

# Investor Update

December 5, 2014  
London



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# Agenda



## KEY TOPICS AND SPEAKERS

09.00	Registration and welcome	
09.30 – 09.40	Introduction	Martin Senn
09.40 – 10.20	Farmers	Jeff Dailey & Mike Linton
10.20 – 10.50	Q&A part I	
10.50 – 11.05	<b>Break</b>	
11.05 – 11.45	North America Commercial	Mike Foley & Craig Fundum
11.45 – 12.15	Q&A part II	
12.15 – 12.35	Finance update	George Quinn
12.35 – 13.05	Q&A part III	
13.05 – 13.10	Closing remarks	Martin Senn
13.10 – 14.00	<b>Lunch</b>	

# Introduction

Martin Senn  
Chief Executive Officer



# Recap on investor day 2013



## What will we continue to do

Underwriting focus and investment discipline will remain unchanged

## What's new

Prioritizing investment in distinctive positions and managing other businesses for value

## What will we do better

Improving operating profitability and growing our operating earnings

# Cornerstones of our strategy



## GROUP STRATEGY

1

**Prioritizing investment in distinctive positions**

2

**Managing other businesses for value**

3

**Growing our operating earnings**

## KEY FOCUS AREAS

- Corporate
- Commercial mid-market
- Select retail

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

- Efficiency
- Value extraction
- Investment risk return

# Priorities for 2015

Continuing progress towards our 2016 targets



GROUP STRATEGY	2014 KEY ACTIONS	2015 PRIORITIES
<b>1</b> <b>Prioritizing investment in distinctive positions</b>	<ul style="list-style-type: none"><li>• Investments in corporate, commercial and select retail markets</li><li>• Extension of Sabadell JV, EW<sup>1</sup> distribution agreement in Brazil</li></ul>	<ul style="list-style-type: none"><li>• Continue investments in NAC and Global Corporate / CLP</li><li>• Targeted investments in select retail markets</li><li>• Deliver further proof points</li></ul>
<b>2</b> <b>Managing other businesses for value</b>	<ul style="list-style-type: none"><li>• GI turnarounds progressing, exit from Russia and a number of other smaller positions</li><li>• Implement in-force initiatives in 'maximize value' life markets</li></ul>	<ul style="list-style-type: none"><li>• Complete the work on GI turnarounds</li><li>• Next phase of in-force initiatives in manage for value life markets</li><li>• Extract capital from some blocks of business</li></ul>
<b>3</b> <b>Growing our operating earnings</b>	<ul style="list-style-type: none"><li>• Completed additional allocation of risk capital to investment management</li><li>• Completed organizational streamlining above BU level</li></ul>	<ul style="list-style-type: none"><li>• Continued focus on efficiency across the group</li></ul>

<sup>1</sup> Extended warranty

# North America Commercial – Priority market

Industry leader, well positioned to capture long-term growth



## 9M-14 KEY FINANCIALS

% BOP <sup>1</sup>	Growth <sup>2</sup>	CR
16%	2%	96%

## DISTINCTIVE POSITIONS

- 4<sup>th</sup> largest writer of commercial P&C insurance
- Leading insurer in businesses such as construction and auto-dealerships
- Very strong positions in surety, workers' compensation and general liability lines
- Cutting edge underwriting and analytics tools, with potential to export overseas

## KEY MESSAGES

- Growing market share and operating earnings, even in a more challenging environment
- We have reshaped the business and are delivering strong results – but with room to improve
- US commercial insurance is undergoing far reaching change, which plays to our strengths
- Investments in customer segmentation and predictive analytics position us at the forefront of the industry
- 'Going the last mile' is critical – our consistent execution and disciplined control are real differentiators

<sup>1</sup> NAC Business Operating Profit as % of total Group BOP, excluding Other Operating Businesses and Non-Core Businesses.

<sup>2</sup> GWP growth in local currency, and excluding a large discontinued fronting contract.



# Farmers – Priority market

Early indications show new go-to-market strategy is working



## 9M-14 KEY FINANCIALS

% BOP <sup>1</sup>	Growth <sup>2</sup>	Mkt Share <sup>3</sup>
26%	-1%	6%

## DISTINCTIVE POSITIONS

- A leading insurer in the world's largest personal lines market
- Strong consumer brand
- Multi-line product offering
- Distribution centered on one of the largest exclusive agent sales force
- Opportunity in the Eastern states

## KEY MESSAGES

- Farmers needed to evolve to address a rapidly changing marketplace
- Launched new strategy in 2013 targeting value-oriented customers, designed to leverage our strengths
- Numerous transformation initiatives under way in relation to brand, technology, customer experience, distribution and Eastern expansion
- Early indications show the strategy is working and fit for the long-term

<sup>1</sup> Farmers Business Operating Profit as % of total Group BOP, excluding Other Operating Businesses and Non-Core Businesses.

<sup>2</sup> GWP growth of Farmers Exchanges.

<sup>3</sup> % share of the US personal lines Auto/Home market.



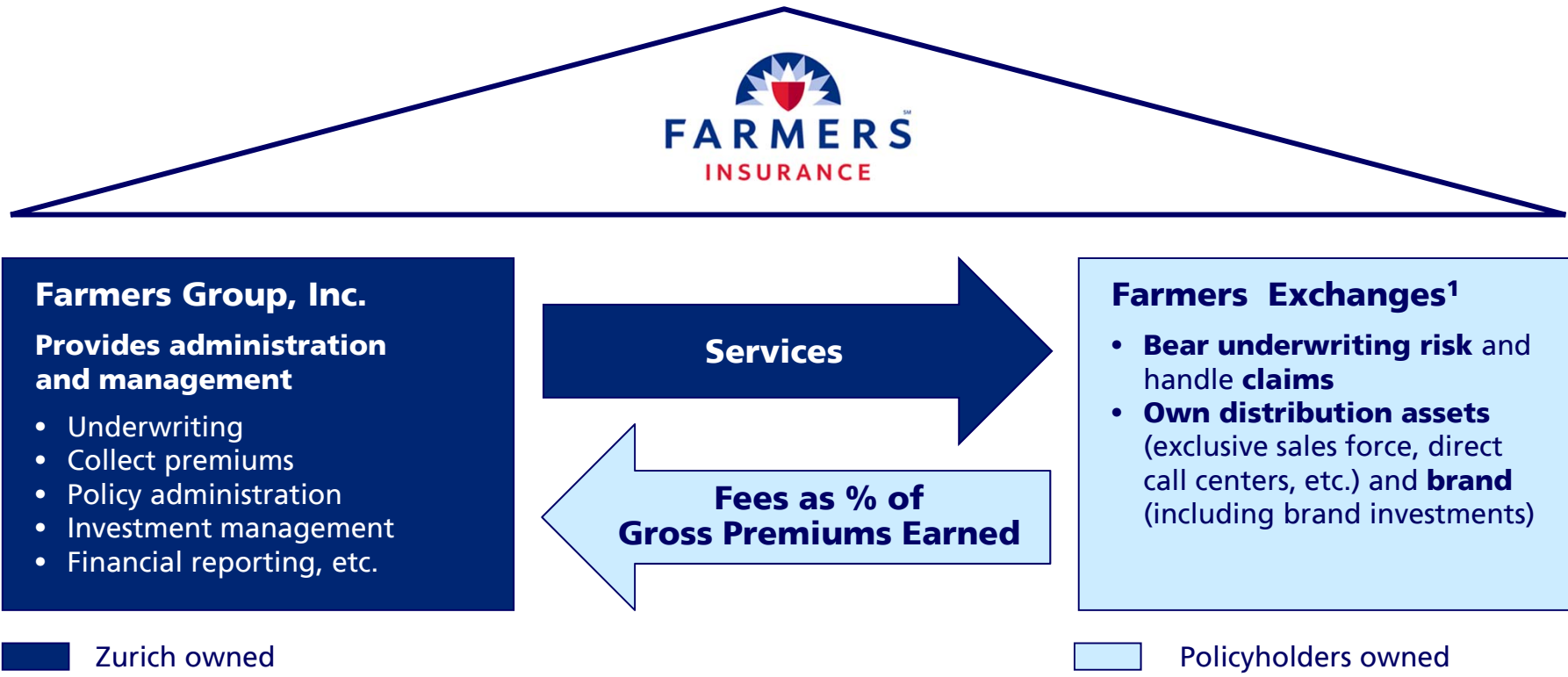
# Farmers

**Jeff Dailey**  
CEO of Farmers Group, Inc.

**Mike Linton**  
Chief Marketing Officer of Farmers Group, Inc.



# The Farmers business model



<sup>1</sup> Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of Zurich, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

# Strategic execution underway with early success



Farmers needed to evolve to address a rapidly changing marketplace

Launched new strategy in 2013 targeting value-oriented customers, designed to leverage our strengths

Numerous transformation initiatives under way in relation to brand, technology, customer experience, distribution and Eastern expansion

Early indications show the strategy is working and fit for the long-term

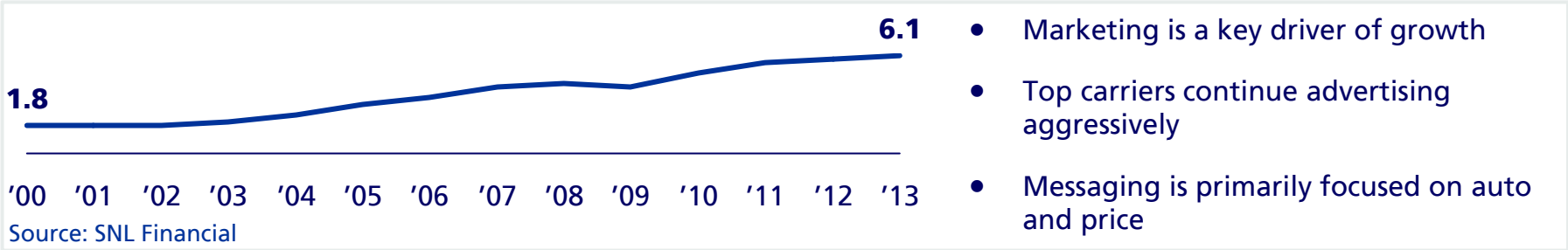
# A marketplace in transition



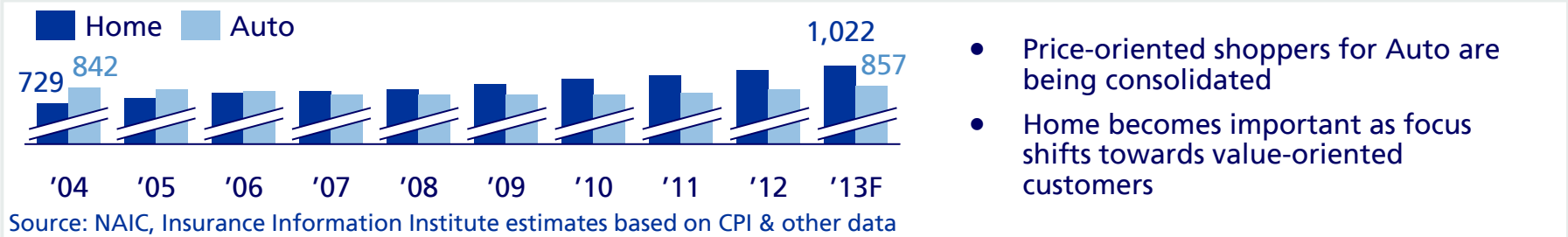
## U.S. PERSONAL LINES MARKET SHARE BY DWP (%)



## U.S. INSURANCE INDUSTRY AD SPEND (USDbn)



## AVG AUTO/HOME INSURANCE EXPENDITURE (USD)



<sup>1</sup> Top 10 carriers excludes premiums to Farmers from 21st Century (AIG Direct) until acquired in 2009.

# Market dynamics have shifted the leaderboard



## U.S. PERSONAL LINES CARRIER LEADERBOARD

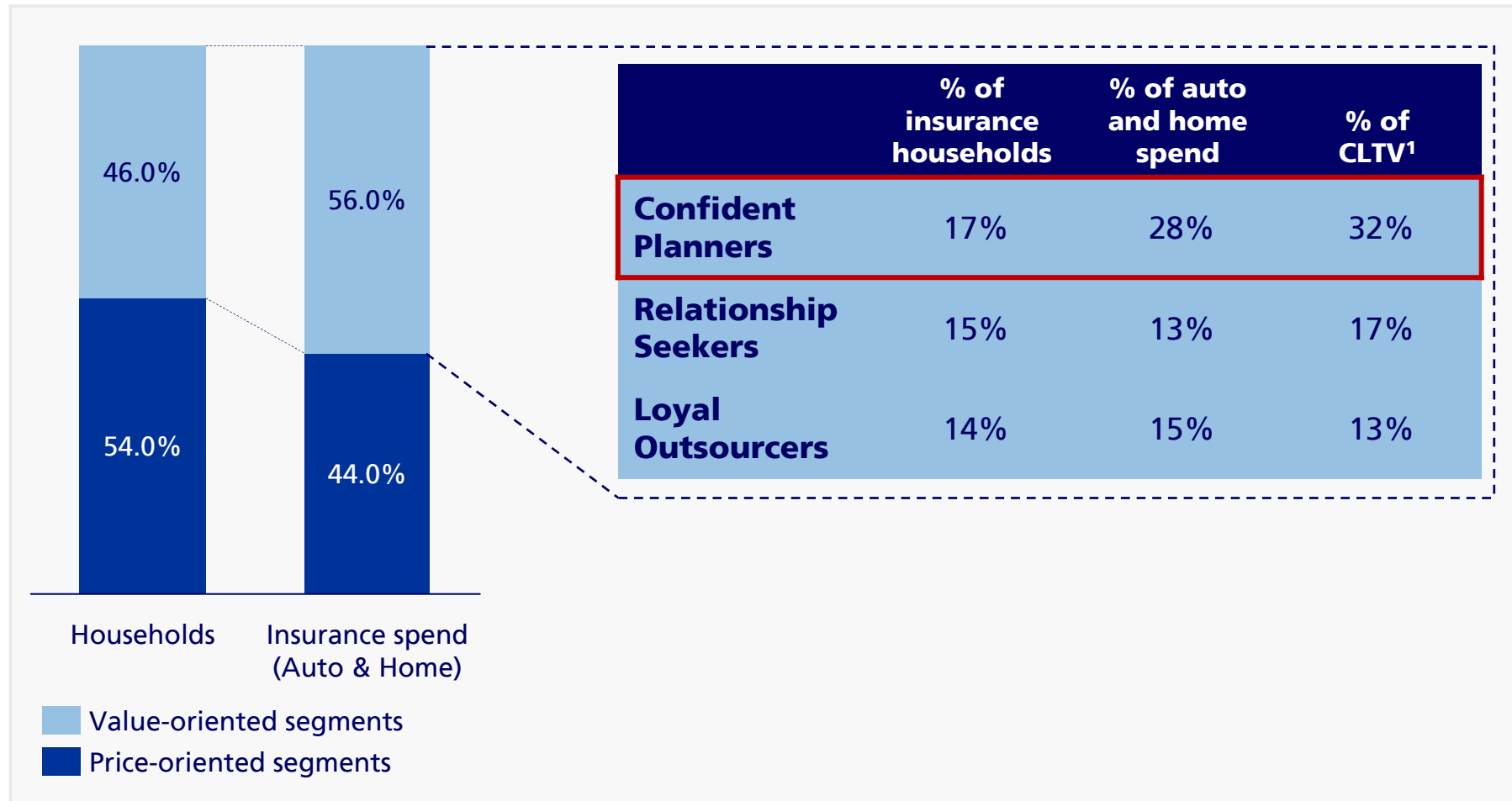
	Market share by DWP (%)		CAGR of DWP (%)
	2000	2013	2000-2013
State Farm	18.9	19.2	+3.9
Allstate	11.6	9.7	+2.4
Geico	3.8	7.1	+8.5
Progressive	3.7	5.8	+7.3
<b>Farmers<sup>1</sup></b>	<b>6.3</b>	<b>5.7</b>	<b>+3.0</b>
Liberty Mutual	5.0	5.4	+4.4
USAA	3.4	5.1	+6.8
Nationwide	5.0	3.9	+2.0
Travelers	2.7	2.5	+3.1
American Family	2.1	2.2	+3.9

- Marketplace changes created a battle for price-oriented customers
- Exclusive agency companies (including Farmers) attempted to compete by acquiring direct platforms – most of which underperformed
- Cat-modeling improvements and large named events (e.g. Katrina) led multi-line carriers to reduce share in cat-prone areas
- Our understanding of the market has evolved to believe that direct auto was not about direct – it was about capturing price-oriented customers
- We believe Farmers is well-positioned to succeed with value-oriented customers

Source: SNL Financial.

<sup>1</sup> Excludes premiums from 21st Century (AIG Direct) until acquired in 2009.

# We are designing Farmers to meet the needs of Confident Planners



<sup>1</sup> Customer Lifetime Value.

# Leveraging our strengths to outperform with Confident Planners



## EXISTING STRENGTHS & CAPABILITIES

- **Strong brand** – Total brand awareness in Core 29 states at 93%<sup>1</sup>
- **Broad product suite** – Auto, Home, Renters, Umbrella, Life, Motorcycle, Boat, Business Insurance, and more
- **Large agency force** – 2<sup>nd</sup> largest exclusive agency network in the United States

## WHERE WE'RE GOING

- Outstanding customer experience
- Single, targeted brand
- Increased share of wallet through product density
- Omni channel capabilities
- Upgrading quality and increasing number of agents

<sup>1</sup> Source: 2013 JD Powers shopping study.



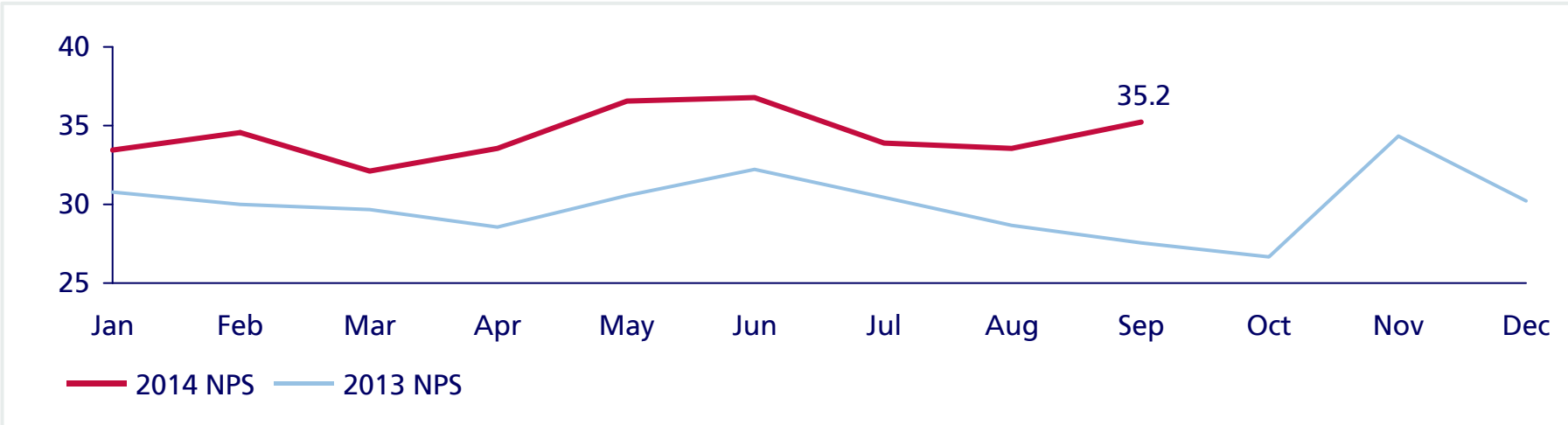
# Dedication to an outstanding customer experience already yielding results



## KEY CUSTOMER EXPERIENCE INITIATIVES IN LAST 12 MONTHS

- Farmers Friendly Reviews
- 'Smart office' brand standards
- Revamped forms and customer communications
- Orphan policy handling
- Customer onboarding enhancements
- Digital transformation

## FARMERS NET PROMOTER SCORE (%)



# How we speak to confident planners



## Principles of the 'smart' brand strategy for confident planners

### **They crave knowledge and insights**

Communicate 'smart' through facts, statistics, and tips

### **They plan ahead**

Focus on information that helps them proactively prepare and prevent the bad

### **They want straight talk**

Speak honestly and clearly explain things in terms that are easily understood

### **They need a one-stop shop**

Offer a broad product suite with an agent relationship to navigate



# Defining the Farmers brand as 'smart'



**Monster Foot (:30)**



**Troubled Tees (:30)**



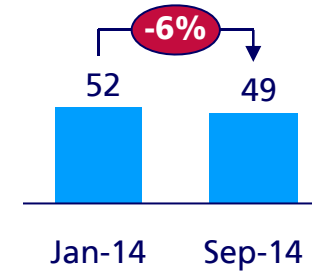
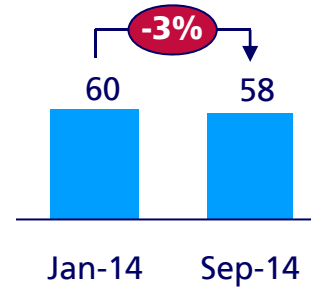
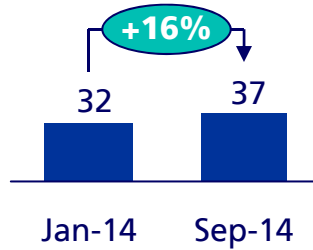
**Dog Walking (:30)**

# Farmers is building momentum after moving to a single brand

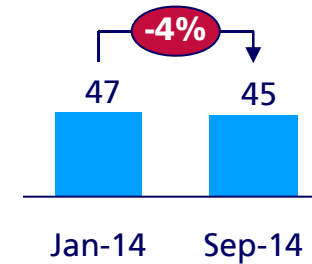
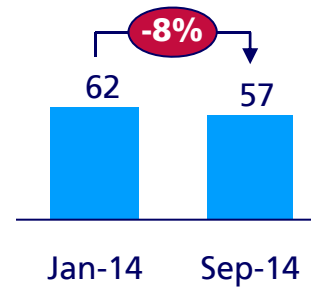
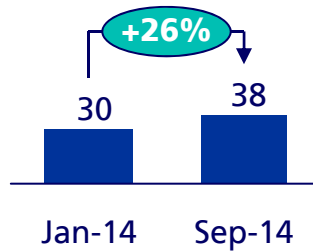


## UNAIDED CONSIDERATION FOR HOME & AUTO – TOP 3 MENTIONS<sup>1</sup> (%)

General Market



Confident Planners



Source: Farmers proprietary continuous brand tracking via Hall & Partners.

<sup>1</sup> Unaided consideration is measured for Core 29 states only.

# Evolving to a modern exclusive agency model via omni channel



## UNTIL 2013

- Agent responsible for nearly all sales activity and service delivery
- Web and call center largely a middle-man between customer and agent
- Almost no self-service capabilities

## GOING FORWARD

- Customers choose when and how they want to interact
- Agents are the cornerstone of customer relationships, providing individualized solutions and service
- Strong channel integration is the key



# Digital is foundational to omni channel



**POLICY SUMMARY**

**2013 INFINITI JX35 4D 4WD** [Add Nickname](#)  
 (Multicar Policy #1911)

I want to... [+](#)

**6016 RD** [Add Nickname](#)  
 (Home Policy #9360)

I want to... [+](#)

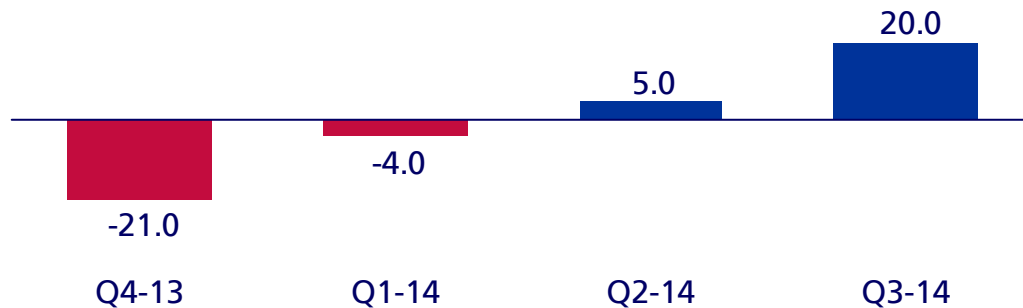
- I want to...
- View policy details
- Send a request to my agent
- Add or edit policy nicknames
- Request a Coverage Change**
- Change Mailing Address
- View Losses
- Request Floater Changes
- Request Deductible Changes
- File a Claim

Have Questions? Contact your agent [+](#)

Sign up for paperless documents [+](#)

MY AGENT [View Agent Information](#)

## WEB TRANSACTIONAL NET PROMOTER SCORE (%)



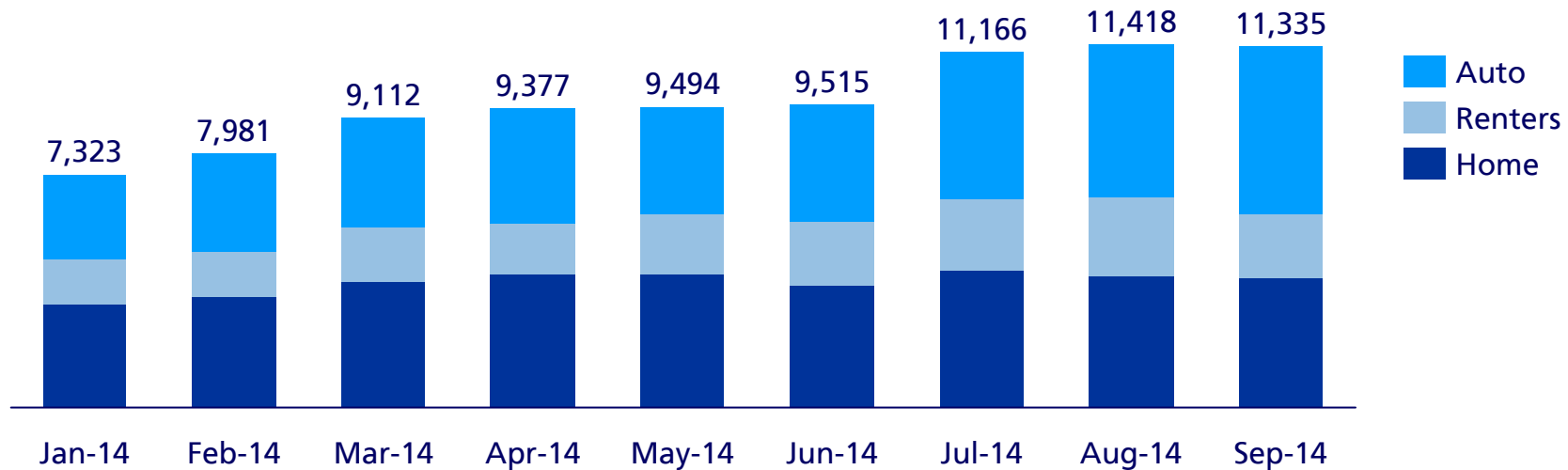
- Investments in digital are yielding early results
- Web experience significantly improved
- Will continue to add/integrate capabilities across channels

# Early omni production is encouraging



## OMNI POLICIES WRITTEN – AVERAGE MONTHLY VOLUME (#)

Omni policies are Farmers policies that either (a) originate from the web/call center OR (b) are a cross-sale by an agent against a web/call center lead or policy

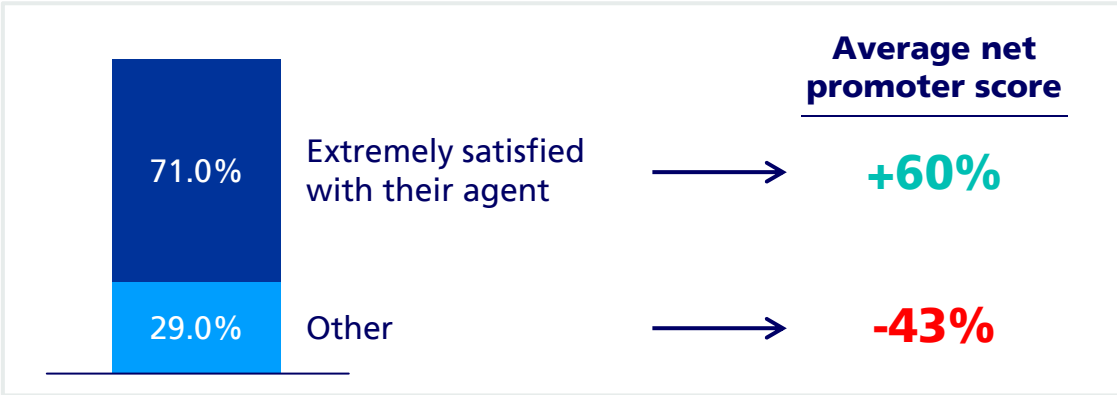


- All channels able to sell to the customer, regardless of origination
- Agents are incentivized to build-up the relationship and cross-sell
- Sold over 80,000 omni policies in 2014 through September

# Agents essential to strategic execution

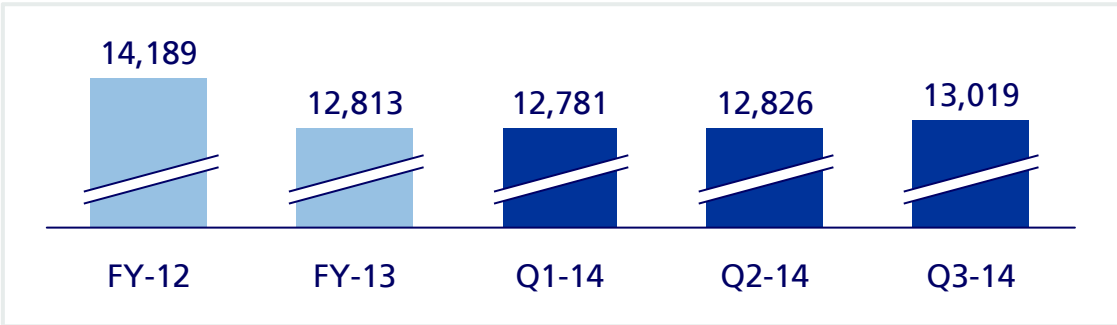


## CUSTOMER FEEDBACK FROM NPS SURVEYS (%)



- Customer experience is significantly impacted by the agent
- While most agents were aligned to the new strategy, there was meaningful attrition throughout 2013
- We retooled our agent recruiting and performance management
- Agent growth is on the rise
- We aim to develop larger, more productive agents

## FULL-TIME FARMERS AGENTS (#)



Source: Farmers customer experience NPS tracking survey.



# Recruiting a higher performing agent



## AVG NEW AGENT PREMIUM TRAJECTORY (USD)

- Targeting candidates with investible assets and prior business experience
- Extending our financial and operational support of agents
- Financial support will be contingent on performance
- New agency entry points created, including acquisition of existing agencies
- Experiencing increased productivity, reduced agent attrition and higher NPS



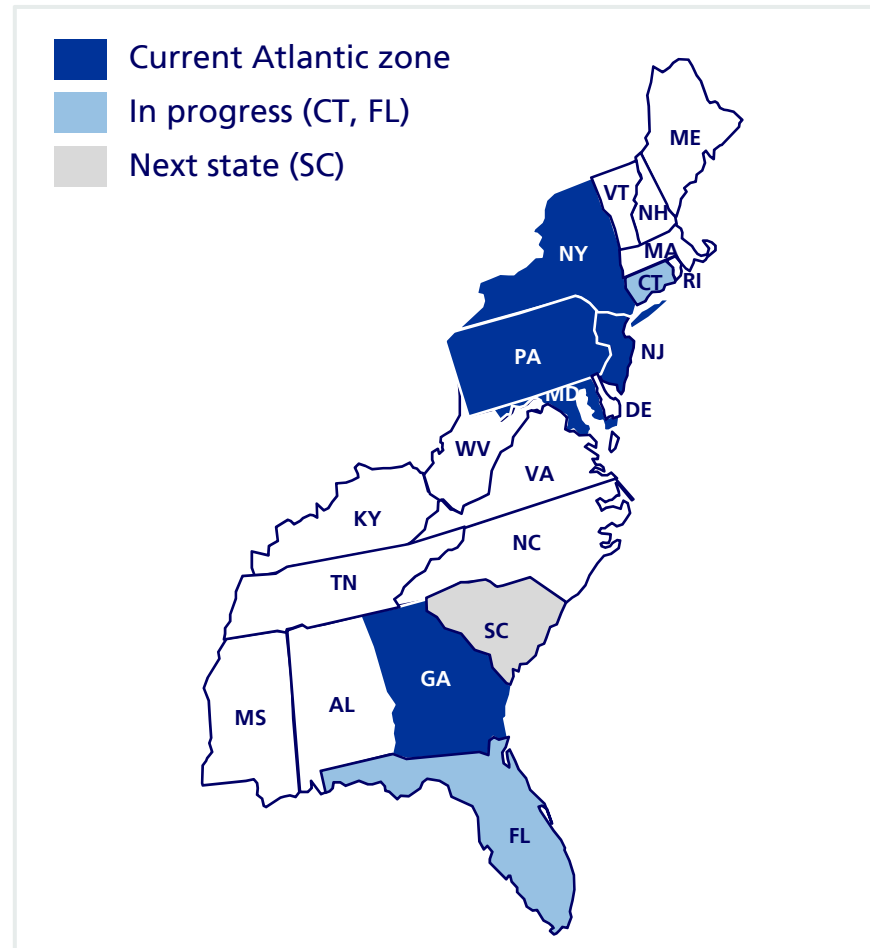
<sup>1</sup> Retail agents are entrepreneurs, executives or experienced industry professionals with minimum USD 50,000 in investable assets; they start Day 1 with licensed staff and a fully brand compliant office.

<sup>2</sup> Traditional agents typically have limited to no capital and/or business experience; they start Day 1 without staff or an office.

# Successful Eastern expansion continues



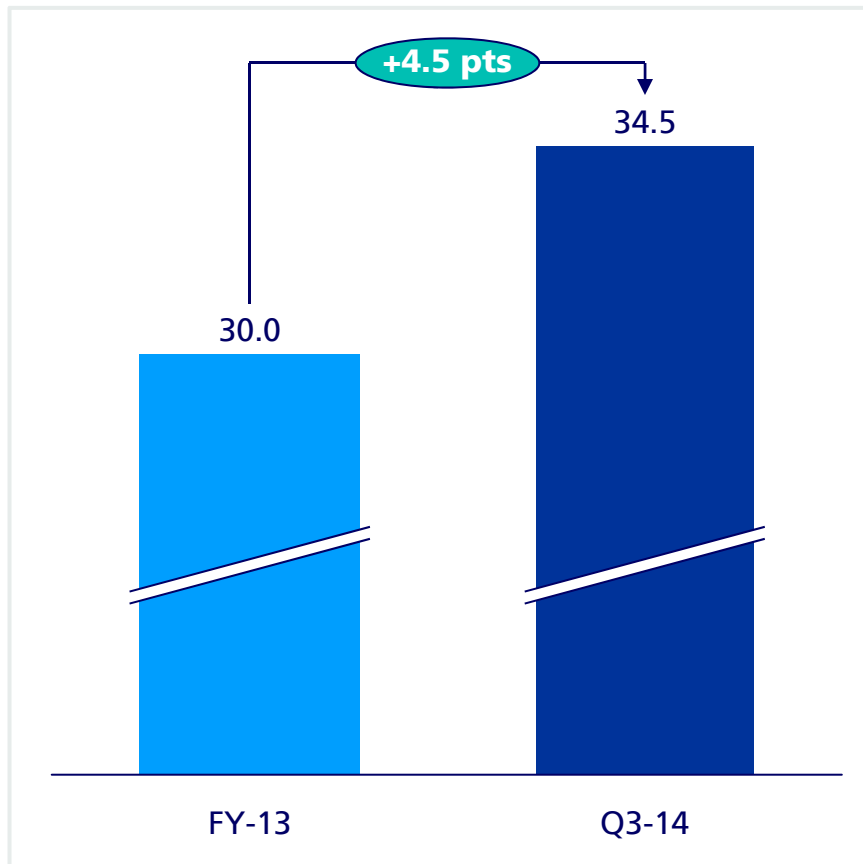
GWP (USDm)			
	9m-13	9m-14	YOY growth
<b>Pennsylvania</b>	36.9	67.5	+83%
<b>New Jersey</b>	28.5	67.8	+138%
<b>Maryland</b>	4.6	9.8	+114%
<b>Georgia</b>	6.3	20.8	+231%
<b>New York</b>	0.2	7.7	N/A
<b>Total Atlantic zone</b>	<b>76.4</b>	<b>173.5</b>	<b>+127%</b>



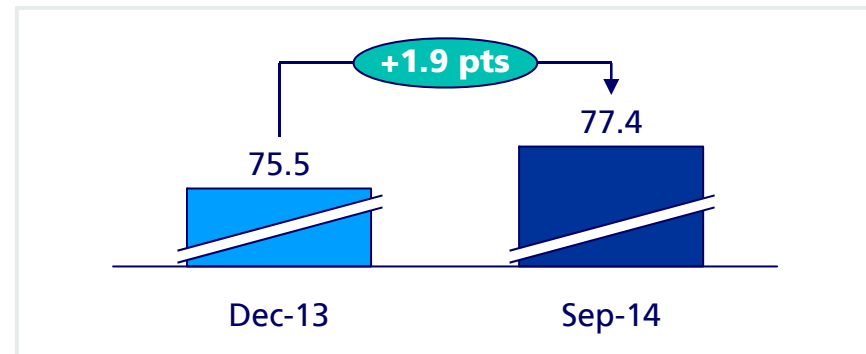
# Customer experience driving retention upwards



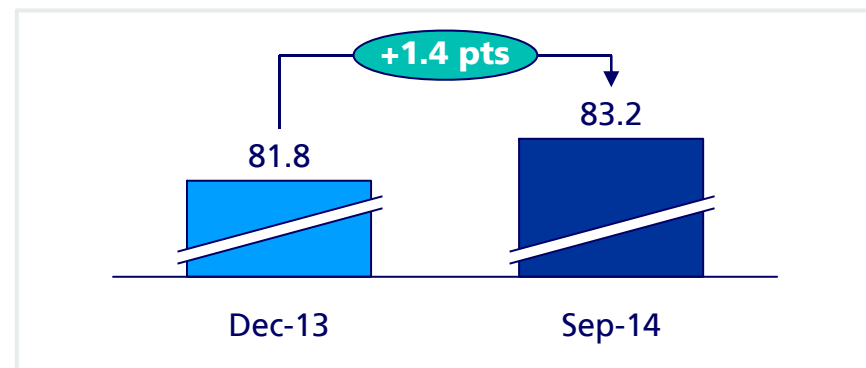
## FARMERS NET PROMOTER SCORE<sup>1</sup> (%)



## 13/1 RETENTION – FARMERS AUTO<sup>1</sup> (%)



## 13/1 RETENTION – FARMERS HOME<sup>1</sup> (%)



<sup>1</sup> Rolling 3-month average.

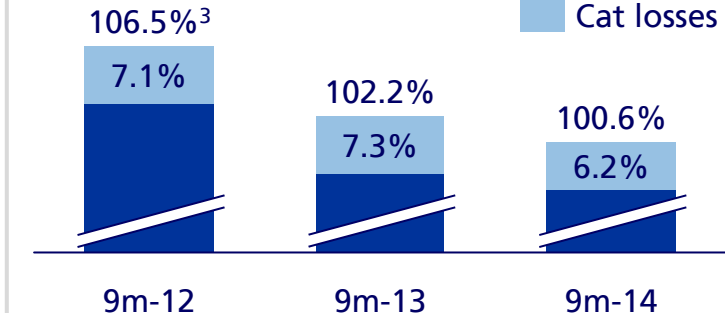
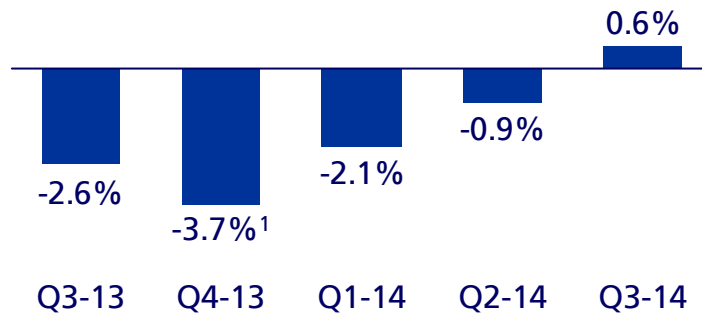
# The impact of solid strategic execution



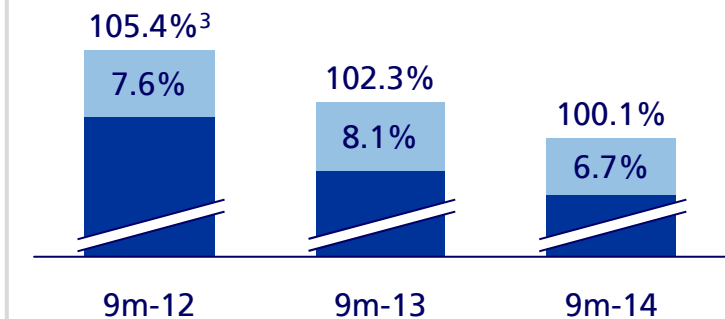
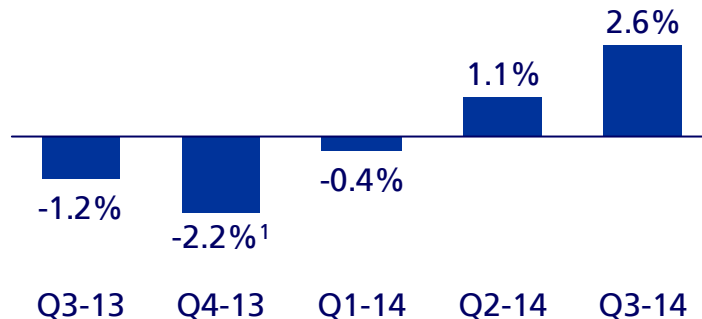
## GWP GROWTH (%)

## COMBINED RATIO<sup>2</sup> (%)

### Farmers Exchanges overall



### Excluding 21st Century & Business Insurance IA



<sup>1</sup> Excludes the impact of certain litigation.  
<sup>2</sup> Before quota share treaties.  
<sup>3</sup> Excludes the impact of the Fogel settlement.

# Strategic execution underway with early success



Farmers needed to evolve to address a rapidly changing marketplace

Launched new strategy in 2013 targeting value-oriented customers, designed to leverage our strengths

Numerous transformation initiatives under way in relation to brand, technology, customer experience, distribution and Eastern expansion

Early indications show the strategy is working and fit for the long-term



# North America Commercial

**Mike Foley**

CEO North America Commercial and Regional Chairman of North America

**Craig Fundum**

President Commercial Markets



# Growing market share and operating earnings, even in a more challenging environment



We have reshaped the business and are delivering strong results – but with room to improve

US commercial insurance is undergoing far reaching change, which plays to our strengths

Investments in customer segmentation and predictive analytics position us at the forefront of the industry

'Going the last mile' is critical – our consistent execution and disciplined control are real differentiators

# We go to market through five businesses and leverage our scale through shared services



## NORTH AMERICA COMMERCIAL (NAC)<sup>1</sup>

## GCINA<sup>1</sup>

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>Complex products for non-standard risks</b>	Business distributed through <b>Program Administrators</b> targeting niche markets	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>3.1 USDbn</b>	<b>2.2 USDbn</b>	<b>3.2 USDbn</b>	<b>1.4 USDbn</b>	<b>4.0 USDbn</b>

## ZNA SHARED SERVICES

**Claims**

**Operations**

**Marketing & Distribution**

**Product Underwriting**

**Finance & Actuarial**

**Other Support Services**

<sup>1</sup> Figures are FY-13 Gross Written Premiums; NAC excludes a large discontinued fronting contract and Other Division totaling 0.3 USDbn.



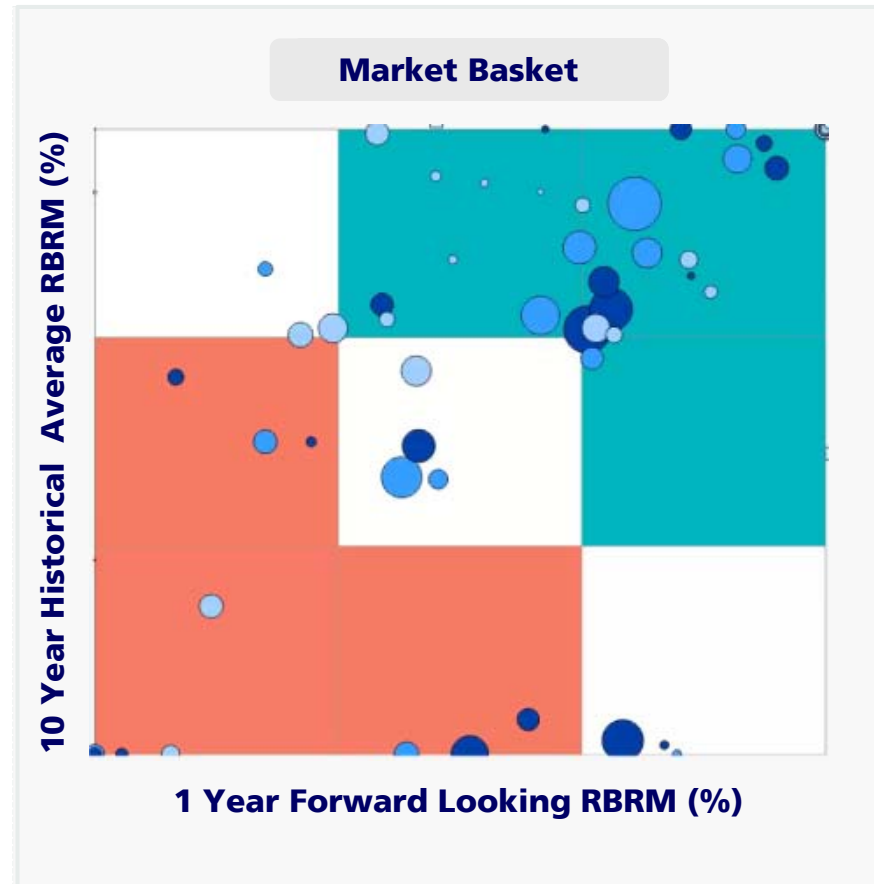
# We manage our portfolio at a granular level



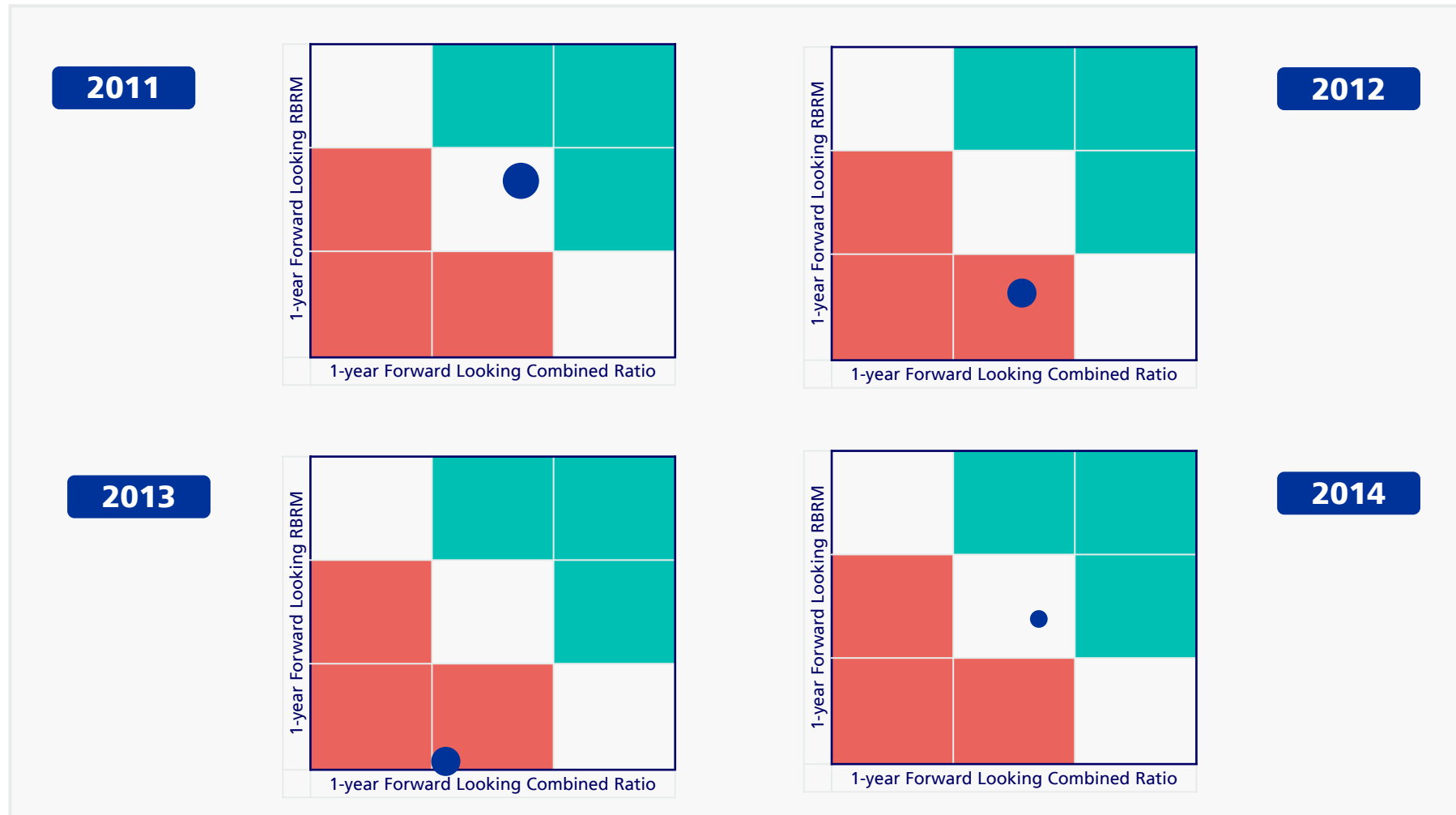
## TACTICAL 9-BOX GRID



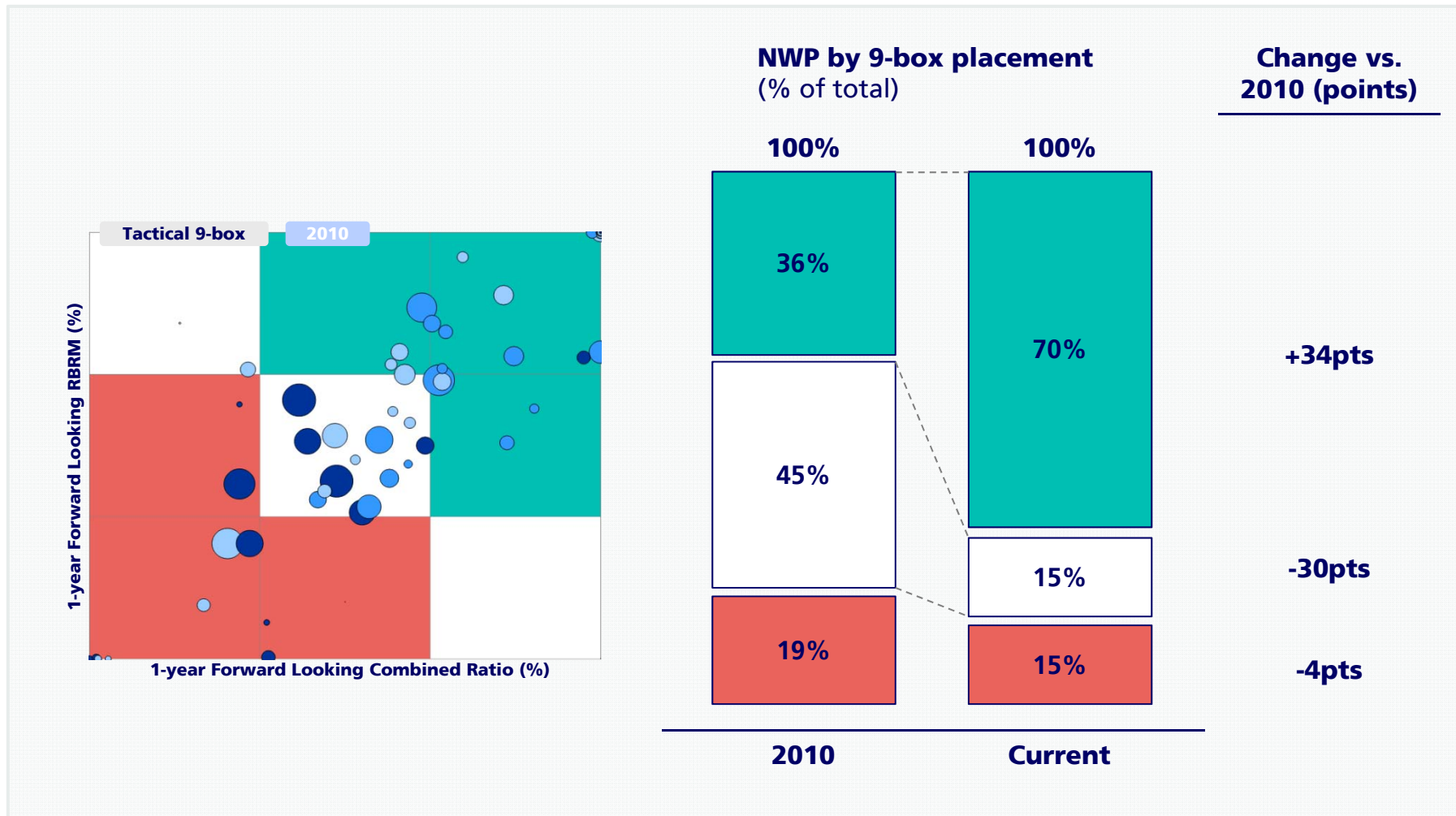
## STRATEGIC 9-BOX GRID



# Specialty Auto: We took specific actions to shrink the book and improve profitability



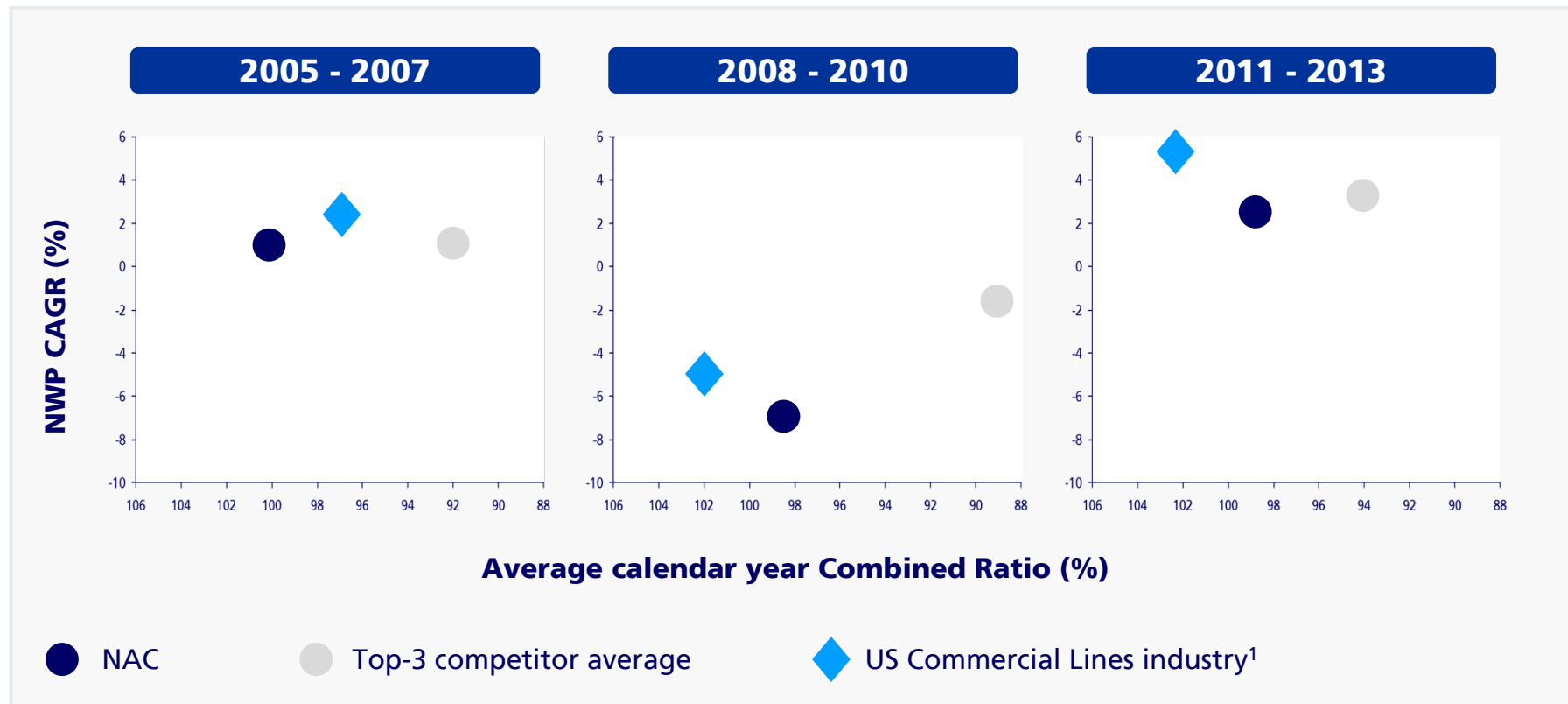
# We have taken focused action to drive profitability across market baskets



# We have moved from industry lagging and are catching the top competitors in the market



## DEVELOPMENT OF PREMIUM GROWTH AND COMBINED RATIO



Source: Industry data from SNL (DWP) and Insurance Information Institute (Combined Ratio); competitor data from financial supplements.

<sup>1</sup> Commercial Lines Industry Average CY CR based on DWP.

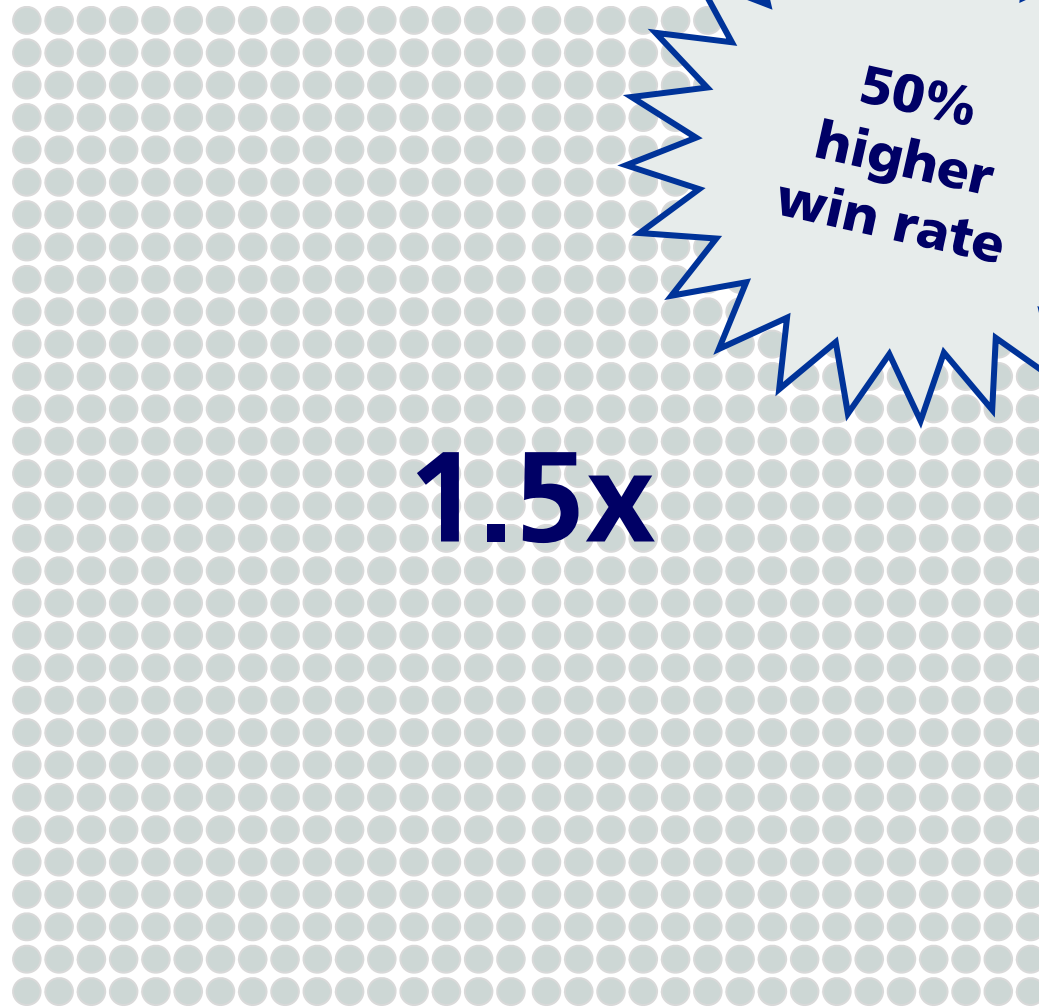
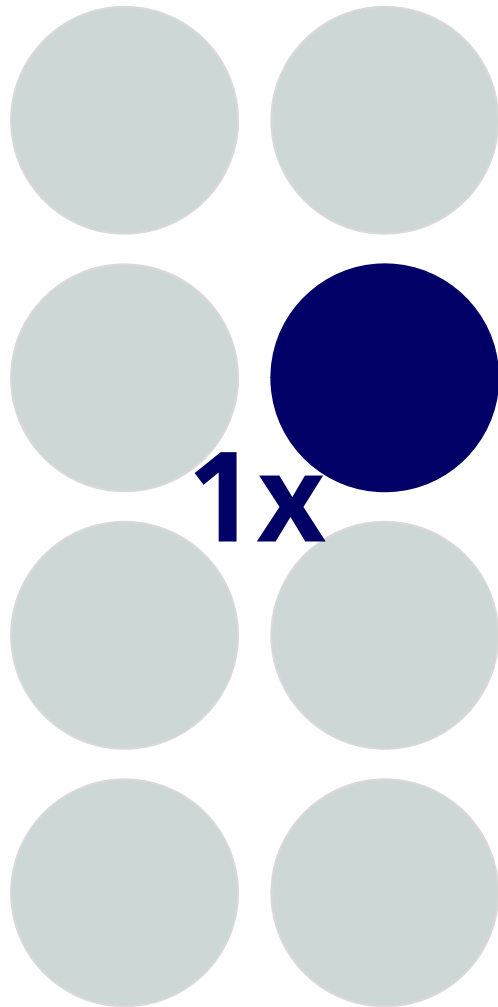
# In the US, there are significant shifts in industry trends...



## KEY INDUSTRY TRENDS

- Scale matters more than ever
- Largest carriers investing significantly in predictive analytics
- Continued “barbelling” of distribution channels to large and small
- Industrialization of processes differentiate competitors
- Rate environment is challenging but the industry is remaining disciplined

# Zurich is well positioned in a fragmented industry where scale increasingly matters



# We are investing in North America in selected areas of capability

## CUSTOMER

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



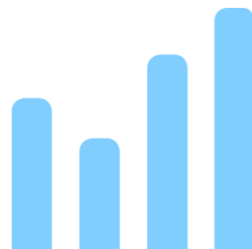
## BROKER

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



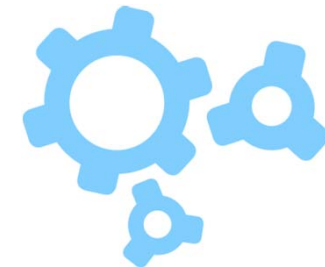
## PREDICTIVE ANALYTICS

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

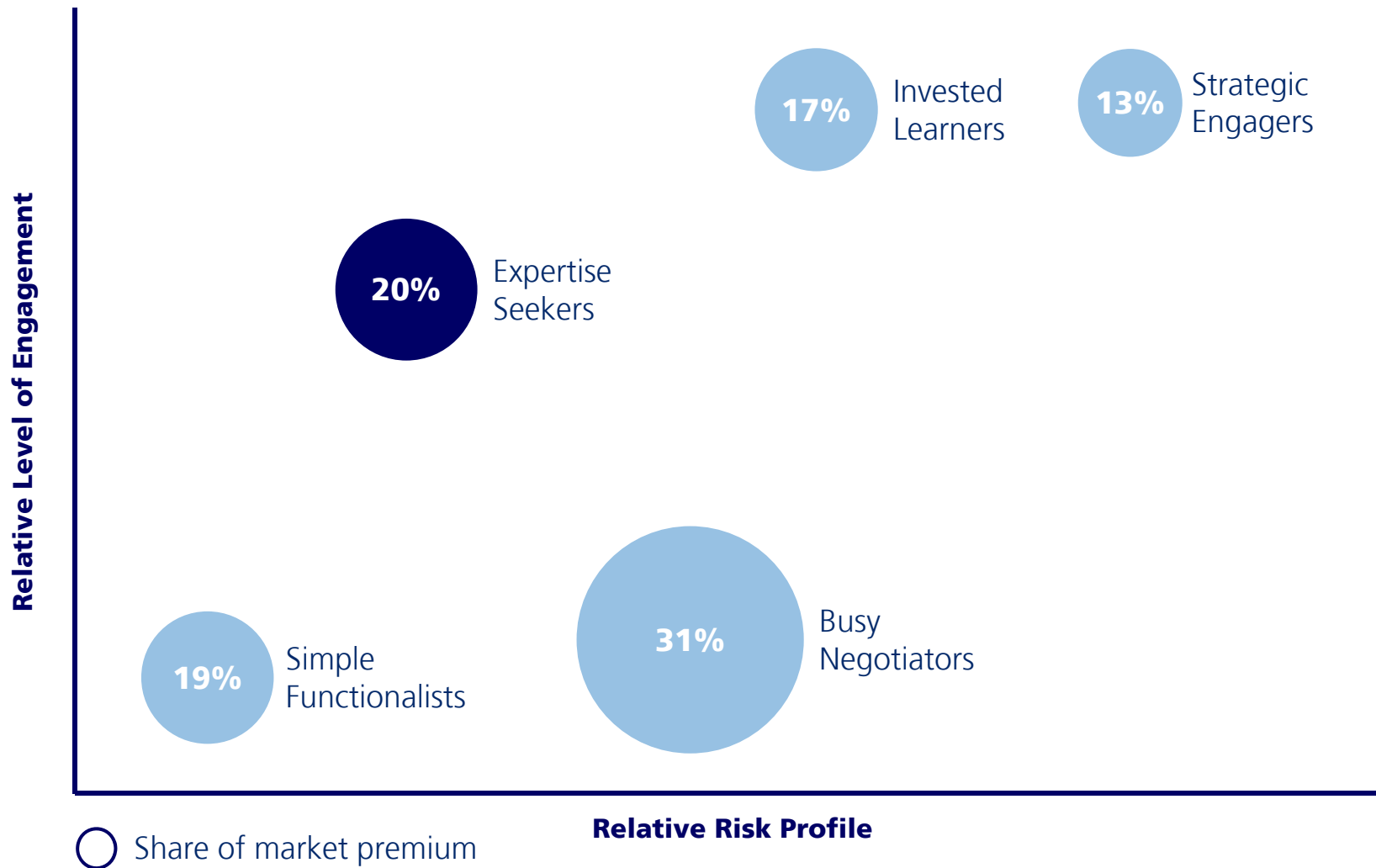


## OPERATIONS AND IT

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



# Our research identified five behavioral segments, of which we are targeting Expertise Seekers





# We are building value propositions specific to Expertise Seekers



## Expertise Seekers

Expertise in their industry

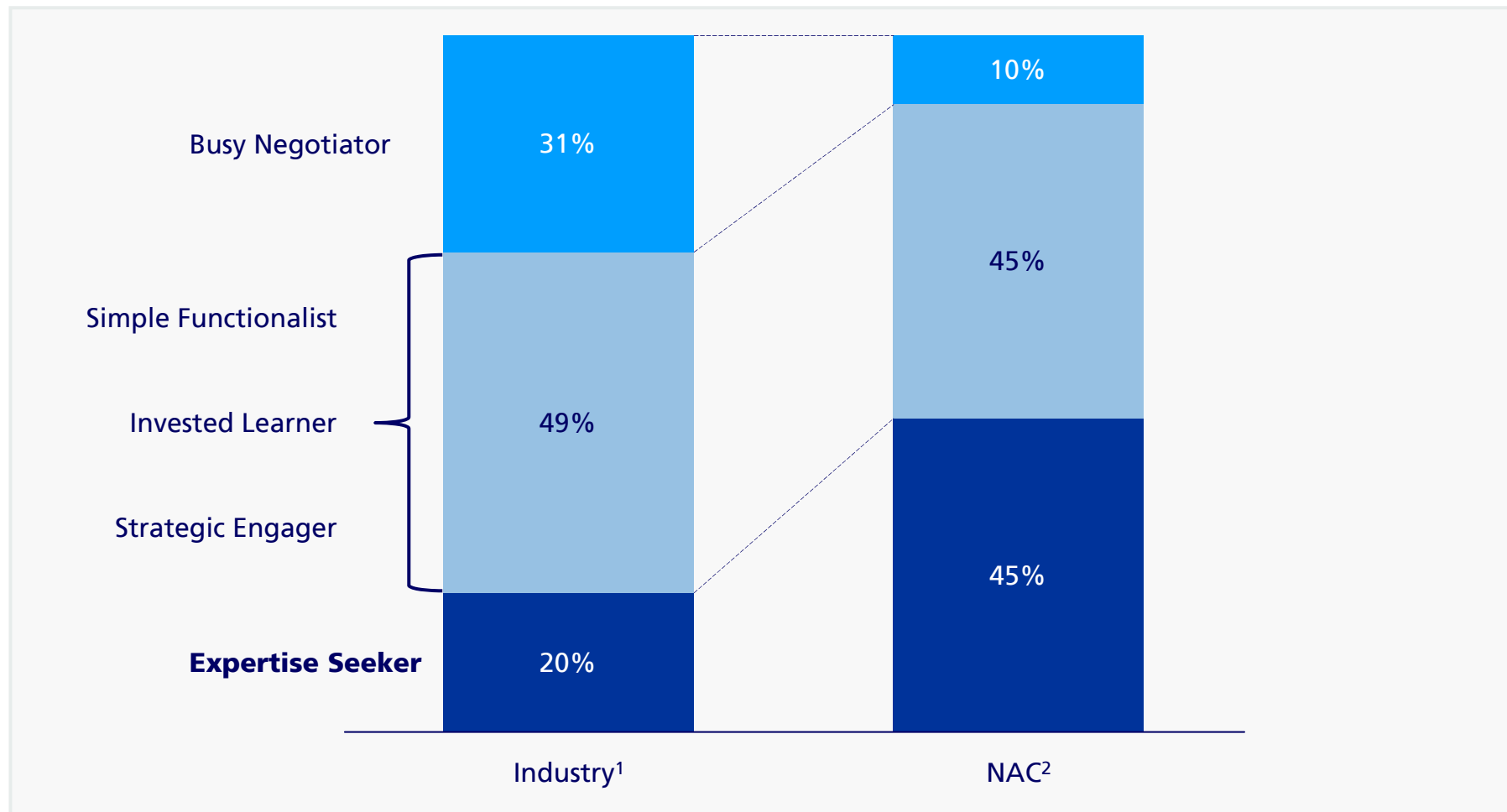
Strong reputation, credentials and references

Claims touch points and carriers who fairly settle claims

Fairness and transparency during the renewal process

Both the carrier and the broker relationship

# We have already shown an ability to win Expertise Seekers



<sup>1</sup> Industry includes all companies greater than USD 5m annual revenue.

<sup>2</sup> Sample of 484 customers.

# We identified 12 key 'Moments of Truth' across the customer journey



## CUSTOMER JOURNEY



# We reacted to customer feedback to improve the claims FNOL<sup>1</sup> experience



## FNOL PAIN POINTS IDENTIFIED

- Longer than normal **call length** during periods of increased new hires
- **Website** difficulties that negatively impacted their ability to file claims
- New customers wanted **an easy-to-understand process** for reporting claims

## ACTIONS TAKEN

- Enhanced **new hire training curriculum** to focus on customer service mindset, phone skills
- **Revamped and republished** easy-to-navigate website for loss reporting
- Developed "**ClaimsKits**" that provided guidance on how to easily report claims

## IMPACT ON FIRST NOTICE OF LOSS TNPS<sup>2</sup>

First Notice of Loss TNPS

67

76

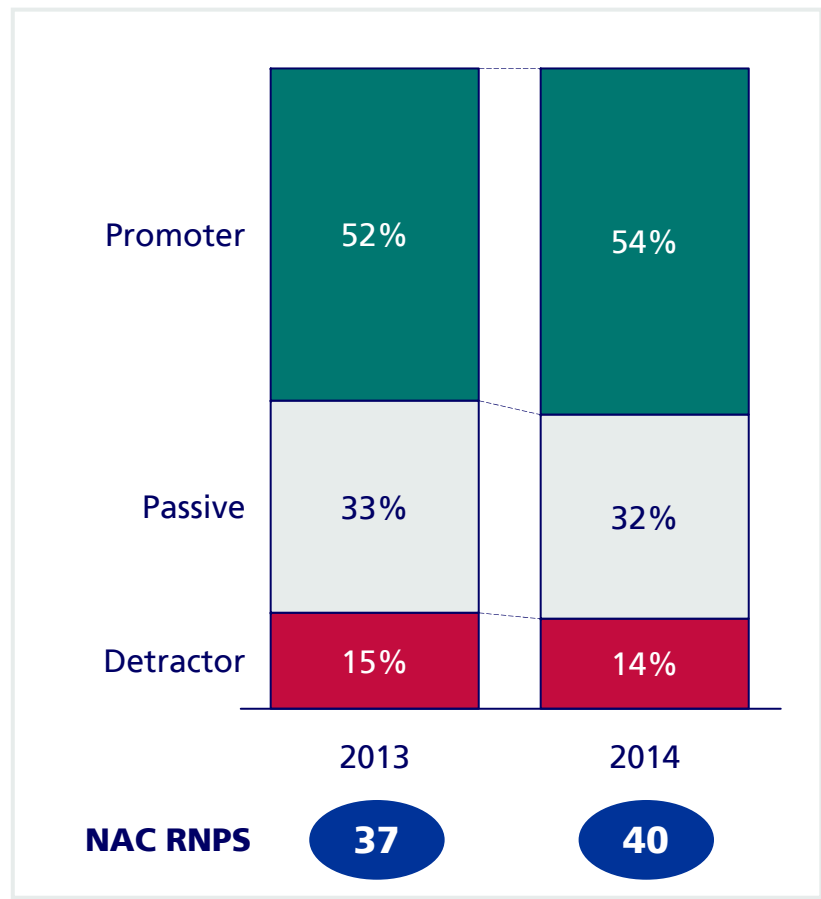
<sup>1</sup> First notice of loss.

<sup>2</sup> Transactional NPS scores are for the 6 month periods from Q4-13 / Q1-14 to Q2-14 / Q3-14.

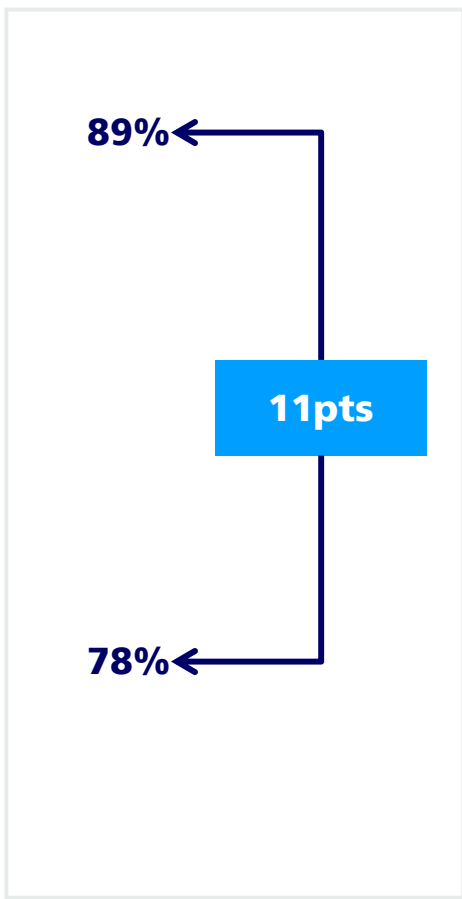
# We are driving an increase in our relationship NPS which should support our growth goals



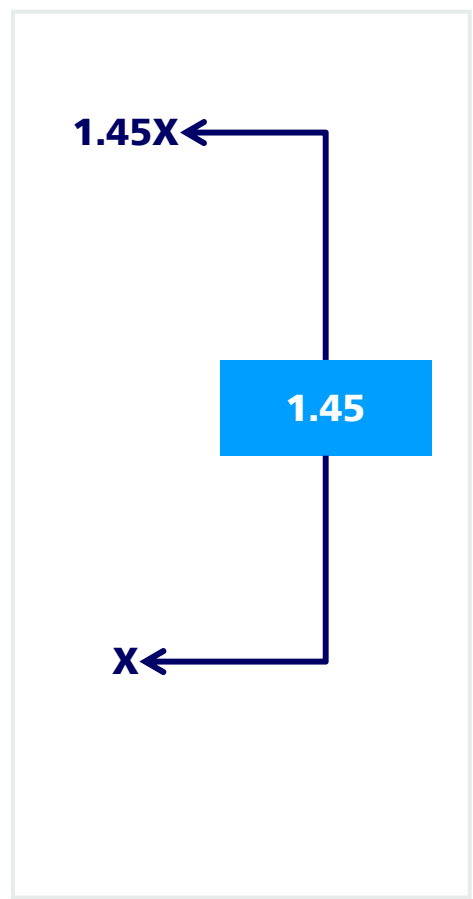
## NAC RNPS RESULTS



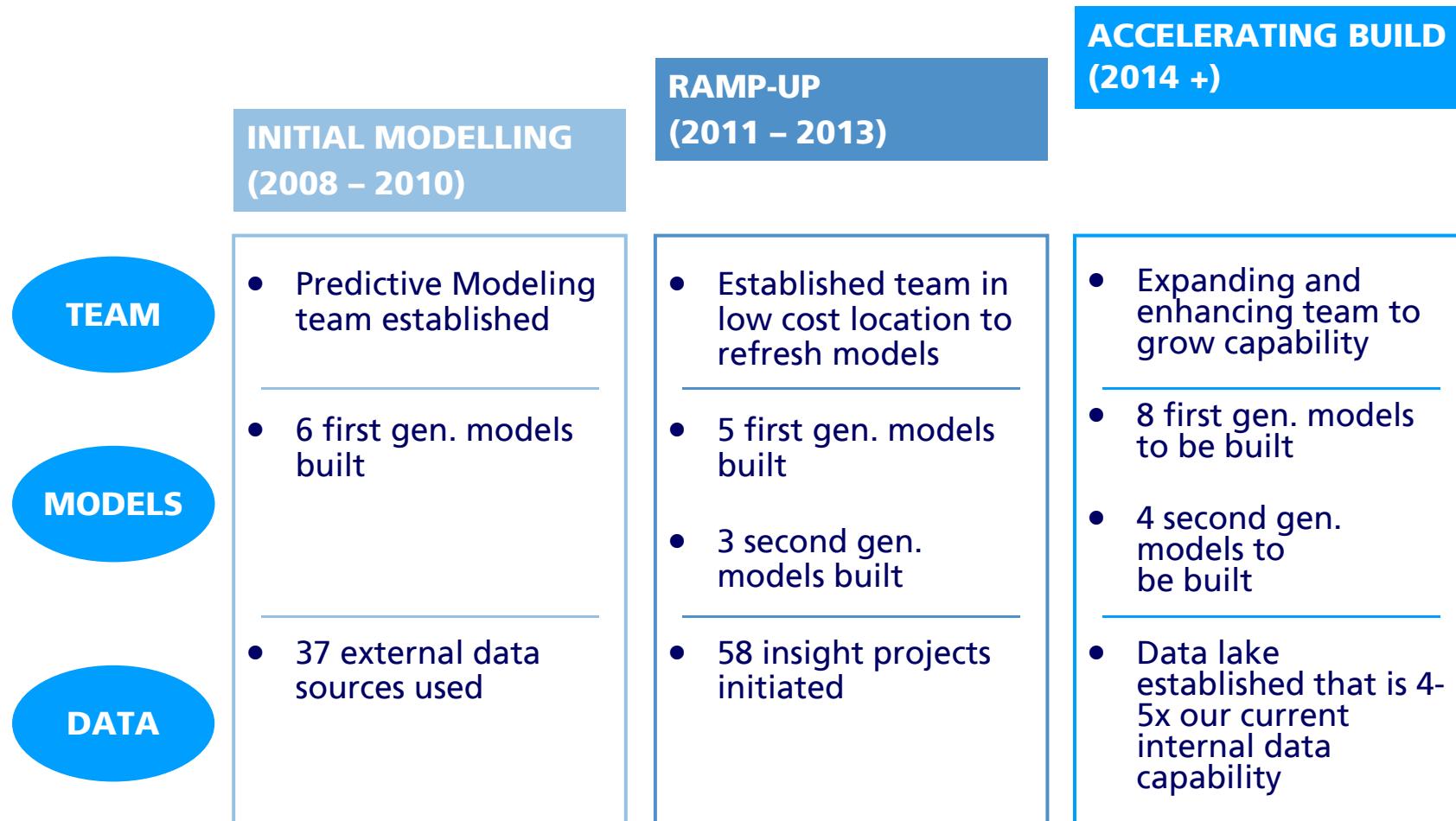
## RETENTION RATE



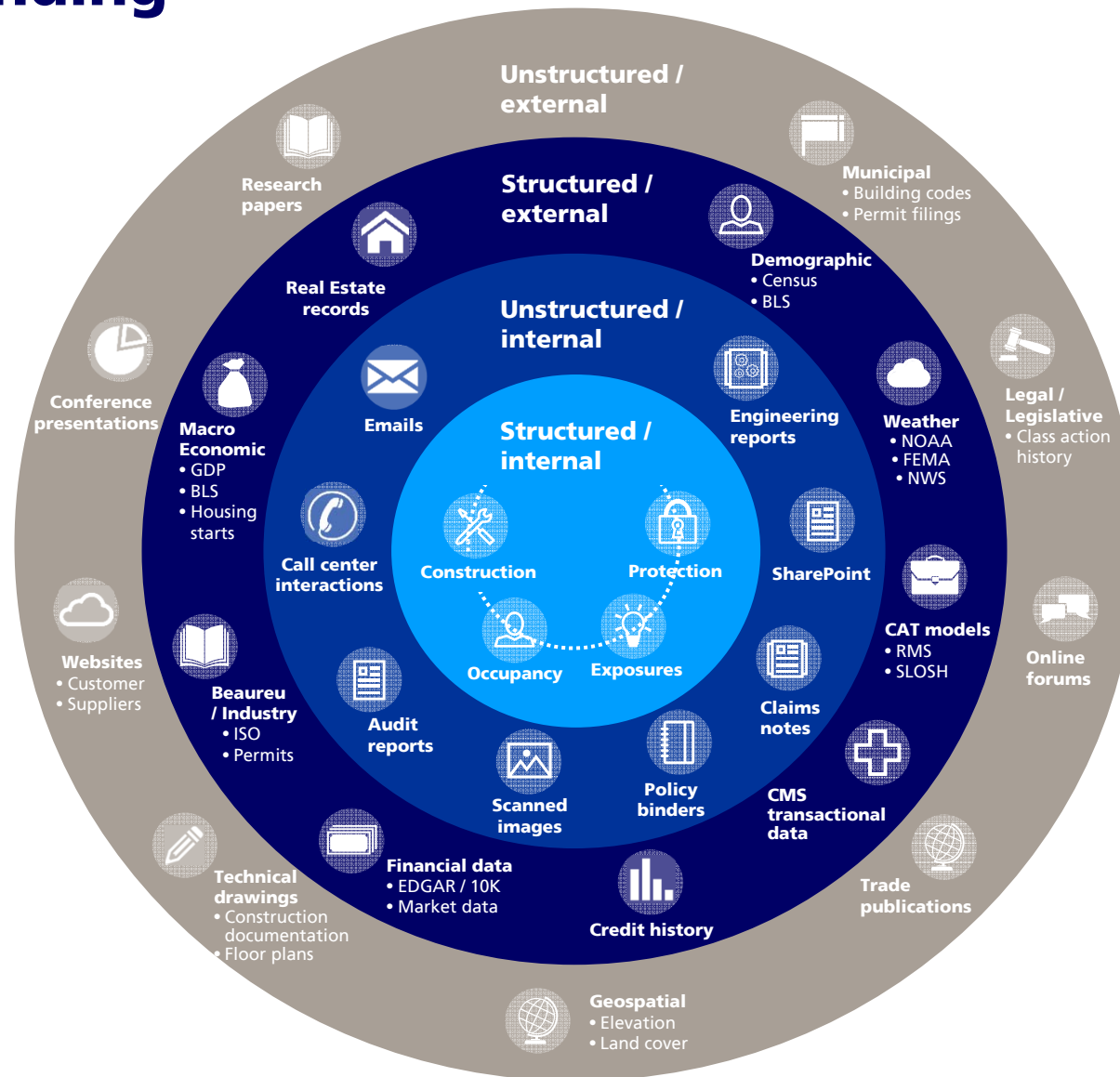
## AVERAGE PREMIUM



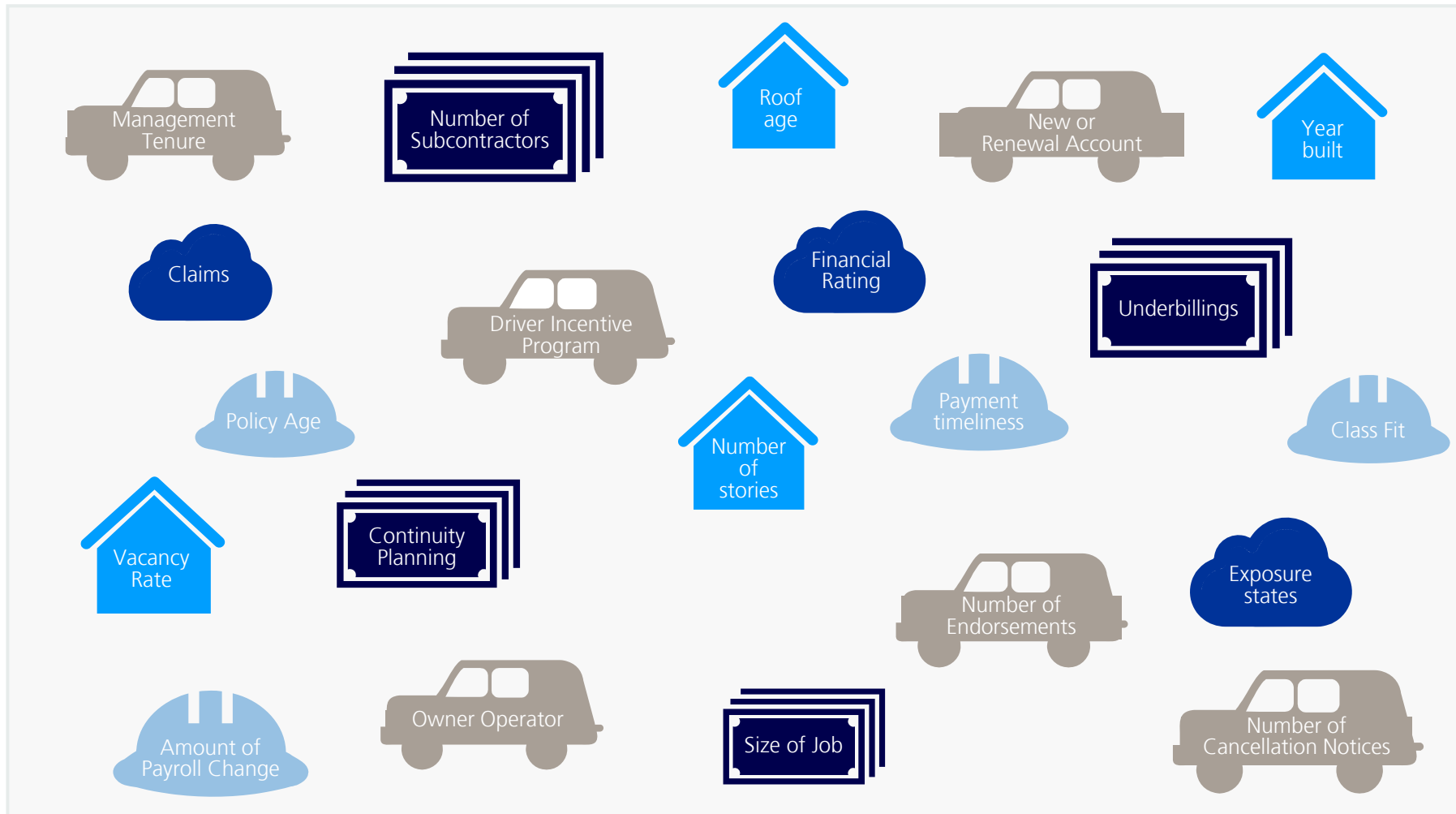
# We are accelerating our investment in predictive analytics



# Our ability to utilize new sources of data is expanding



# Individual underwriter pattern recognition is insufficient

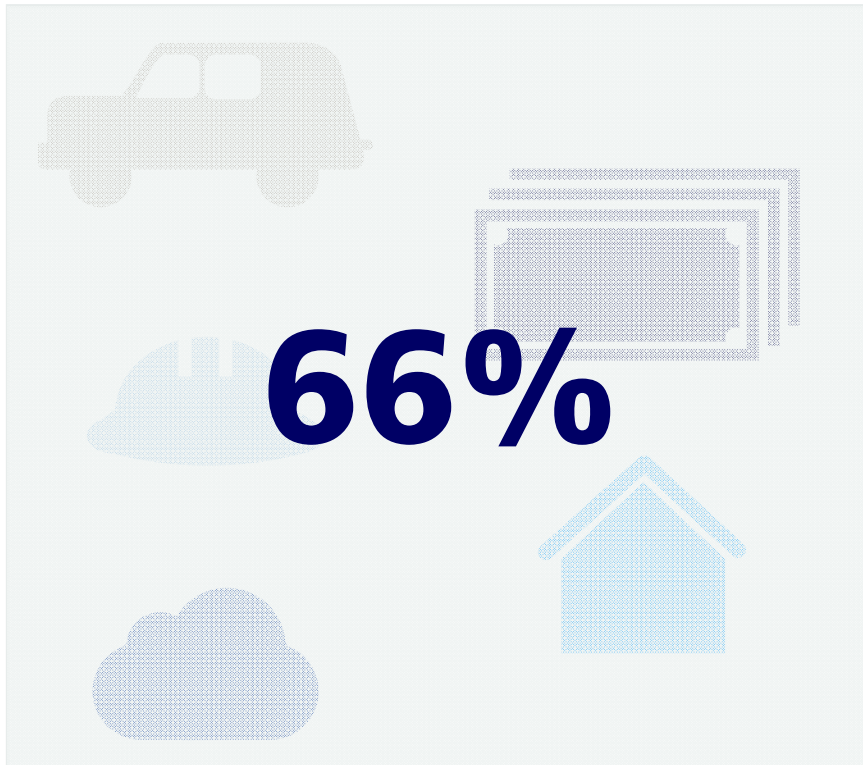




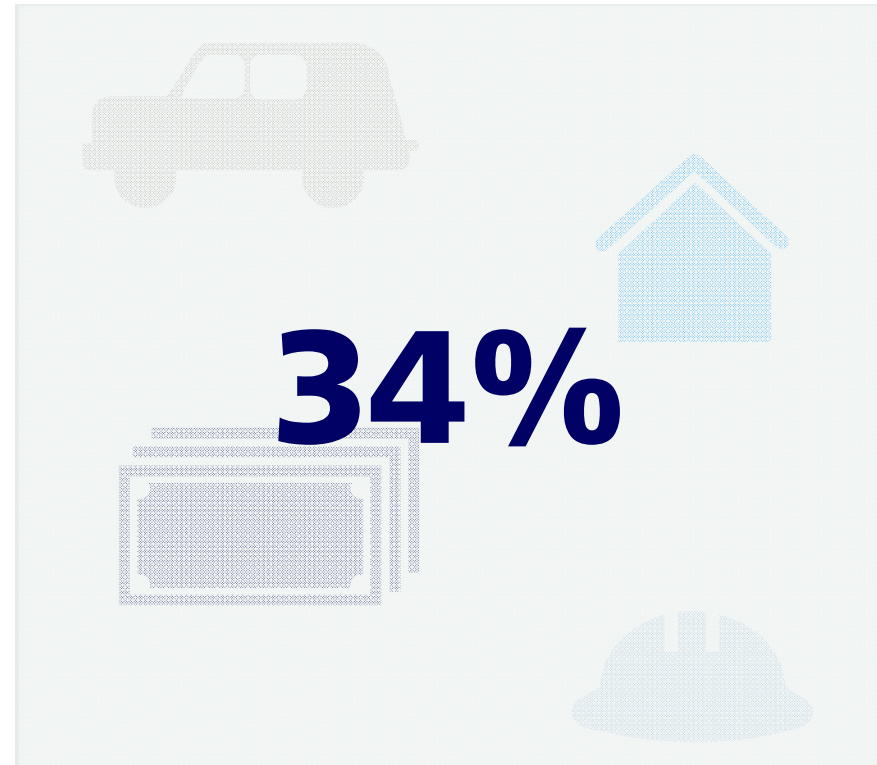
# Approximately 1/3 of the time, individual pattern recognition results in poor decisions



## PREDICTIVE

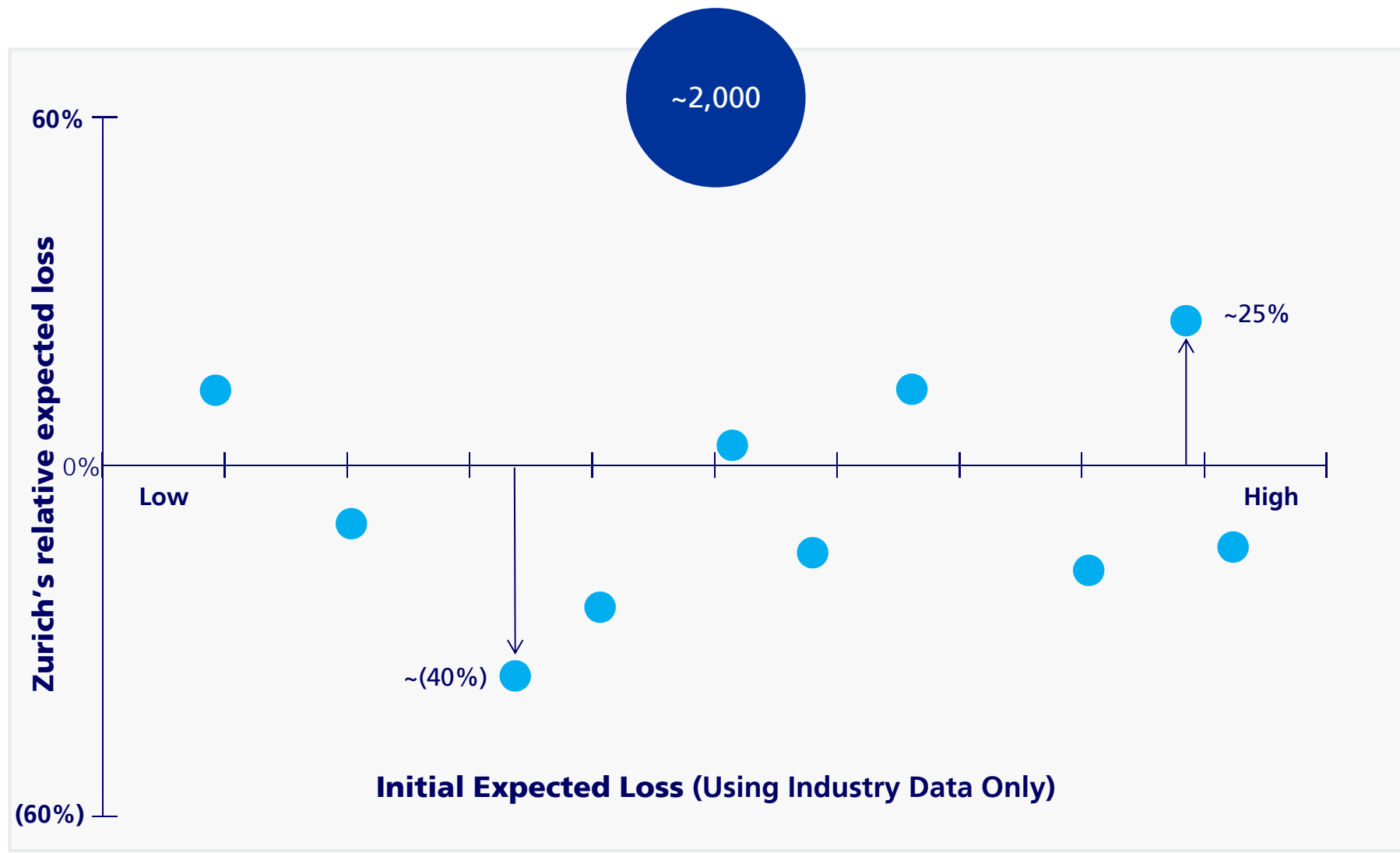


## COUNTER PREDICTIVE

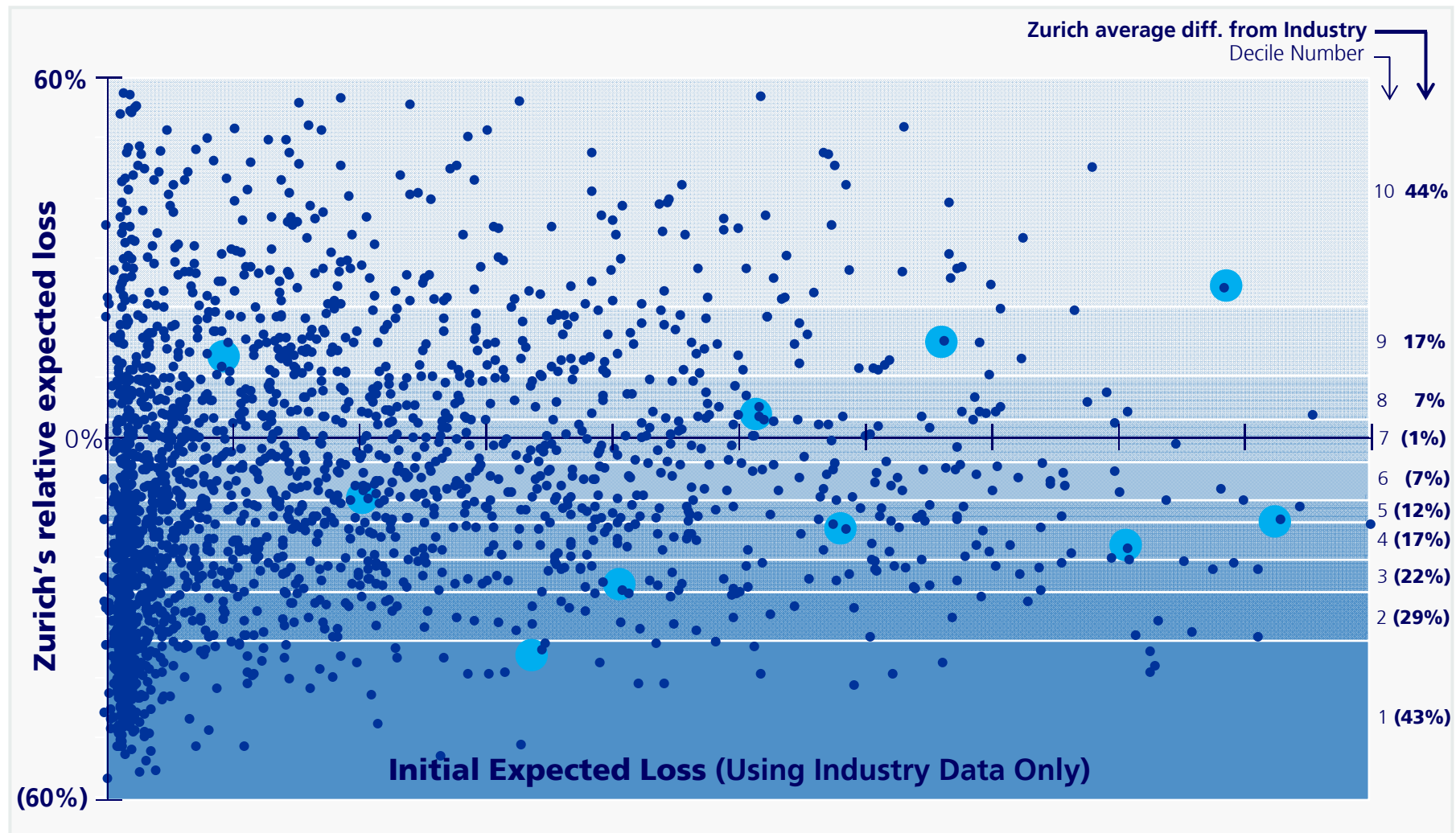


Note: Graphics shown in each category (Predictive, Counter Predictive) are purely illustrative.

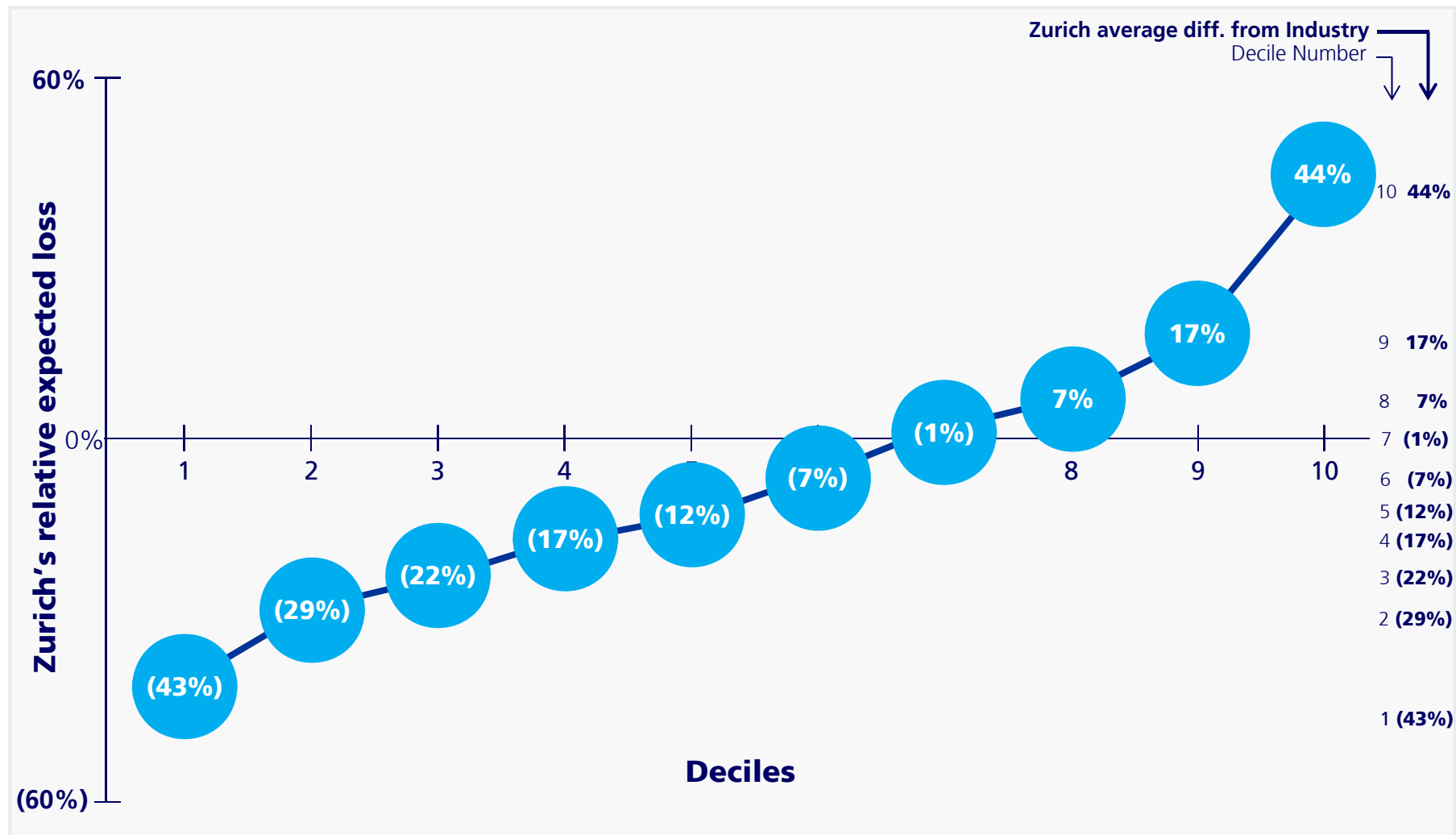
# Workers' Compensation example: Zurich's view can vary significantly from a basic view



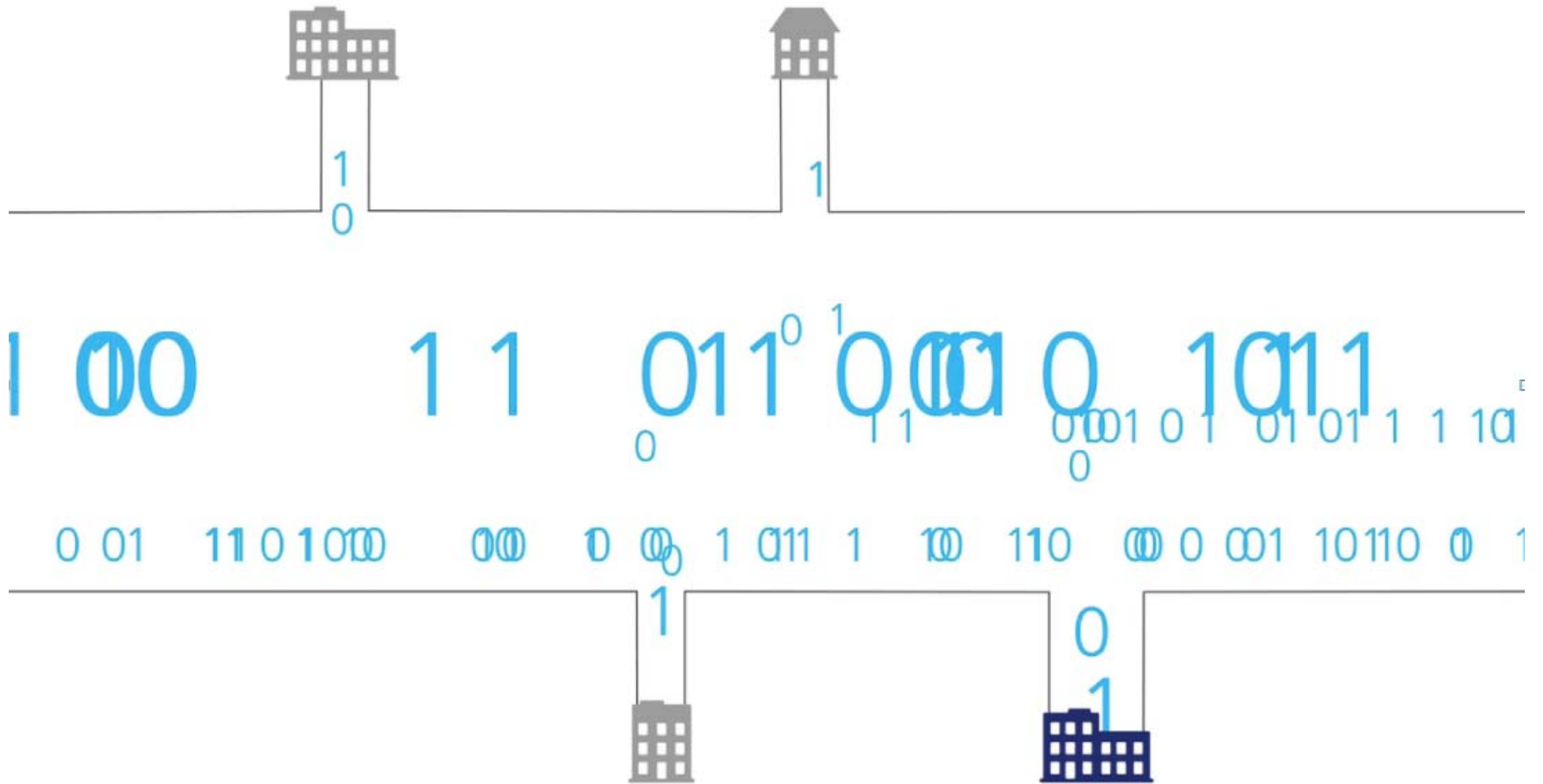
# Our policy level expected losses are ~40% lower to ~40% higher than using industry data only



# Resulting 'lift curve' shows how Zurich can appropriately price for the risk



# Insights are important, but require the 'last mile' to capture the benefit



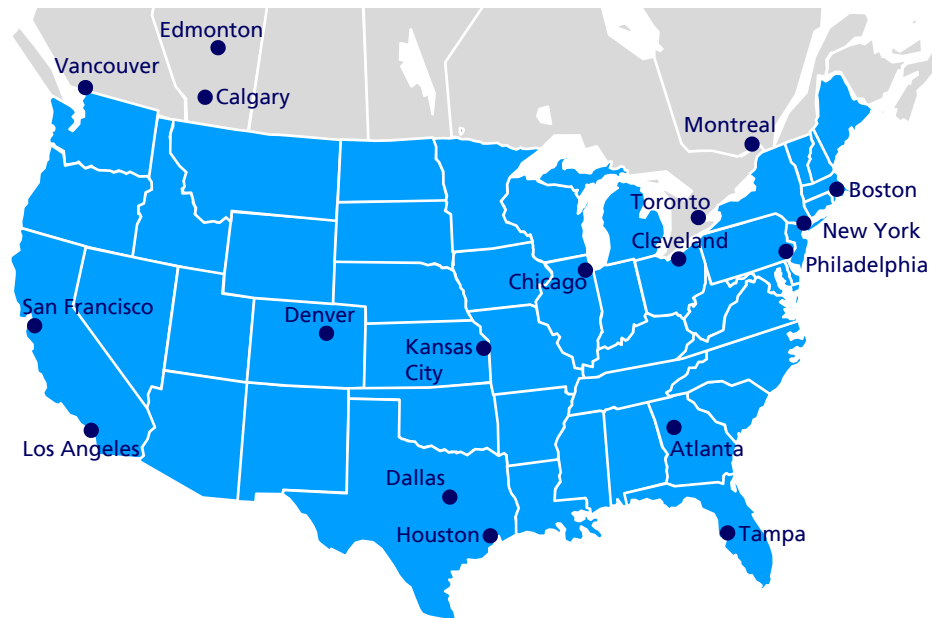
# Commercial Markets serves many industries across all of North America



CM has over 300 UWs across the US and Canada...

...insuring a wide range of companies

● Commercial Markets offices



Construction



Manufacturing



Real Estate



Financial Institutions



Technology



Healthcare



PACE<sup>1</sup>



International

<sup>1</sup> PACE customers are those between \$5m and \$25m in annual revenue.

# We've calibrated our underwriters to drive consistent risk assessment and pricing

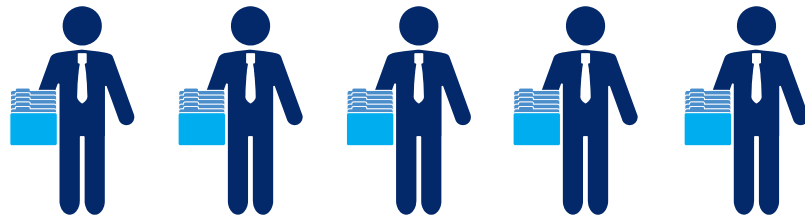


## WHAT IS 5/5/5?

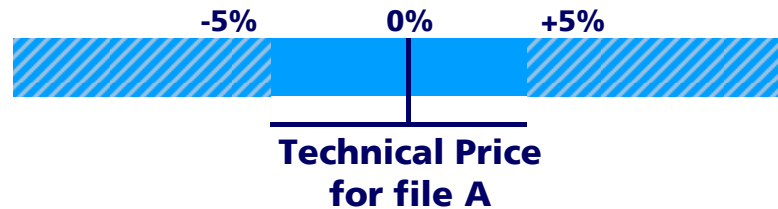
If we give the same five files ...



... to five underwriters ...

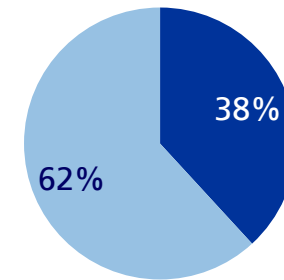


... they should be able to come within +/- 5% of the Technical Price

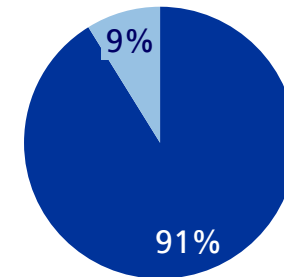


## 5/5/5 RESULTS<sup>1</sup>

Prior to 5/5/5



Current calibration



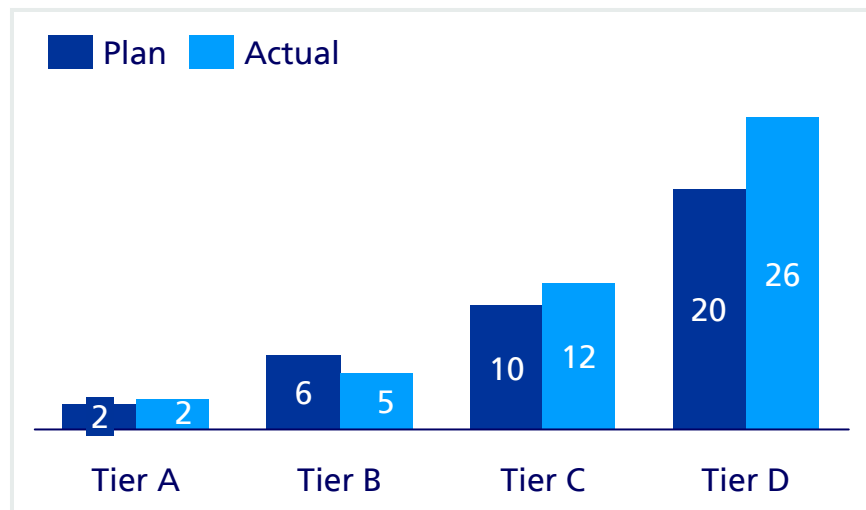
■ Calibrated ■ Not Calibrated

<sup>1</sup> Commercial Markets only

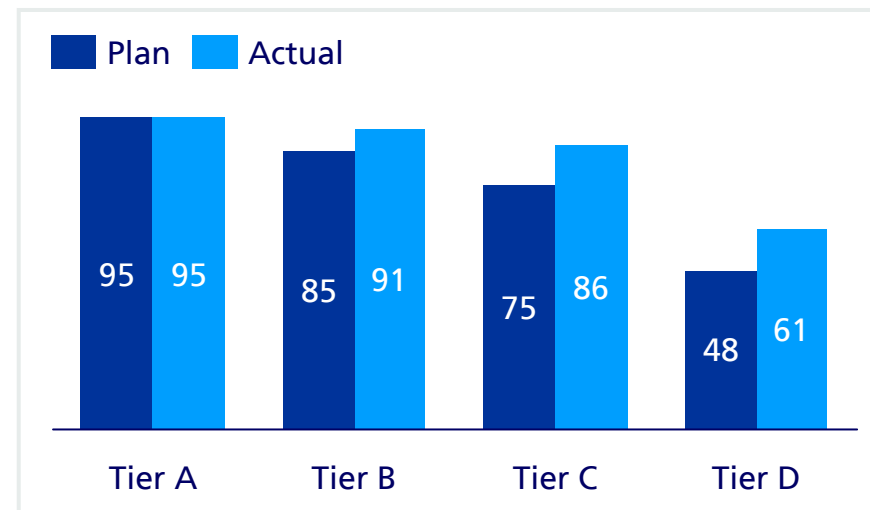
# We will continue to drive tiering results to improve our profitability



## RATE CHANGE, SELECT EXAMPLE FROM COMMERCIAL MARKETS FY-13 (%)



## PREMIUM RETENTION, SELECT EXAMPLE FROM COMMERCIAL MARKETS FY-13 (%)



## CHANGE IN PREMIUM MIX

	Tier A	Tier B	Tier C	Tier D
% Premium before Rate	43.3	38.6	14.7	3.4
% Premium after Rate	44.0	38.5	14.8	2.7

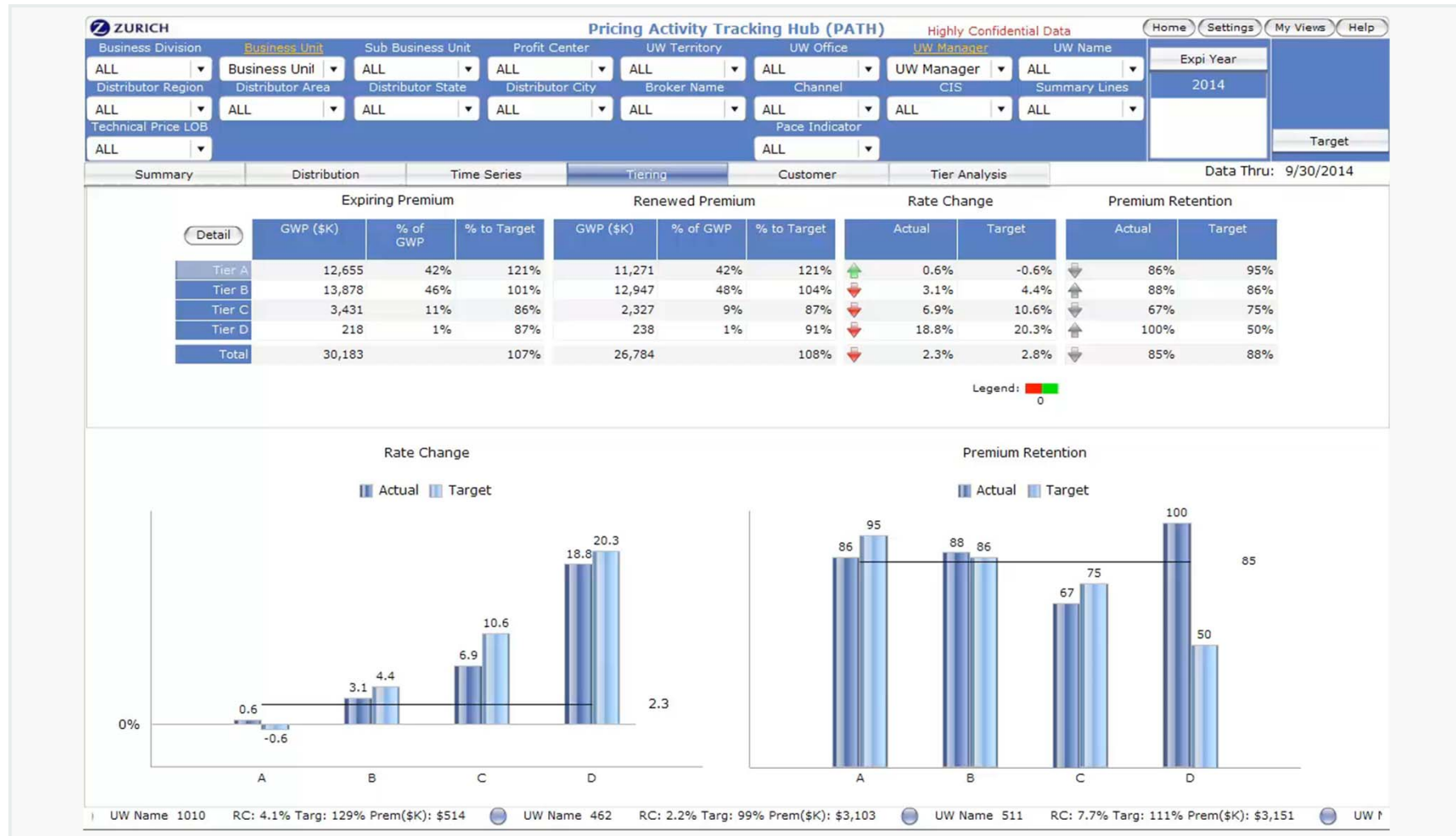
## EFFECT ON % TO TARGET FROM TIERING

% to Target Change from Tiering:	~2.0 pts
% to Target Change from Rate:	~5.6 pts
% to Target Change from Tiering + Rate:	~7.6 pts

Note: Tiers on the left are relatively more profitable than tiers to the right, with Tier A representing the most profitable part of the portfolio.



# Pricing Activity Tracking Hub (PATH) allows us to ensure front-line pricing discipline



# Pricing Activity Tracking Hub (PATH) allows us to ensure front-line pricing discipline



# Pulling up to our full customer view, we find that overall, this customer is well-priced



## PATH – Account Specific Detail

### Policy Detail: *Policy GHI*

LOB	Property
Effective Date	5/1/2014
Policy GWP	\$927,546
Tech Price	\$1,426,994
Target Price	
AP/TP	
Percent to Target	<b>65%</b>
Line Tier	
Rate Change	N/A
Primary Premium State	New York
Occurrence Limit	\$9,999,999
Deductible	\$100,000
SIR/Attachment Point	N/A
Policy Symbol	CPP

### Customer Information: *Customer 123908*

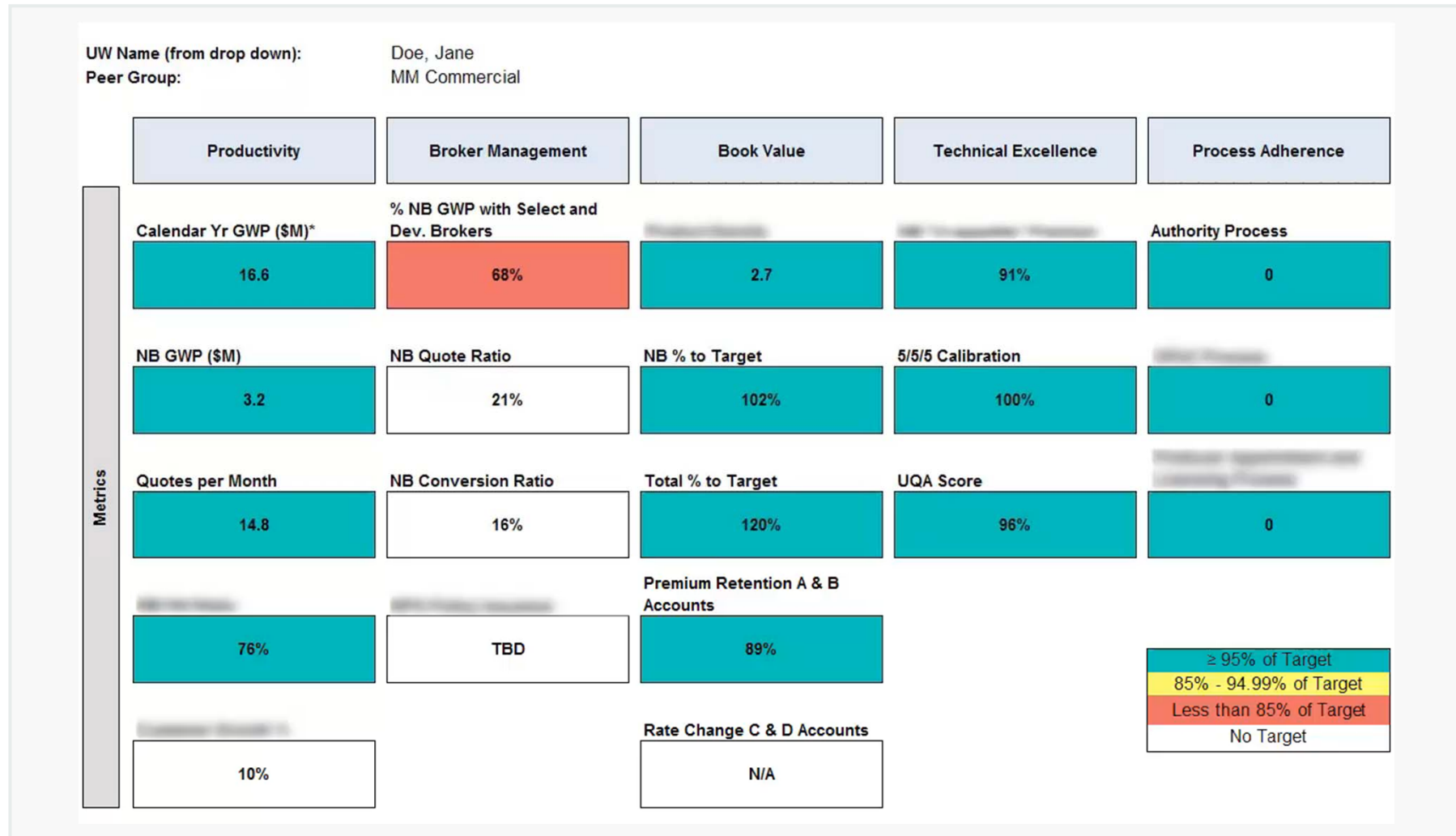
Name	Customer 123908
Industry Segment	Education
DUNS	00000000000
Customer GWP	\$3,549,091
CORMIS Lines Written	
AP/TP	
Percent to Target	<b>104%</b>
Account Tier	
Rate Change	N/A
Revenue / Sales	0.2%
Total Employees	3,512
SIC	00000000000

### Distributor Information

Distributor Name	00000000000
------------------	-------------

Example

# We are driving front-line accountability through the use of scorecards



# Execution at the front-line is critical



## TO WRAP-UP ON THE 'LAST MILE'

- Clear expectations for our underwriters
- Robust tools for underwriting managers
- Driving better outcomes at the transactional level, ...  
while balancing overall customer dynamics

# Growing market share and operating earnings, even in a more challenging environment



We have reshaped the business and are delivering strong results – but with room to improve

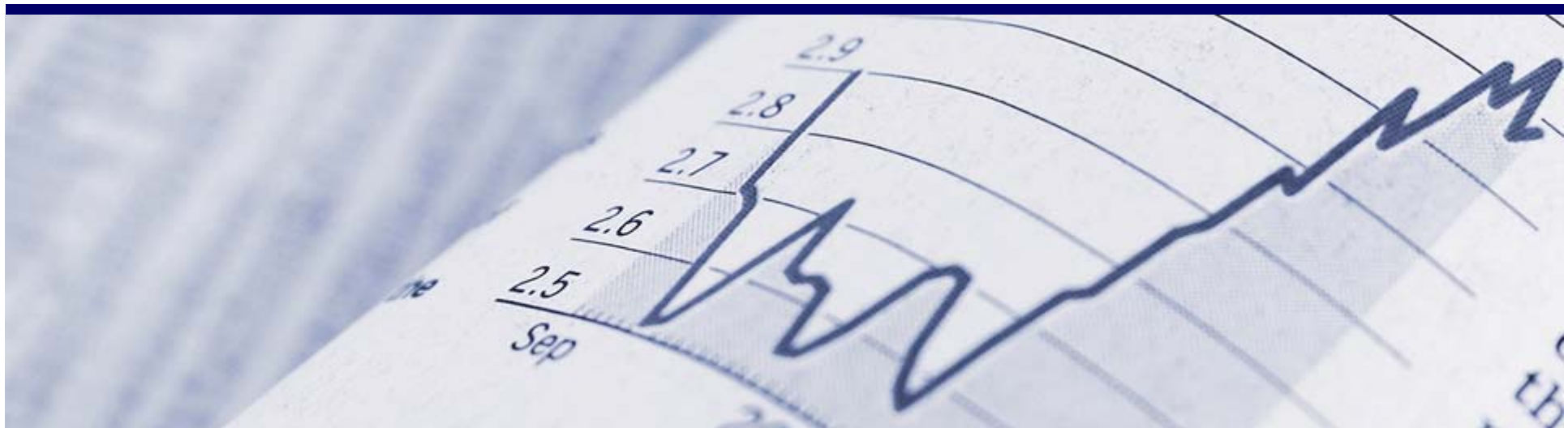
US commercial insurance is undergoing far reaching change, which plays to our strengths

Investments in customer segmentation and predictive analytics position us at the forefront of the industry

'Going the last mile' is critical – our consistent execution and disciplined control are real differentiators

# Finance Update

George Quinn  
Chief Financial Officer



# Key targets

On track



## 9M-14 KEY RESULTS

<b>BOP</b>
<b>USD 3.8bn (+7%)</b>

<b>NIAS</b>
<b>USD 3.0bn (+3%)</b>

## TARGET METRICS OVER STRATEGIC PERIOD

<b>BOPAT ROE<sup>1</sup></b>	<b>9m-14</b>	<b>Target</b>
	11.8%	12 - 14%
<b>Z-ECM<sup>2</sup></b>	<b>9m-14</b>	<b>Target</b>
	127%	100 – 120%
<b>Net cash remittances</b>	<b>FC FY-14</b>	<b>Cumulative 3-year target</b>
	> USD 3.5bn	> USD 9bn

<sup>1</sup> Business operating profit after tax return on equity (annualized), excluding unrealized gains and losses on available-for-sale investments and cash flow hedges.

<sup>2</sup> Zurich Economic Capital Model (Z-ECM).

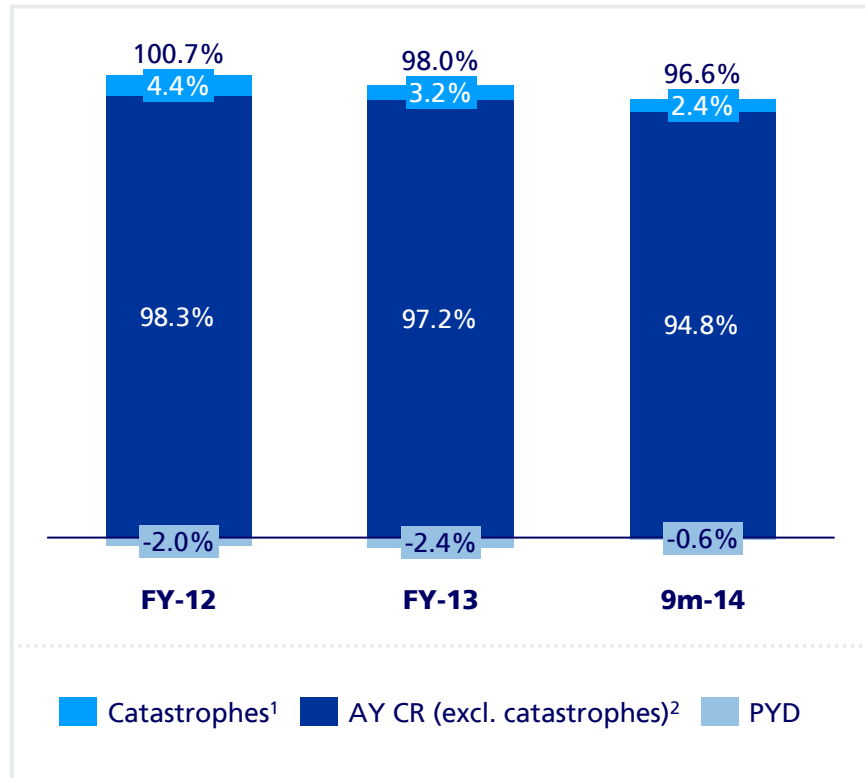


# General Insurance

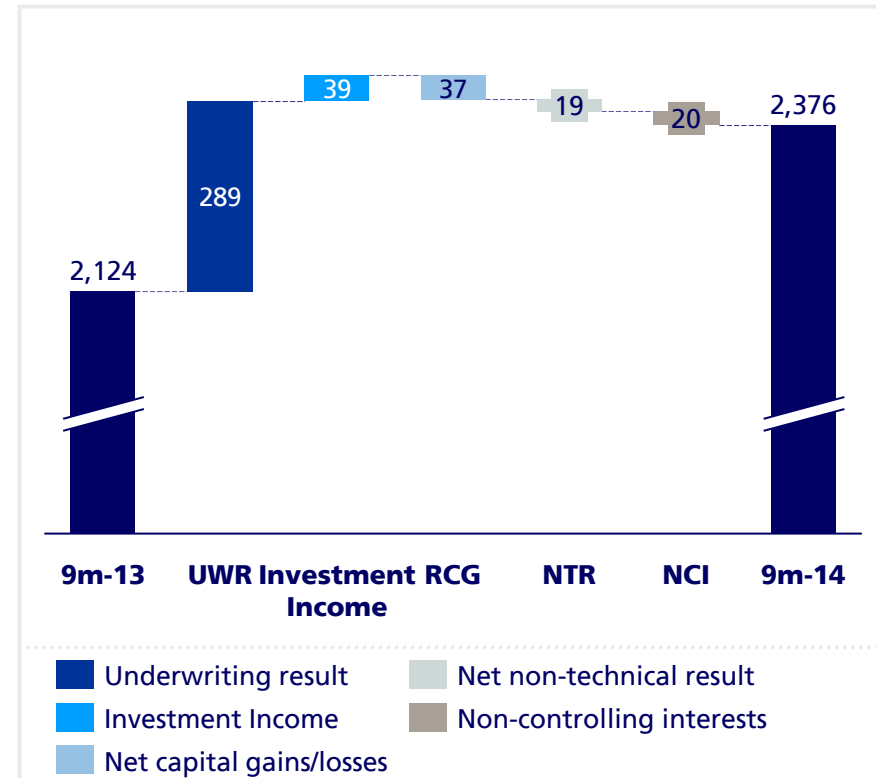


Significant improvement in accident year profitability

## COMBINED RATIO SPLIT (%)



## BOP (USDm)



<sup>1</sup> Catastrophes includes major and mid-sized catastrophes including significant weather related events.

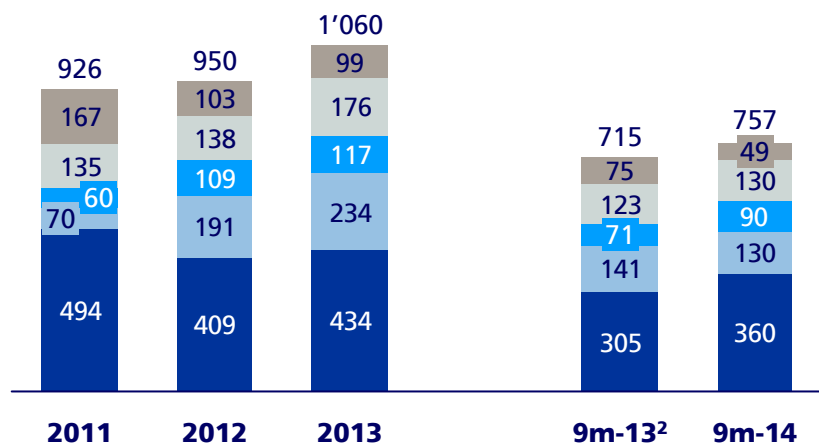
<sup>2</sup> Accident year combined ratio excludes prior year reserve development.

# Global Life

Good progress in repositioning the business



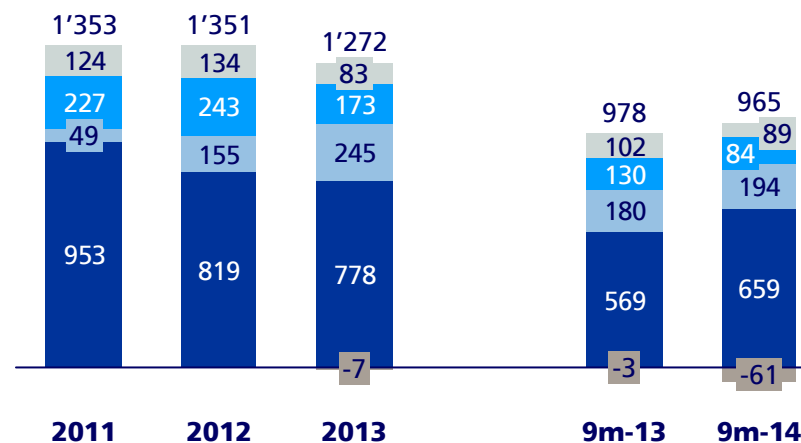
## NEW BUSINESS VALUE<sup>1</sup> (USDm)



■ Other    ■ North America    ■ Europe  
■ APME    ■ Latin America

- Strong growth in recent years in LatAm and North America
- Success story in bank distribution
- More selective approach to investment

## BOP (USDm)



■ Other    ■ North America    ■ Europe  
■ APME    ■ Latin America

- Lower yields and investment in start up businesses has impacted operating profits
- Aim to significantly improve profitability by the start of 2016

<sup>1</sup> NBV are shown net of non-controlling interests for all the periods.

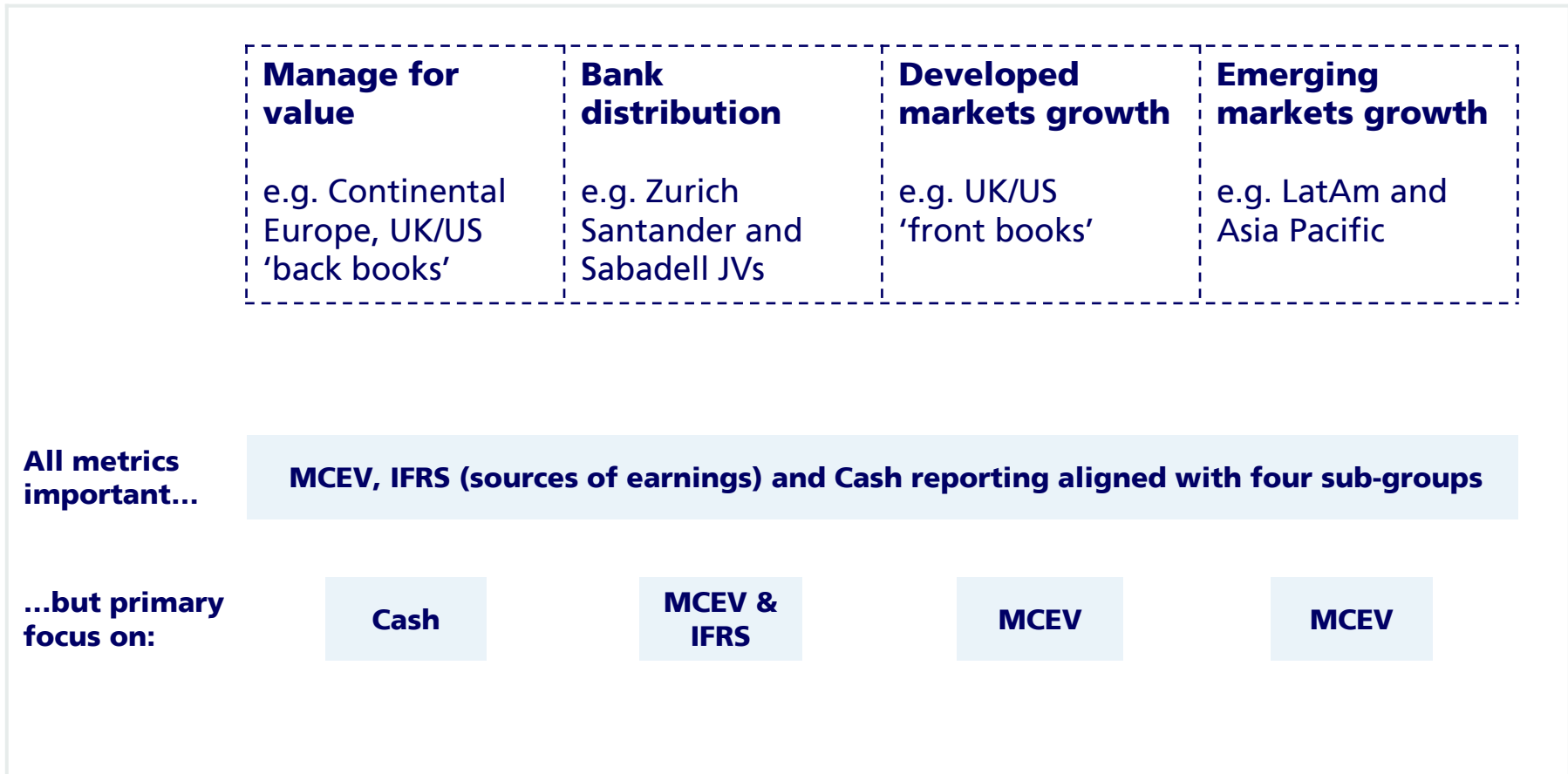
<sup>2</sup> 9m-13 new business value has been adjusted to reflect an estimate of the impact of changes in expense and other assumptions introduced from the start of 2014; reported new business value for 9m-13 was \$790m. FY-11 to FY-13 NBV has not been adjusted.

# How we will improve life reporting

Segmenting reporting to align with strategic priorities



## PROPOSED APPROACH



# Prioritizing investment

Stepped up investment in all areas of the business



## INVESTMENTS IN 2014

- General Insurance
  - Targeted investments, adding ~0.5pts to GI expense ratio
  - Primary focus on NAC, Global Corporate, Switzerland and Italy, but with additional investments into other priority markets
  - Distribution deal in Brazil with Via Varejo (\$350m up front payment relating to Extended Warranty insurance, covering ~1,000 stores, expected to generate \$530m GWP in 1<sup>st</sup> year)
  - Further investments expected in 2015 and 2016
- Global Life
  - Continued expansion of start up operations in UK (e.g. Corporate Life & Pensions), US (IFA distribution), LatAm ex-Zurich Santander and Asia Pacific (e.g. Indonesia and Malaysia)
  - Extension of joint venture with Banco Sabadell in Spain (~2.4m additional customers)
  - Operating leverage potential as start-ups get to scale, from 2016 onwards

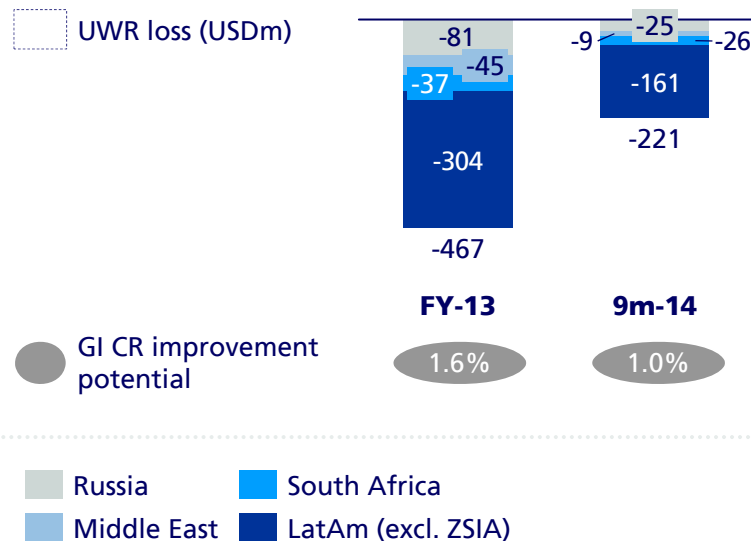
# Managing for value

Actions underway, full potential still to be tapped



## GENERAL INSURANCE

- Significant potential from improving performance of 'turnaround' businesses<sup>1</sup>



## GLOBAL LIFE

- Exit from marginal positions, with further prioritization of investment spend
- Phase 1 of in-force management actions targeted to deliver \$80m-\$100m BOP
- Assessing structural options, we expect to see progress in 2015

<sup>1</sup> Zurich's LatAm business is a priority market and not a candidate for exit, but still shows potential to improve profitability.

# Growing operating earnings

More to do



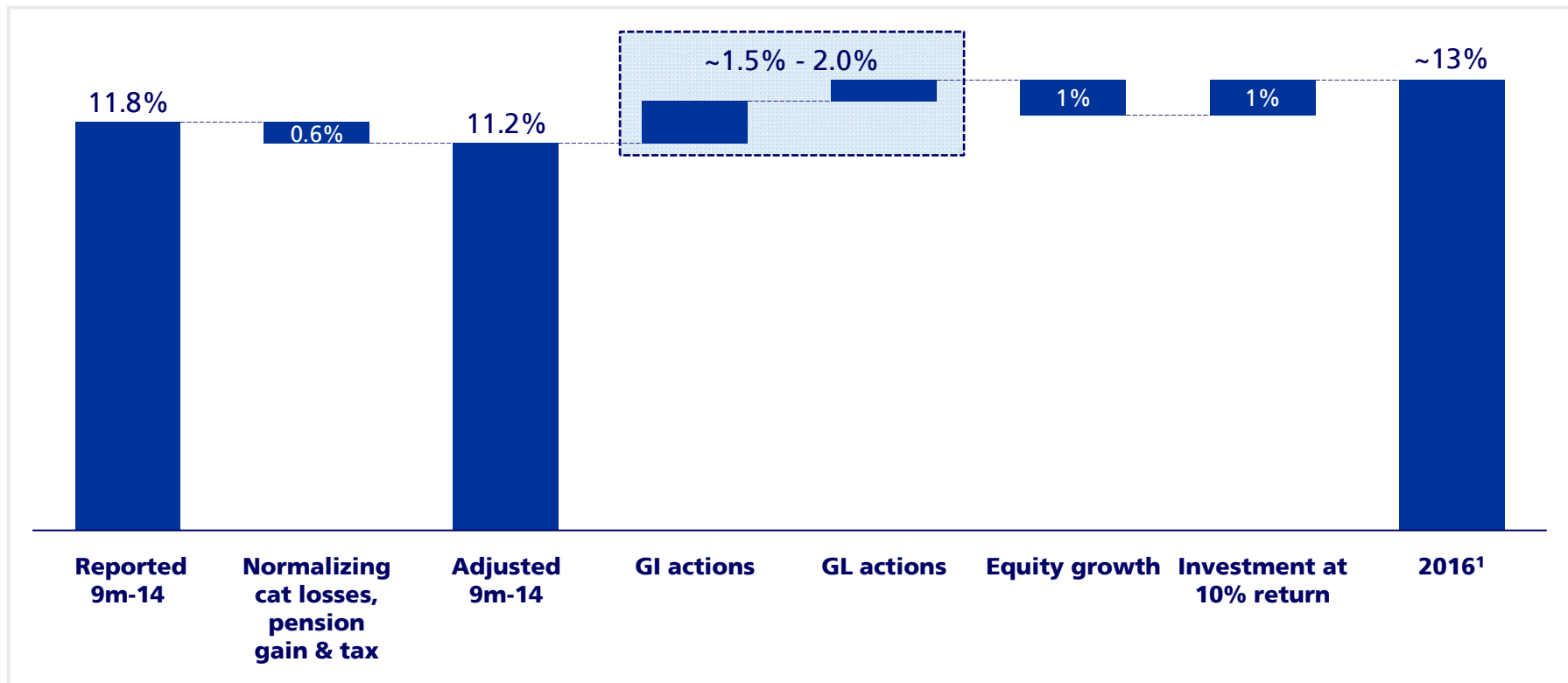
## CONTINUE PROGRESS FROM 2014

- Progress in 2014 across the group
  - Substantial improvement in GI accident year ex-cat combined ratio
  - Global Life BOP impacted by 'clean up' actions and costs associated with strategic initiatives
  - FMS results broadly stable, but with a much more optimistic top-line outlook for 2015
  - On track to deliver \$250m cost savings 'above the business unit' by end of 2015
  - Completed allocation of additional risk capital to investment management
- But more needs to be done
  - Further improvement in the GI accident year ex-cat loss ratio (eg, Global Corporate)
  - Deliver on Global Life's directional view to deliver quarterly BOP > \$350m by the start of 2016
  - Continued focus on operating efficiency across the business

# These initiatives show how we can deliver on our target of a 12-14% BOPAT ROE



## BOPAT ROE (%)



<sup>1</sup> Indicative and directional view of 2016 BOPAT ROE only; actual target ROE range for 2014-2016 is 12-14%.

# Closing remarks

Martin Senn  
Chief Executive Officer





# Appendix



# Biography Martin Senn



## Skills and experience

Martin Senn (born 1957, Swiss Citizen) is a trained banker and worked for the former Swiss Bank Corporation from 1976 to 1994 including as treasurer in Hong Kong and regional treasurer for Asia and the Pacific region in Singapore before eventually managing the company's Tokyo office. In 1994, he joined Credit Suisse where his executive roles included those of treasurer for the Head Office and Europe and chairman of Credit Suisse Group, Japan with a mandate to restructure and reposition all legal entities of the Group in Japan. In 2001, he became a member of the Credit Suisse Banking executive board and was appointed head of its Trading and Investment Services Division. From 2003 until 2006, he served as a member of the corporate executive board and as chief investment officer of the Swiss Life Group. Mr. Senn joined Zurich Insurance Group in 2006 as Chief Investment Officer, serving on the Group Executive Committee and became Chief Executive Officer, effective January 1, 2010.

## External appointments

Mr. Senn serves in a senior capacity with numerous business and industry organizations, including Avenir Suisse, the Zurich Association of Economics, the Swiss-American Chamber of Commerce, the Geneva Association and the Institute of International Finance (IIF). Besides that, he is a representative of the Property and Casualty CEO Roundtable, a member of the Pan European Insurance Forum (PEIF), the European Financial Services Roundtable (EFR), the advisory board of Tsinghua School of Economics and Management and of the international advisory board of the Atlantic Council. Mr. Senn is also a member of the board of trustees for the Lucerne Festival and serves as a Honorary Consul for the Republic of Korea in Zurich.

## Educational background

Mr. Senn received a Commercial and Banking diploma from the Business School in Basel, Switzerland and completed an International Executive Program at INSEAD in Fontainebleau as well as an Advanced Management Program at Harvard Business School.

# Biography Jeff Dailey



## Skills and experience

Jeff Dailey (born 1957, U.S. citizen) began his career 1980 with Mutual Service Insurance Company. He also worked for Progressive Insurance Company. He went on to form Reliant Insurance Company, an auto insurance start-up owned by Reliance Group Holdings, which was sold to Bristol West Holdings Inc. in 2001. From 2001 until 2004, Mr. Dailey was COO of Bristol West and, in 2004, he was named President of Bristol West, following the firm's IPO on the New York Stock Exchange. In 2006, he became CEO of Bristol West. Mr. Dailey joined Farmers in 2007 as President of Personal Lines for Farmers when Farmers acquired Bristol West where he served as Bristol West CEO. In January 2011, he was promoted to the position of President and Chief Operating Officer (COO) of Farmers Group, Inc. He became a member of the Board of Farmers Group, Inc. in February 2011. Mr. Dailey was appointed to his current role of CEO of Farmers Group, Inc. and became a member of the Group Executive Committee in January 2012.

## Educational background

Mr. Dailey graduated from the University of Wisconsin-Madison with a bachelor's degree in Economics and has an MBA from the University of Wisconsin-Milwaukee.

# Biography Mike Linton



## Skills and experience

Mike Linton has been in marketing and general management for over 30 years. He began his career in Brand Management at Procter & Gamble in 1980. He went on to Progressive Insurance, James River Paper Company and Remington in various Marketing and General Management positions. In 1999, Mike moved to Best Buy where he became its first ever Chief Marketing Officer responsible for all marketing, brand management, research, customer relationship management, call centers, the internal advertising agency and public and investor relations. In late 2006 he moved to eBay, first in general management as the Senior Vice President of eBay Motors, Canada, Half.com and eBay Stores and then as the CMO. He left eBay in early 2009 and consulted for a number of companies while writing for Forbes.com. In 2010, he joined a Silicon Valley start-up, and then was recruited to Farmers Insurance in October 2011 as its Chief Marketing Officer. His responsibilities include marketing, research, strategic planning, internal and external communications, innovation and the company's digital and mobile efforts.

## External appointments

Mr. Linton is on the Board of Directors of Capella Education. He previously served as a Director of Peet's Coffee & Tea, support.com and the Allen Edmonds Shoe Company.

## Educational background

Mr. Linton has a degree from Bowling Green State University and Duke's Fuqua School of Business.

# Biography Mike Foley



## Skills and experience

Mike Foley (born 1962, U.S. Citizen) joined the financial management training program of Armtek Corporation in New Haven, Connecticut, in 1984. After graduating from Kellogg in 1989, Mr. Foley joined the Deerpath Group in Lake Forest, Illinois, as an associate. He later became vice president responsible for managing a portfolio of equity investments in various acquired businesses. In 1993 he joined Electrocal, Inc. in Connecticut as president. In 1996, Mr. Foley joined McKinsey & Company in Chicago, Illinois, where he later became a principal and led its North American property/casualty insurance practice. He joined Zurich in 2006 as Chief Operating Officer of its North America Commercial business division and in January 2008 was appointed CEO of that division and a member of the GEC. Mr. Foley is also the Regional Chairman of North America and Chairman of the Board of Zurich Holding Company of America, Inc. (ZHCA).

## External appointments

Mr. Foley is a member of the Board of the American Insurance Association.

## Educational background

Mr. Foley graduated with a Bachelor of Science from Fairfield University, in Fairfield, Connecticut in 1984 and a Masters degree from the J.L. Kellogg Graduate School of Management at Northwestern University in Evanston, Illinois in 1989.

# Biography Craig Fundum



## Skills and experience

Craig Fundum (born 1957, U.S. Citizen) began his insurance career in 1981 as an underwriter with the Royal Insurance Group. He joined Zurich in 1990 and has held various leadership positions since, including Assistant Vice President of Commercial Group Programs, and Vice President of Sales and Marketing of Small Construction. He was appointed President of the Small Business Solutions SBU in 1997 and served as Chief Operating Officer of a Zurich internet exchange project in 1999. He was named Chief Marketing Officer for Zurich North America in 2003. He was appointed President of Programs Business in 2005 and president of Programs & Direct Markets in February 2008. In July of 2012, he became President of Commercial Markets.

## Educational background

Mr. Fundum has a bachelor's degree in marketing management from the University of Nebraska-Kearney. He has completed several executive management programs, including Darden School, College of Insurance, Kellogg School and Wharton School.

# Biography George Quinn



## Skills and experience

George Quinn (born 1966, British citizen) started his career at KPMG 1988 in London where he held several positions working with the insurance and reinsurance industry. He joined Swiss Re in 1999 as Chief Accounting Officer based in Zurich and later served as CFO for Swiss Re Group's Financial Services. Mr. Quinn became the Regional CFO for Swiss Re Americas based in New York in 2003. Since March 2007 he served as Swiss Re Group's Chief Financial Officer. Mr. Quinn joined Zurich in May 2014 as Chief Financial Officer.

## External appointments

Mr. Quinn is a member of the Board of Trustees of the Zurich International School and a member of the Finance Chapter of the Swiss American Chamber of Commerce.

## Educational background

Mr. Quinn holds a degree in engineering from the University of Strathclyde. Mr. Quinn is a member of the Institute of Chartered Accountants in England and Wales.

# Notes





# Notes



# Notes



# For further information



## CALL US

### Investor Relations

James Quin +41 44 625 21 10  
Aaron Beharelle +41 44 625 25 50  
André Meier +41 44 625 37 75  
Gianni Vitale +41 44 625 48 26

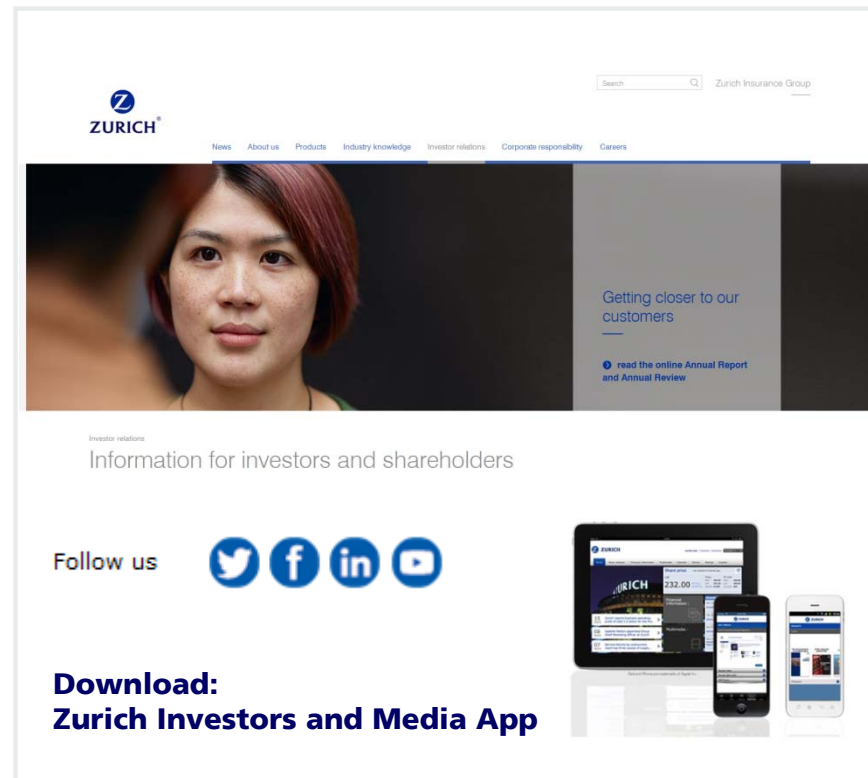
### Rating Agency Management

Michèle Matlock +41 44 625 28 50

### Events

Patricia Heina +41 44 625 38 44

## VISIT OR FOLLOW US



**Calendar:**

- February 12, 2015, Annual results 2014
- April 1, 2015, Annual General Meeting 2015, Zurich
- May 7, 2015, Results for three months to March 31, 2015
- May 21, 2015, Investor Day, Zurich

