gross written premiums grew 9% on a like-for-like² basis, adjusting for currency movements, with growth in both retail and commercial insurance across all regions. In EMEA, growth was driven by a strong performance across the region, mainly in the UK, Germany, Switzerland, Italy and Spain. North America continued to benefit from higher rates, particularly in property and motor lines. Asia Pacific saw a strong recovery in the travel insurance business and growth in the retail motor business while Latin America showed strong commercial growth and increased retail sales across the region. In U.S. dollars, the Group's gross written premiums rose 7%.

The Group achieved price increases of about 6%, supported by a commercial insurance rate change of 7% (9% in North America) and an acceleration of rate increases in the retail business.

Life

in USD millions, for the 12 months ended December 31 unless otherwise stated.

	2023	2022 ⁵	Change in USD ⁶	Change like-for-like ^{2,6}
Life business operating profit (BOP)	2,060	1,487	39%	55%
Life present value of new business premiums (PVNBP)	16,384	13,241	24%	26%
Life new business contractual service margin (NB CSM)	1,037	987	5%	10%
Life insurance revenue, short-term contracts	2,311	2,042	13%	9%
Life fee revenue, investment contracts	648	532	22%	19%

The Life business delivered a very strong performance in the year, with an all-time high BOP of USD 2,060 million and top-line growth across all parts of the business.

Life insurance new business premiums increased 24% in U.S. dollar terms and 26% on a like-for-like² basis, with growth in EMEA, Asia Pacific and Latin America. Key drivers of growth include large sales volumes of a retail savings product in Spain, written by the Group's joint venture with Banco Sabadell primarily in the first quarter, protection sales in Asia Pacific and unit-linked sales in Latin America. New business written in the year added USD 1,037 million to the contractual service margin (CSM), 5% more than in the prior year, with increased sales volumes more than offsetting the impact of lower new business margin due to a less favorable business mix.

Short-term insurance contracts, predominantly related to the Latin America protection business, generated USD 2,311 million of insurance revenue, up 13% year on year. Fee revenue generated by investment contracts, which are mainly written in EMEA, grew 22% to USD 648 million, rebounding from a low level in the prior year, which was affected by adverse market movements.

Life BOP of 2,060 million was 39% higher than in the prior year in U.S. dollar terms, with all regions contributing to growth. The year-on-year increase reflects solid underlying performance of the business, favorable experience, as well as the non-repeat of approximately USD 350 million of adverse impacts from transition-related adjustments and other one-offs which occurred in 2022. Underlying performance benefited from higher CSM, strong growth in the short-term protection business and improved fee result.

Farmers

in USD millions, for the 12 months ended December 31 unless otherwise stated.

	2023	2022 ⁵	Change in USD ⁶
Farmers Exchanges³			
Gross written premiums	27,351	26,519	5% ¹⁰
Gross earned premiums	26,702	25,842	3%
Combined ratio	103.3%	105.2%	1.9pts
Surplus ratio	33.5%	35.0%	(1.5pts)
Farmers			
Farmers business operating profit (BOP)	2,296	2,086	10%

The Farmers Exchanges,³ which are owned by their policyholders, achieved 5% growth in gross written premiums excluding the commercial rideshare business (3% on a reported basis). Rate actions have contributed to growth in most books of business.

The Farmers Exchanges³ combined ratio excluding catastrophe losses improved 5.4 percentage points to 91.9%. The continued strong focus on pricing led to an earned rate impact of 15% for the period. The Farmers Exchanges³ surplus ratio decreased to 33.5% mainly as a consequence of the underwriting loss in the period following historic high catastrophe losses, partially compensated by the favorable impact of the sale of three brokerages and the flood business.

Farmers Management Services (FMS) BOP grew 10% compared with the prior-year period, due to the increase in gross earned premiums (GEP) at the Farmers Exchanges³ and higher managed GEP margin. The full year managed GEP margin was 7.0%, a 0.4 percentage points improvement compared with the prior year.

The Farmers Re BOP was USD 117 million, USD 105 million higher than the prior year following a lower combined ratio at a higher reinsurance participation rate.

The Farmers Life BOP was 25% lower than the prior year, driven by a lower insurance service result, as Farmers Life entered into a reinsurance transaction with Resolution Life for its individual life in-force book, which was completed on August 1, 2023.

Capital position

As of January 1, 2024, Zurich's Swiss Solvency Test (SST) ratio is estimated at 233%⁴ and remains well in excess of the Group's target level of 160% or above. This compares with 267% as of January 1, 2023, with the reduction reflecting the accrual of the proposed 2023 dividend and an additional share buyback of up to CHF 1.1 billion, as well as the redemption of EUR 500 million of subordinated debt and the acquisition of three brokerage entities and the flood program servicing arm from Farmers Exchanges.³

Board nomination

The Board of Directors will propose the election of John Rafter to the Board at Zurich's Annual General Meeting on April 10, 2024. His nomination follows a distinguished career as an investment banker at Goldman Sachs. From 1997 until 2020, he served as a Managing Director within the Investment Banking Division in Europe, becoming a Partner in 2000. He then served as a Senior Adviser from 2020 to 2023. He brings strategic, capital markets and financial expertise with an in-depth knowledge of the global insurance industry.

¹ The adjusted Earnings per Share (EPS) growth of 20% is based on the 2022 baseline EPS and the 2023 adjusted EPS. The 2022 baseline EPS assumes the achievement of the 5% EPS CAGR target for the 2020 to 2022 financial cycle (i.e., EPS of USD 32.1). The 2023 adjusted EPS (i.e., USD 38.5) substitutes actual net capital losses with net capital gains expected under long term market assumptions.

² Like-for-like comparisons represent the change in local currencies and after adjusting for acquisitions and disposals and for the reclassification of Zurich Global Employee Benefit Solutions from Group Functions and Operations to Life.

³ 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.

⁴ Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

⁵ The comparative figures as presented in this news release have been restated for IFRS 17. The restatement does not apply to Farmers Exchanges' figures.

⁶ Parentheses around numbers represent an adverse variance.

⁷ On a like-for-like basis, excluding crop business.

⁸ Total shareholder return in U.S. dollars (from January 1, 2016 to December 31, 2023). Peers include: Allianz, AXA, Chubb, Generali, Travelers (unweighted average). Source: Datastream.

⁹ Based on year-end exchange rates, i.e., 1 CHF = 1.1874 USD as of December 31, 2023 and 1 CHF = 1.0813 USD as of December 31, 2022.

¹⁰ On a comparable basis, excluding the commercial rideshare business.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the twelve months ended December 31, 2023, and December 31, 2022, and the financial position as of December 31, 2023, and December 31, 2022, respectively. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with other financial reports published by Zurich Insurance Group on zurich.com. In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for the IFRS figures.

Financial highlights (unaudited)

in USD millions, for the 12 months ended December 31 unless otherwise stated

	2023	2022 ¹	Change ²
Business operating profit (BOP)	7,381	6,123	21%
Net income attributable to shareholders after tax	4,351	3,964	10%
P&C business operating profit (BOP)	3,893	3,634	7%
P&C gross written premiums and policy fees	44,401	41,435	7%
P&C insurance revenue	42,293	39,164	8%
P&C combined ratio	94.5%	94.5%	0.0pts
Life business operating profit (BOP)	2,060	1,487	39%
Life present value of new business premiums (PVNBP)	16,384	13,241	24%
Life new business contractual service margin (NB CSM)	1,037	987	5%
Life insurance revenue, short-term contracts	2,311	2,042	13%
Life fee revenue, investment contracts	648	532	22%
Farmers business operating profit (BOP)	2,296	2,086	10%
Farmers Management Services managed gross earned premium (GEP) margin	7.0%	6.6%	0.4pts
Average Group investments ³	142,389	167,832	(15%)
Net investment result on Group investments ³	4,687	3,284	43%
Net investment return on Group investments ^{3,4}	3.3%	2.0%	1.3pts
Total return on Group investments ^{3,4}	6.3%	(12.0%)	nm
Shareholders' equity	24,860	26,199	(5%)
Swiss Solvency Test ⁵	233%	267%	(34pts)
Diluted earnings per share (in CHF)	26.71	25.28	6%
Book value per share (in CHF)	145.40	160.99	(10%)
Return on common shareholders' equity (ROE) ⁶	18.1%	15.0%	3.1pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁶	23.1%	17.8%	5.3pts

¹ The comparative figures as presented in this news release have been restated for IFRS 17. The restatement does not apply to Farmers Exchanges' figures.

² Parentheses around numbers represent an adverse variance.

³ Including investment cash and derivatives.

⁴ Calculated on average Group investments.

⁵ Estimated Swiss Solvency Test ratio (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.

The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

⁶ Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses).

Appendix

IFRS 17 glossary

Insurance revenue reflects the amount of premium Zurich is entitled to in exchange for insurance services provided in the period to its policyholders. For most P&C and short-term Life contracts, the insurance revenue is similar to gross earned premiums.

New business premiums (PVNBP) is calculated as the present value of new business premiums discounted at the risk free rate, gross of reinsurance and before the effect of non-controlling interests.

Contractual service margin (CSM) is a separate component of insurance liability representing unearned profits from inforce Life contracts (excluding short-term and investment contracts), before the effect of non-controlling interests and taxes.

Further information about IFRS 17 at Zurich can be found [here](#).

Further information

Supplemental financial information and written comments to accompany the investor presentation, is available on Zurich's [webpage](#). The Annual Report 2023 will be published on March 15, 2024 on Zurich's [webpage](#).

Q&A session for media

There will be a conference call Q&A session for media starting at 09:00 CET. Media may dial in using the details provided below. The call will be held in English. Please dial in approximately 10 minutes prior to the start of the conference call.

Switzerland	+41 58 310 50 00
U.K.	+44 207 107 0613
U.S.	+1 631 570 5613

Q&A session for analysts and investors

There will be a conference call Q&A session for analysts and investors starting at 13:00 CET. Media may listen in. A podcast of this Q&A session will be available from 17:00 CET.

Participants who wish to attend the Live Q&A session will need to register ahead of the call under this link ([Zurich Q&A call registration](#)) and follow the on screen instructions.

Zurich Insurance Group (Zurich) is a leading multi-line insurer serving people and businesses in more than 200 countries and territories. Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together,' Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 60,000 employees and is headquartered in Zurich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

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; (viii) increased litigation activity and regulatory actions; and (ix) 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. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. 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 three 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.

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