THE DIGITAL TRANSFORMATION OF A GLOBAL INSURANCE COMPANY

George Quinn, Group CFO Zurich Insurance Group
Together for our customers

Our strategic aspiration
We will build on our commercial leadership position and our strong, trusted brand to serve every commercial and retail customer in a way that feels personal, is effective, and is uniquely Zurich

External context

Our strengths

Our actions

Our way of working
We are truly global and diversified

**GEOGRAPHIC SPLIT OF P&C GWP (2015)**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Zurich</td>
<td>7%</td>
<td>42%</td>
<td>0%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Allianz</td>
<td>7%</td>
<td>9%</td>
<td>5%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>ANUA</td>
<td>4%</td>
<td>5%</td>
<td>28%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>AIG</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Farmers</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Global Life</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>66%</td>
<td>92%</td>
</tr>
</tbody>
</table>

**GROUP BOP SPLIT (2013-2015)**

- General Insurance: 45%
- Farmers: 30%
- RoW: 26%

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1. Values include some estimates and adjustments for comparability. Zurich does not include Farmers Exchanges.
2. Excludes Other Operating Businesses and Non Core Businesses.
We focus investment where we have or where we can build relevant and profitable businesses.
We have a strong balance sheet with low investment risk

**Z-ECM RATIO & FINANCIAL STRENGTH RATINGS**

<table>
<thead>
<tr>
<th>Period</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY-13</td>
<td>127%</td>
</tr>
<tr>
<td>FY-14</td>
<td>122%</td>
</tr>
<tr>
<td>FY-15</td>
<td>121%</td>
</tr>
<tr>
<td>Q1-16</td>
<td>108%</td>
</tr>
<tr>
<td>HY-16</td>
<td>107%</td>
</tr>
<tr>
<td>9m-16</td>
<td>113%</td>
</tr>
</tbody>
</table>

AA- / outlook 'stable'

Aa3 / outlook 'stable'

A+ (Superior) / outlook 'negative'

**ASSET ALLOCATION**

- **Cash**: 82%
- **Equities**: 9%
- **Real estate**: 2%
- **Mortgages**: 21%
- **Hedge funds, PE**: 55%

1 Reflects midpoint estimate with an error margin of +/- 5ppts.
2 Based on total Group Investments of USD 203bn as of 9m-16.
3 PE: Private equity.
4 Premium and reserving risk (P&R).
We have a strong customer franchise and brand

THE ZURICH BRAND

- Zurich is seen as an ‘excellence’ and ‘high quality’ brand
- Highly rated on ‘provides professional service’ and ‘helps people protect what is important to them’

NUMBER OF INTERNATIONAL PROGRAMS (2015, ‘000s)\(^1\)

<table>
<thead>
<tr>
<th>Company</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZURICH</td>
<td>7.6</td>
</tr>
<tr>
<td>CHUBB</td>
<td>4.2</td>
</tr>
<tr>
<td>Allianz</td>
<td>2.5</td>
</tr>
<tr>
<td>Lloyds</td>
<td>1.9</td>
</tr>
<tr>
<td>AXA</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Plus Winner: ‘Outstanding program leadership for mature programs’

- GI and CLP\(^2\) employ nearly 100 Global Relationship Leaders to service ~1,000 relationship customers
- My Zurich portal provides ~1,200 international customers full control and transparency of their international risks

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\(^1\) Source: Zurich internal analysis. AIG data not available.

\(^2\) CLP: Corporate Life & Pensions.
We have a sustainable, profitable and growing life business focused on capital-light products.

NEW BUSINESS (9m-16)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY-15</th>
<th>FY-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Pension &amp; Other</td>
<td>2%</td>
<td>25%</td>
</tr>
<tr>
<td>Annuity</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Unit Linked</td>
<td>72%</td>
<td>684%</td>
</tr>
<tr>
<td>NBV</td>
<td>684%</td>
<td>3,539</td>
</tr>
</tbody>
</table>

NET RESERVES & LIABILITIES (FY-15, USDbn)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY-14</th>
<th>FY-15</th>
<th>FY-16e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>82%</td>
<td>81%</td>
<td>82%</td>
</tr>
<tr>
<td>Pension &amp; Other</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Annuity</td>
<td>34%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Unit Linked &amp; Savings</td>
<td>37%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Protection</td>
<td>40%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Total Reserve &amp; Liability</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

GLOBAL LIFE BOP (RESTATED AT FY-14 FX)

<table>
<thead>
<tr>
<th>Year</th>
<th>9m-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY-14</td>
<td>207.5</td>
</tr>
<tr>
<td>FY-15</td>
<td>489.8</td>
</tr>
<tr>
<td>FY-16</td>
<td>691.6</td>
</tr>
</tbody>
</table>

Source: Zurich internal analysis using published company data converted to USD at year end 2015 rates.

FY-16 extrapolation.
Farmers Exchanges are focused on growth

FARMERS EXCHANGES GWP GROWTH¹

<table>
<thead>
<tr>
<th>Quarter</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-15</td>
<td>3.6%</td>
</tr>
<tr>
<td>Q4-15</td>
<td>4.7%</td>
</tr>
<tr>
<td>Q1-16</td>
<td>5.5%</td>
</tr>
<tr>
<td>Q2-16</td>
<td>5.5%</td>
</tr>
<tr>
<td>Q3-16</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

EASTERN STATES EXPANSION GWP (USDm)³

<table>
<thead>
<tr>
<th>Year</th>
<th>USDm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4</td>
</tr>
<tr>
<td>2012</td>
<td>36</td>
</tr>
<tr>
<td>2013</td>
<td>113</td>
</tr>
<tr>
<td>2014</td>
<td>256</td>
</tr>
<tr>
<td>2015</td>
<td>486</td>
</tr>
<tr>
<td>9m-16</td>
<td>509</td>
</tr>
</tbody>
</table>

DIVERSIFIED LINES OF BUSINESS⁴

- Auto: 49%
- Specialty: 28%
- Home: 13%
- Business Insurance & Other: 11%

¹ 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 administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

² Excludes 21st Century business outside of California and Hawaii and other discontinued operations.

³ Eastern states GWP includes Pennsylvania, New Jersey, Georgia, Maryland, New York, and Connecticut.

⁴ 9m-16 continuing operations GWP of USD 14.5bn.
Backdrop of the insurance industry

**MARKET FORCES**
- Investment yields
- Stagnant GDP
- Rate challenge

**COMPETITION**
- Disruptors
- Hedge funds
- Fin Tech

**CUSTOMERS**
- Social media
- Tailored solutions
- Aggregators

**EFFICIENCIES**
- Digitization
- Robotics
- Cloud technologies
External environment remains challenging

**KEY FACTORS FOR INDUSTRY**

- Continued low bond yields, especially in Europe
- Organic top-line outlook is fairly muted in key markets
- Capital is fairly plentiful
- Regulatory environment is evolving

**INDUSTRY TOPLINE (USDtr)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Life</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>GI</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Life</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>GI</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: McKinsey Global Institute

**10 YR GOVT BOND YIELDS (%)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Germany</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>UK</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: IMF "World Economic Outlook" (April 2015)

**NOMINAL GDP GROWTH (CAGR %)**

- Emerging markets: 4.5%, 2.6%, 7.5%
- Mature markets: 2.6%, 7.5%
- World average: 5.6%

Source: IMF "World Economic Outlook" (April 2015)
… new entrants or business models

**Peer to peer insurance model with flat fee and giveback feature for leftover money**
- 90 seconds to get insured
- 3 minutes to get the claim paid
- Monthly subscription with flat fee premium

**Digital application life insurance provider**
- Concierge service for referral to network doctor and prescription order
- Urgent and routine care centre searches and recorded, in app, treatment plans

**Pay as you drive insurance** which allows to only pay for the mileage you drive
- Combination with Uber: Metromile complements Uber’s commercial insurance
- Engaging features: Trip optimization, parking location, maintenance management

**Hourly insurance for customers driving someone else’s car** with very lean quotation process:
- Driving license validation through link to public data
- Visual recognition of license plate
- Mobile payment, digital signature and paperless
Customer expectations are evolving

<table>
<thead>
<tr>
<th>HYPER-CONVENIENCE</th>
<th>MULTIPLE-ACCESS</th>
<th>MASS-CUSTOMIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers are using technology more and expecting technology to <strong>make their life easier</strong>. Consumer industry shapes expectations</td>
<td>Number of customers buying <strong>across multiple channels</strong> and researching online to purchase offline is increasing</td>
<td>Consumers want to increasingly <strong>tailor the goods and services</strong> they buy, and only pay for what is really needed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NETWORK AUTHORITY</th>
<th>SHARE ECONOMY</th>
<th>REAL AND VIRTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers are <strong>consulting more with friends</strong> and social media to make purchasing decisions</td>
<td>Individuals are using internet to <strong>share spare resources on capacity</strong> (e.g., cars, flats, clothing)</td>
<td><strong>Mobile and telemonitoring devices</strong> are changing business models and lifestyle (e.g., telematics, wearables)</td>
</tr>
</tbody>
</table>
Technology is not just an efficiency play

**KEY ELEMENTS OF MID-TERM TECHNOLOGY STRATEGY**

- Customer / Agent / Broker Interface
- Data & Analytics
- Applications
- IT Infrastructure
- IT & Operations Talent Development
Three technologies are changing the way we support customer/agent/broker interface.

**Big data / Risk insights in Commercial Insurance**

Utilizing new sources of data other than just industry data allows to price risks significantly better.

**Omni-channel in Farmers**

Digital is foundational to omni-channel and the customer experience. The top consumer need in the digital channel is service (e.g. policy look up, etc.)

**My Zurich platform in Global Corporate**

Providing customers with single point of information on their international insurance programs and Risk Engineering activities.
Zurich’s response to disruptive technologies

100+ Technologies

In 2014 we reviewed 100+ technologies

12 Disruptive technologies

We identified 12 disruptive technologies that would disrupt the insurance business model in the coming decade

4 Technologies to focus on

Of the 12, 4 disruptive technologies will have an impact on the current and future insurance value chain and business model
Zurich focuses on 4 technology areas impacting the insurance value chain and business model

**PERSISTENT CONTEXTUALITY AND CONNECTIVITY**

Ubiquitous network connectivity is changing the way insurers interact with their customers

**UBIQUITY OF DATA AND ANALYTICS**

Data-enhanced insights allow improvement in customer propositions and process efficiencies, but also create opportunities to connect with non-traditional players

**TELEMATICS (HOME & CAR) AND AUTONOMOUS VEHICLES**

Telematics create opportunities for quicker/better underwriting and value-added customer services

**AUTOMATION OF KNOWLEDGE WORK**

Automation of knowledge work will transform the efficiency and effectiveness of many insurance processes
Zurich Risk Room delivers insights into risks for our customers and us

- 563 users, 96 companies, covering GWP in excess of USD 1bn
- Over 180 customer and broker presentations in 2014
- Unique differentiator for Zurich and a powerful tool for engaging with C-suite audiences
- Established a university competition for Master’s and MBA students, using the Zurich Risk Room as a basis
Predictive Analytics improves risk retention decisions in crop insurance

FROM

- Volatile loss performance, highly dependent on climate cycles
- Difficult to predict crop yield and commodity prices at harvest before planting

TO

- Predictive model with over 12 potential predictors based on oceanic, weather, soil and policy data
- Use predictive model to inform our fund designation

BENEFITS

- Back-testing suggests 1-2 points of loss ratio improvement in crop
- Improved fund designation
- Better risk selection
- Higher profit retention with lower risk
Partnership with smart tech company to bring customers increased peace of mind

COCOON SMART HOME PARTNERSHIP IN UK

- Exclusive UK partnership
- Puts the customer in control of their security in a smart and effortless way
- Customers can understand and manage risks to their home more easily and quickly
- Customers receive a discount on their home insurance and/or a rebate on the device
- Demonstrates our commitment to helping customers in new and different ways

Cocoon is an all-in-one home security system based on infrasound technology that learns the unique sound signature of a home and sends alerts when it detects unusual patterns.
Improving injury claims efficiency and efficacy through cognitive automation

**FROM**

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

**TO**

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

**RUN-RATE BENEFITS**

- USD 5m per year from 2017
- 39’000 hours per year of freed-up capacity
Modelling reducing Workers compensation claims severity and longevity

Workers compensation for medical treatment and loss of earnings through injury arising out of unemployment

New modelling capabilities allow for earlier referrals to nurse case managers and risk of extended prescribed narcotics use
IMPACT FOR A CFO

DRIVING BUSINESS PERFORMANCE

IMPORTANCE OF DATA

BALANCE BETWEEN CORE LEGACY SYSTEMS AND NEW DYNAMIC TECHNOLOGIES

HOW MUCH IS ENOUGH...TOO MUCH?
We Drive Business Performance

Countries are empowered to deliver on fewer metrics

We allocate capital effectively

We achieve better decision making through dialogue and provision of insights and data

We develop our people across the company by deepening business understanding and sharing financial literacy

We balance the needs of all stakeholders including customers

We ensure regulatory compliance and protection of the balance sheet

We use technology and continuous improvement to run lean and cost efficient operations

We live the Zurich Basics and cultural attributes and they are our Finance DNA
During 2017 we’re aiming at piloting a cloud based solution to support performance management …

- Some of today’s pain points we aim to address going forward

1. Opportunity to re-use data sets between finance functions
2. Address high manual effort in interfacing and reconciliations
3. Expense information and cost allocations dispersed
4. RUN cost is spent primarily on Financial Accounting infrastructure
5. We have lots of applications but only a few are real-time or self-service
Hype or trend?

A rapid increase in the use of Software as a Service (SaaS) for finance is expected.

Source: Gartner Research.
The journey we are on...

Today
- Consistent global enterprise architecture
- Focus on in-flight projects
- Preparatory work for new accounting standards (IFRS 9 and 17)
- App based management information for financial performance and control environment
- Continue with efficiency opportunities through automation

1-2 years
- Develop roadmap for new analytical planning and forecasting technology
- Continue with efficiency opportunities through automation

2+ years
- Broader adoption of cloud based technologies
- Software as a service
- Use of cognitive computing analytics and unstructured data query abilities to support decision making
- Optimise efficiencies in process and systems through automation
- Utilisation of new analytical planning and forecasting technology