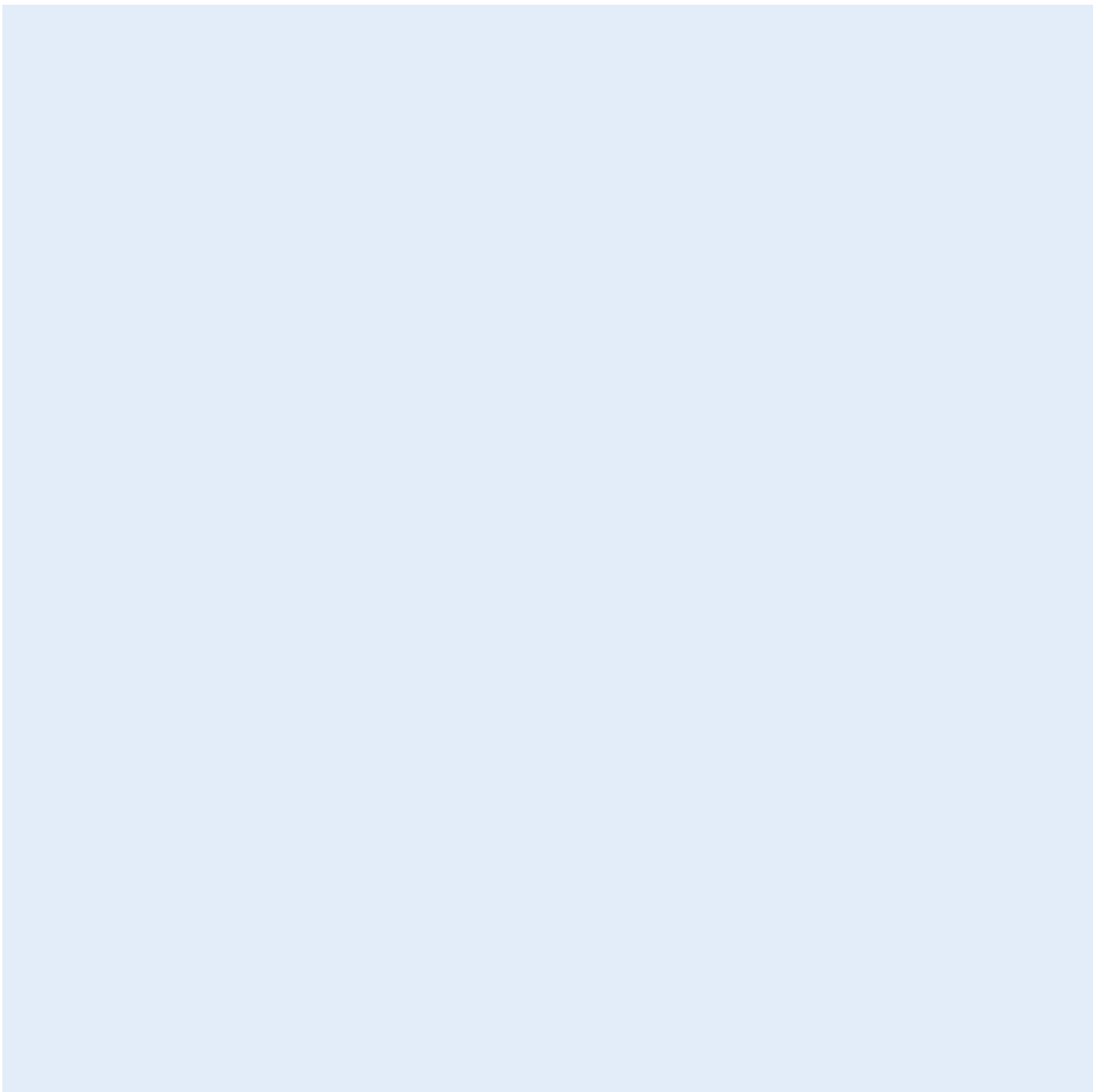


Annual Report 2019



Financial statements

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Financial statements (continued)

Management report

Zurich Life Insurance Company Ltd (ZLIC), a life insurance company domiciled in Zurich, Switzerland, is operating primarily in Switzerland and through its main branches in Japan and Hong Kong.

Financial review

ZLIC reported a net income after taxes of CHF 263 million in 2019, which is an increase of 11 percent compared to the prior year's result of CHF 237 million. Key drivers were realized capital gains from real estate sales, merger of two affiliated companies partly offset by reserve strengthening. ZLIC maintained a strong capital position with a total shareholders' equity of CHF 1,535 million and CHF 1,364 million as of December, 31 2019 and 2018, respectively.

Gross written premiums and policy fees increased by 12 percent to CHF 1,994 million compared to 2018. Key drivers were higher new business income in Switzerland and the continuous growth of the business in Japan.

Business review

2019 remained a challenging year due to persistent low interest rates and continued pressure from competition. In this environment, the execution of ZLIC's capital light and protection-oriented strategy as well as dedicated in-force management continued to be recognized as effective tools to drive growth and to improve profitability.

Switzerland

ZLIC in Switzerland is a major life insurer in the Swiss market in terms of gross written premiums and policy fees and accounts for approximately 80 percent of total ZLIC's business. ZLIC operates both a retail and commercial business in Switzerland. Retail products include pure risk, endowment, annuities, unit-linked and hybrid unit-linked products.

As part of the long-term vision and business strategy, ZLIC in Switzerland continued to move to a more efficient, simple and customer-focused organization with customer satisfaction being measured over key touch-points such as new business, claims, complaints handling and customer service metrics. ZLIC in Switzerland aims to build a culture where customer expectations will be met at all times by focusing to enhance customer-oriented processes. ZLIC in Switzerland also continued to focus on intelligent protection and capital light solutions and on maintaining a strict underwriting discipline, in particular on guarantees. On the distribution side, automated interfaces were developed and are planned to be rolled out to all agencies to facilitate interaction with customers. The sales support model has been aligned to enhance cross selling capabilities. At the same time, ZLIC in Switzerland continued to strengthen the distribution relationships while seeking to establish alternative distribution channels to realize upselling potential. From an operational perspective, ZLIC in Switzerland is streamlining the IT & process landscape through an end-to-end platform aiming at increasing efficiency and customer satisfaction while improving reporting capabilities and standardizing processes.

Zurich International Corporate Solutions and Zurich Global Employee Benefits Solutions

ZICS provides group life and disability cover for International Mobile Employees (IMEs) through hubs in Hong Kong, Dubai and Zurich. ZICS also works with sister companies in the Isle of Man and Luxembourg to provide group life and disability cover, and international savings plans, to other expatriate markets. ZGEBES offers captive, international program and pooling solutions for the employee benefits coverage of multinational companies. As a result of ZLIC's legal structure simplification and increased focus on the Swiss market, solely ZICS international Swiss business is written on the ZLIC balance sheet.

Japan

ZLIC Japan branch's retail business with key products covering death, critical illness and medical/hospital continued its growth course in 2019, predominantly driven by competitive protection products. Over the past years, the Japan branch effectively achieved a sustainable niche position in the fastest growing channels and most profitable product segments. ZLIC Japan branch successfully transitioned to a multi-channel model selling through independent financial advisors (IFAs), direct business and bank distribution. Further investments were undertaken to expand direct capabilities and increase synergies between IFA's as well as bank distribution partners to exploit new business opportunities and continue growth in target segments.

Financial statements (continued)

Investments in subsidiaries and associates

In alignment with ZLIC's simplification strategy to reduce operational complexity and increase capital efficiency, 'Genevoise' and 'Casai' - both real estate firms in Switzerland- have been merged into ZLIC's structure retrospectively as per January 1st, 2019.

Investment Management

ZLIC's objective is to achieve superior, risk-adjusted investment returns relative to liabilities with the risk capital allocated to market risk. In order to enhance investment returns and maintain operating earnings as well as reducing overall risk exposure, rebalancing transactions have been executed within the fixed income portfolio. In addition, our real estate asset allocation has been further reduced to maintain compliance with regulatory asset class-level limits.

Risk review

ZLIC has an established risk management framework under the lead of ZLIC Chief Risk Officer. ZLIC has produced an Own Risk and Solvency Assessment (ORSA) report to summarize ZLIC's risk and solvency assessment. In-depth discussions and reviews of the ORSA were performed with the ZLIC Management Board and the ZLIC Board of Directors during 2019 and the Board approved ZLIC's ORSA report. Throughout the year, quarterly risk reports to the ZLIC Management Board and the ZLIC Board of Directors provide updates of the risk and solvency situation.

ZLIC's risk assessment process is fully integrated into the Group-wide process of the Zurich Insurance Group (ZIG). For more information on ZLIC's approach to risk management, please refer to the risk review section in the ZIG Annual Report 2019 which describes the Group's risk management framework and risk governance, reports on capital management and capital adequacy, and presents an analysis of the main risks.

Outlook

The Covid-19 pandemic outbreak led to increased economic uncertainties in 2020. Equity markets dropped and volatilities increased. The outlook is expected to remain challenging for ZLIC's business operation. However, ZLIC is well prepared to manage this crisis. The customer's liabilities are secured and ZLIC's solvency position remains strong.

ZLIC's management is committed to delivering on the strategic cornerstones as evidenced by aligning the organizational setup towards a customer centric culture, the simplification of the branch and subsidiary structure, to further grow the business and to improve operational efficiency.

The key priorities in 2020 will be on addressing customer needs by promoting a balanced product mix, further leveraging appropriate distribution channels, enhancing investments in essential infrastructure and establishing a strong customer service culture to allow ZLIC to deliver sustainable, profitable growth in a changing and more competitive business environment, ZLIC's management will continue to carefully monitor and act upon legal and regulatory requirements.

Urban Angehrn
Chairman of the Board

Juan Beer
Chief Executive Officer

Financial statements (continued)

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Financial statements (continued)

Board of Directors, Management and Auditors

Board of Directors, Management and Auditors	Residence	Expiration of current term of office
Board of Directors as of December 31, 2019		
Urban Angehrn, Chairman of the Board	Greifensee, Switzerland	2020
Christian Felderer	Zurich, Switzerland	2020
Helene Westerlind	Freienbach, Switzerland	2020
Gary Shaughnessy	Hampshire, United Kingdom	2020
Robert David Campbell	Edinburgh, United Kingdom	2020
Andres Christen, Secretary of the Board of Directors		
Chief Executive Officer		
Juan Beer		
Chief Financial Officer		
Bettina Bornmann		
Auditors		
PricewaterhouseCoopers AG		

As of January 1, 2019, the Board of Directors for Zurich Life Insurance Company Ltd was chaired by Urban Angehrn. Erica Arnold resigned as a Board member per August 14, 2019. Helene Westerlind was appointed as Board member per December 17, 2019.

The Annual General Meeting was held on April 02, 2019.

The Audit & Risk Committee of Zurich Life Insurance Company Ltd as of December, 31, 2019, consisted of Urban Angehrn, David Campbell (Chairperson) and Helene Westerlind.

As of January 1, 2019, the CEO of ZLIC was Juan Beer. The Management Board also included Bettina Bornmann, Erik Erixon, Peter Hirs and Sandro Meyer. Peter Hirs resigned as per September 15, 2019. Tim Howell was appointed to the Management Board as per December 10, 2019.

On behalf of the Board of Zurich Life Insurance Company Ltd

Urban Angehrn

Helene Westerlind

Chairman of the Board

Member of the Board

Zurich, April 08, 2020

Financial statements (continued)

Income statements

Income statements	in CHF millions, for the years ended December 31	Notes	2019	2018
	Gross written premiums and policy fees	3	1,994	1,780
	Premiums ceded to reinsurers		(353)	(451)
	Net written premiums and policy fees		1,641	1,329
	Change in reserves for unearned premiums, gross		2	34
	Change in reserves for unearned premiums, ceded		–	(7)
	Net earned premiums and policy fees		1,643	1,357
	Other income	4	107	29
	Total technical income		1,750	1,386
	Claims paid, annuities and loss adjustment expenses, gross	5	(1,900)	(1,920)
	Claims paid, annuities and loss adjustment expenses, ceded		109	55
	Change in insurance reserves, gross	13	(204)	360
	Change in insurance reserves, ceded	13	130	149
	Change in actuarial provisions for unit-linked contracts		(140)	129
	Insurance benefits and losses, net of reinsurance		(2,006)	(1,227)
	Underwriting & policy acquisition costs, gross		(263)	(247)
	Underwriting & policy acquisition costs, ceded		181	174
	Underwriting and policy acquisition costs, net of reinsurance		(83)	(73)
	Administrative and other expense	6	(212)	(208)
	Total technical expense		(2,301)	(1,507)
	Investment income	7	902	626
	Investment expenses	8	(100)	(110)
	Net investment result		801	516
	Net investment result on unit-linked investments		136	(82)
	Other financial income		31	4
	Other financial expense		(6)	(5)
	Operating result		412	312
	Interest expense on debt and other interest expense		(49)	(48)
	Net income before taxes		363	264
	Direct tax expenses		(100)	(26)
	Net income after taxes		263	237

The notes to the financial statements are an integral part of these financial statements.

Financial statements (continued)

Balance sheets

Assets	in CHF millions as of December 31	Notes	2019	2018
Investments				
Real estate			1,941	1,610
Investments in subsidiaries and associates		9	7	288
Debt securities ¹			12,741	13,107
Policyholders' loans and other loans			179	1,104
Mortgage loans			2,113	2,187
Equity securities			1,369	1,087
Mixed investments funds ¹			125	–
Other investments		10	460	408
Total investments			18,936	19,790
Other assets				
Investments for unit-linked contracts		11	953	819
Derivative assets			103	99
Deposits made under assumed reinsurance contracts			2	2
Cash and cash equivalents			2,310	1,924
Insurance reserves, ceded		14	578	456
Fixed assets			2	2
Intangible assets			19	11
Receivables from insurance and reinsurance business		12	251	321
Other receivables			46	73
Other assets			–	–
Accrued assets			567	399
Total other assets			4,830	4,107
Total assets			23,766	23,897

¹ Reclassed assets from debt securities to mixed investments funds of CHF 125 million in 2019. In 2018 the value of those debt securities were CHF 127 million

Financial statements (continued)

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Financial statements (continued)

Liabilities and shareholder's equity	in CHF millions as of December 31	Notes	2019	2018
Liabilities				
Insurance reserves, gross		14	18,503	18,427
Actuarial provisions for unit-linked contracts			946	799
Provisions			128	260
Senior and other debt		15	256	370
Derivative liabilities			2	6
Deposits received under ceded reinsurance contracts			415	300
Liabilities from insurance and reinsurance business		16	196	319
Other liabilities			777	575
Accrued liabilities			477	349
Subordinated debt		15	530	1,127
Total liabilities			22,230	22,532
Shareholder's equity (before appropriation of available earnings)				
Share capital			60	60
Legal reserve			41	41
General free reserve			878	878
Retained earnings:				
<i>Beginning of year</i>			385	1,605
<i>Gain of merger¹</i>			229	--
<i>Dividend paid</i>			(320)	(1,457)
<i>Net income after taxes</i>			263	237
Retained earnings, end of year			556	385
Total shareholder's equity (before appropriation of available earnings)			1,535	1,364
Total liabilities and shareholder's equity			23,766	23,897

¹ See note 19

Financial statements (continued)

Notes to the financial statements

1. Basis of presentation

Zurich Life Insurance Company Ltd (ZLIC), or the Company, is a life insurance company domiciled in Zurich, Switzerland. ZLIC operates mainly in Switzerland and through its branches in Japan, Hong Kong and Dubai.

The ZLIC financial statements are prepared in accordance with the Swiss Code of Obligations and relevant insurance supervisory law, including the FINMA Insurance Supervision Ordinance (ISO-FINMA), revised December 15, 2015.

All amounts in the financial statements, unless otherwise stated, are shown in CHF, rounded to the nearest million, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All variances are calculated using the actual figures rather than the rounded amounts.

2. Summary of significant accounting policies

Investments

Real estate held for investment and held for own use is carried at acquisition cost less required or permissible impairment and is valued on a single valuation basis.

Investments in subsidiaries and associates are equity interests held on a long-term basis. Each investment in subsidiaries and associates is valued individually and carried at its cost less adjustments for impairments.

Debt securities are carried at amortized cost, using the effective interest rate method. They are impaired as necessary. The valuation of debt securities held in the single investor funds in Switzerland is the same as for directly held securities.

Policyholders' loans and other loans are financial assets with fixed or determinable payments that are not quoted in an active market and have not been included in any other category of investment. They are carried at amortized cost less any charges for impairment.

Mortgage loans are carried at nominal value less impairments as necessary.

Equity securities are carried at the lower of cost or market value, i.e. at acquisition cost or the market price if the latter is lower at the end of the financial year. The lower valuation basis is maintained until the securities are sold or redeemed, so that there are no subsequent write-ups due to higher stock market prices. The valuation of equity securities held in the single investor funds in Switzerland is the same as for directly held securities.

Mixed investments funds are carried at the lower of cost or market value, with write downs impacting the P&L. No write ups are permitted.

Derivate financial instruments

Derivative assets and derivative liabilities are carried at fair value in accordance with the Swiss Insurance Supervision Law. Derivatives hedging long-term cash flows from life insurance liabilities in Switzerland are carried at amortized cost.

Other assets

Investments and actuarial provisions for unit-linked contracts

Investments and actuarial provisions for unit-linked contracts represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks relating to the investments. The liabilities are carried at fair value, with fair value being determined by reference to the underlying financial assets. The related assets are carried at fair value to reduce measurement inconsistencies. If the contract is subject to a put or surrender option, the fair value of the financial liability is never recorded at less than the amount payable on surrender, discounted for the required notice period, where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against the policyholders' account balances are included in policy fee revenue.

Deposits made under assumed reinsurance contracts

Reinsurance deposits consist of funds deposited with ceding insurers to guarantee contractual liabilities for assumed reinsurance.

Financial statements (continued)

Accrued assets

This amount relates primarily to interest accruals, other prepaid expenses (mainly prepaid annuity benefits) and other accrued income. Investment income is accrued for interest income which is earned but not yet due for payment at year-end. Interest is accrued on a day-to-day basis and recognized as earned income. Accrued investment income within the single investor funds in Switzerland is recorded as write-up on investments.

Accrued liabilities

This amount includes accrued interest payables, accrued commissions, other accrued expenses and premium prepayments from policyholders.

Insurance reserves

Reserves for unearned premiums represent the portion of the premiums received but not yet earned. In many insurance contracts, the insurance period for which the Company assumes a risk against a premium received in advance does not correspond to the Company's financial year. Thus, an amount equivalent to the unearned portion of the premium is set up as a reserve at the end of the financial year.

Future life policyholders' benefits represent the estimated future policyholder benefit liability for life insurance policies and include provisions for losses incurred but not yet reported (IBNR). In addition, equalization reserves are included where these are required or accepted by the regulator. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

Reserves for policyholders' dividends represents the amount for policyholders' participation in profits to be paid out in future years.

Other income and administrative and other expense

Other income includes interest income on deposits received under ceded reinsurance contracts as well as other technical and other non-technical income. **Administrative and other expense** represents primarily technical expense in connection with the operation of the insurance business as well as other technical or non-technical expenses.

Investment income and expenses

Realized capital gains/losses on investments occur when the sales price or redemption value is higher or lower than the carrying value at the time of sale. The gains/losses are determined from the difference between carrying value and the sales price.

Write-downs on investments are losses arising from a decrease in the fair value below cost or carrying value at the previous year end of equity securities. Write-downs on debt securities are other than temporary impairments.

Write-downs and write-ups on investments further include the change in valuation of the single investor funds, which also include the investment income of the investments within these funds.

Direct tax expenses

Direct tax expenses include both Swiss and foreign income tax expense and capital tax expense in Switzerland as well as foreign withholding tax expense on investment income.

Financial statements (continued)

3. Gross written premiums and policy fees

Gross written premiums and policy fees by type of business	in CHF millions, for the years ended December 31	
	2019	2018
Group insurance Switzerland	884	777
Group insurance abroad	–	–
Individual insurance Switzerland	660	635
Individual insurance abroad	41	43
Health insurance abroad	403	320
Reinsurance assumed	5	5
Gross written premiums and policy fees	1,994	1,780

Gross written premiums and policy fees by country	in CHF millions, for the years ended December 31	
	2019	2018
Switzerland	1,549	1,418
Hong Kong	41	43
Japan	403	320
Gross written premiums and policy fees	1,994	1,780

4. Other income

Other income increased by CHF 78 million in 2019, mainly due to a release of other provisions (see note 21).

5. Claims paid, annuities and loss adjustment expenses, gross of reinsurance

Claims paid, annuities and loss adjustment expenses, gross	in CHF millions, for the years ended December 31	
	2019	2018
Maturity benefits	(638)	(651)
Death benefits	(152)	(135)
Annuity payments	(404)	(409)
Disability and health benefits	(257)	(242)
Surrenders	(449)	(483)
Claims paid, annuities and loss adjustment expenses, gross	(1,900)	(1,920)

Total claims paid, annuities and loss adjustment expenses, gross, decreased by CHF 20 million to CHF 1,900 million from CHF 1,920 million in 2018.

6. Administrative and other expense

Administrative and other expense	in CHF millions, for the years ended December 31	
	2019	2018
Operating and administrative expenses	(169)	(230)
Personnel expenses ¹	(66)	-
Gains and losses on foreign currency derivatives	153	96
Foreign currency transaction gains and losses	(120)	(64)
Amortisation of software	(7)	(7)
Depreciation of equipment	(1)	(1)
Restructuring costs	(3)	(2)
Administrative and other general expenses	(212)	(208)
of which personnel expenditure	-	(86)

¹ The personnel expenses were reclassified from operating and administrative expenses to a separate position in 2019 compared to 2018.

In 2019 a contribution of CHF 26 million to the Z Zurich Foundation is included in operating and administrative expenses. No such contribution was paid in 2018.

Financial statements (continued)

7. Investment income

Investment income by country	in CHF millions, for the years ended December 31	2019	2018
		Switzerland	889
Netherlands		–	19
Japan		4	4
Hong Kong		9	12
Investment income		902	626

Investment income by category	in CHF millions, for the years ended December 31	Current income		Realized capital gains		Write-ups		Totals	
		2019	2018	2019	2018	2019	2018	2019	2018
		Real estate	148	116	327	130	–	–	475
Investments in subsidiaries and associates	–	11	–	–	–	–	–	11	
Debt securities	88	85	7	11	145	159	240	255	
Policyholders' loans and other loans	4	9	1	1	–	–	5	10	
Mortgage loans	38	44	–	–	–	–	38	44	
Equity securities	12	5	41	44	77	–	130	49	
Mixed investments funds	6	–	–	–	–	–	6	–	
Other investments	8	7	–	5	–	–	8	12	
Investment income		302	277	377	190	223	159	902	626

Investment income increased by CHF 276 million or 44 percent to CHF 902 million in 2019 from CHF 626 million in 2018. Main drivers were higher realization of capital gains on real estate due to sales of 38 properties as well as higher write-ups on equity securities due to the favorable market development compared to 2018.

8. Investment expenses

Investment expenses by category	in CHF millions, for the years ended December 31	Realized capital losses		Write-downs		Totals	
		2019	2018	2019	2018	2019	2018
		Real estate	–	–	(9)	(27)	(9)
Investments in subsidiaries and associates	–	–	–	–	–	–	
Debt securities	(2)	(3)	(2)	(10)	(3)	(14)	
Policyholders' loans and other loans	(21)	(6)	–	–	(21)	(6)	
Mortgage loans	–	–	–	–	–	–	
Equity securities	(1)	(1)	(3)	(13)	(4)	(14)	
Mixed investments funds	–	–	(2)	–	(2)	–	
Other investments	–	(1)	–	–	–	(1)	
Subtotal investment expenses		(24)	(11)	(15)	(51)	(39)	(61)
Other investment expenses		n.a.	n.a.	n.a.	n.a.	(62)	(49)
Investment expenses		(24)	(11)	(15)	(51)	(100)	(110)

Investment expenses decreased by CHF 9 million to CHF 100 million in 2019 from CHF 109 million in 2018. Main drivers were lower write-downs on real estate as well as equity securities.

9. Investments in subsidiaries and associates

In 2019 the 100 percent subsidiaries Genevoise Real Estate Company Ltd (Genevoise) and SOCIETE AVENUE LOUIS CASAI 86 SA (Casai) were merged into ZLIC. There are no significant subsidiaries with a carrying value of more than CHF 5 million as of December 31, 2019.

Significant indirect subsidiaries

ZLIC has no significant indirect subsidiaries as of December 31, 2019.

Financial statements (continued)

10. Other investments

Other investments		2019	2018
in CHF millions, as of December 31			
Asset-backed securities		1	408
Mortgage backed Securities		–	–
Collateralized debt/loan obligations		459	–
Other investments		460	408

11. Investments for unit-linked contracts

Investments held for unit-linked contracts		2019	2018
in CHF millions, as of December 31			
Real estate		34	22
Debt securities		717	345
Equity securities		203	452
Investments held for unit-linked contracts		953	819

12. Receivables from insurance and reinsurance business

Receivables from insurance and reinsurance business		2019	2018
in CHF millions, as of December 31			
Receivables from policyholders		65	76
Amounts from agents and intermediaries		–	–
Amounts from insurance and reinsurance companies		186	245
Receivables from insurance and reinsurance business		251	321

13. Change in insurance reserves, net

Change in insurance reserves, net		2019	2018
in CHF millions, for the years ended December 31			
Gross			
Change in other technical reserves		(2)	(3)
Change in reserves for future life policyholders' benefits		(159)	444
Change in reserves for policyholders' dividends		(43)	(82)
Change in insurance reserves, gross		(204)	360
Ceded			
Change in reserves for future life policyholders' benefits		129	148
Change in reserves for policyholders' dividends		1	1
Change in insurance reserves, ceded		130	149
Net			
Change in other technical reserves		(2)	(3)
Change in reserves for future life policyholders' benefits		(30)	593
Change in reserves for policyholders' dividends		(42)	(81)
Change in insurance reserves, net of reinsurance		(75)	509

Financial statements (continued)

14. Insurance reserves, net

Insurance reserves, net	in CHF millions, as of December 31	2019	2018
	Gross		
	Reserves for unearned premiums	162	164
	Other technical reserves	28	26
	Future life policyholders' benefits	17,857	17,733
	Reserves for policyholders' dividends	457	504
	Insurance reserves, gross	18,503	18,427
	Ceded		
	Reserves for unearned premiums	(1)	(1)
	Future life policyholders' benefits	(577)	(454)
	Insurance reserves, ceded	(578)	(456)
	Net		
	Reserves for unearned premiums	160	163
	Other technical reserves	28	26
	Future life policyholders' benefits	17,280	17,279
	Reserves for policyholders' dividends	457	504
	Insurance reserves, net of reinsurance	17,925	17,971

Total insurance reserves, net of reinsurance, decreased by CHF 46 million to CHF 17,925 million in 2019 from CHF 17,971 million in 2018, mainly driven by a reduced allocation to the policyholder fund and lower reserves for policyholder dividend accounts.

15. Interest-bearing liabilities

Senior and other debts are all due in less than 12 months.

16. Liabilities from insurance and reinsurance business

Liabilities from insurance and reinsurance business	in CHF millions, as of December 31	2019	2018
	Amounts due to policyholders	129	111
	Amounts due to agents and intermediaries	–	–
	Amounts due to insurance and reinsurance companies	67	208
	Liabilities from insurance and reinsurance business	196	319

Financial statements (continued)

17. Assets and liabilities relating to companies within Zurich Insurance Group

Assets and liabilities relating to ZIC Ltd and ZIG Ltd		in CHF millions, as of December 31	2019	2018
Assets				
	Policyholders' loans and other loans		104	130
	Equity securities ¹		3	3
	Derivative assets		12	11
	Cash and cash equivalents		1,623	1,255
	Insurance reserves, ceded		558	438
	Receivables from insurance and reinsurance business		178	237
	Other receivables		–	7
	Accrued assets		391	225
	Total assets		2,869	2,306
Liabilities				
	Senior and other debt		250	365
	Derivative liabilities		–	2
	Deposits received under ceded reinsurance contracts		415	300
	Liabilities from insurance and reinsurance business		36	179
	Other liabilities		43	31
	Accrued liabilities		285	130
	Subordinated debt		530	530
	Total liabilities		1,559	1,537

¹ ZLIC owns Zurich Insurance Group Ltd shares with a cost value of CHF 3 million as of December 31, 2019 and 2018.

Assets and liabilities relating to direct and indirect subsidiaries		in CHF millions, as of December 31	2019	2018
Assets				
	Investments in subsidiaries and associates		7	288
	Policyholders' loans and other loans		–	914
	Other receivables		–	–
	Accrued assets		1	1
	Total assets		7	1,203
Liabilities				
	Other liabilities		–	2
	Accrued liabilities		–	–
	Total liabilities		–	2

Policyholders' loans and other loans decreased due to derecognized loans of the merged subsidiaries as well as a paid back loan of Zurich Finance (Luxembourg) S.A.

18. Supplementary information

Supplementary information		in CHF millions, as of December 31	2019	2018
	Commitments under investment agreements, net of funding		146	175
	Leasing obligations not recorded on the balance sheet		5	3
	Pledged assets in respect of securities lending agreements (at book value)		7	19
	Audit fees		(1)	(2)
	Other service fees		–	–
	Number of employees – average full time equivalents		339	303

According to regulatory requirements, CHF 21.0 billion are attributed to tied assets, including the requirement of the foreign branches, in both years as of December 31, 2019 and 2018.

Financial statements (continued)

19. Shareholder's equity

Shareholder's equity	in CHF millions, as of December 31	2019	2018	Change
		Share capital	60	60
Legal reserve		41	41	–
General free reserve		878	878	–
Retained earnings:				
<i>Beginning of year</i>		385	1,605	(1,221)
<i>Gain of merger</i>		229	–	229
<i>Dividend paid</i>		(320)	(1,457)	1,137
<i>Net income after taxes</i>		263	237	26
Retained earnings, end of year		556	385	171
Total shareholder's equity		1,535	1,364	171

At the beginning of the year two subsidiaries Genevoise and Casai were merged into ZLIC. The acquired net assets of CHF 495 million from Genevoise exceed the participation value of CHF 266 million. The profit was around of CHF 229 million.

20. Exchange rates

The presentation currency for ZLIC and its branches is the Swiss franc. Several ZLIC branches operate outside Switzerland with different functional currencies. A functional currency is the currency of the primary economic environment in which the branch operates. Assets and liabilities of those branches with functional currencies other than the Swiss franc are translated into the presentation currency at end-of-period exchange rates, except for investments in subsidiaries and associates, where historical exchange rates are used. Revenues and expenses are translated using the average exchange rate for the year. The resulting exchange differences are recorded in the income statements.

The table below summarizes the principal exchange rates that have been used for translation purposes.

Principal exchange rates	CHF per 100 foreign currency unit	Balance sheets		Income statements	
		31/12/2019	31/12/2018	2019	2018
		Euro	108.68	112.67	111.25
Japanese yen	0.89	0.90	0.91	0.89	

Exchange differences included in the income statements were a net gain of CHF 33 million and a net gain of CHF 32 million for the years ended December 31, 2019 and 2018, respectively.

21. Net release of hidden reserves

In 2019 an amount of CHF 137 million of hidden reserves was released. There was no material release of hidden reserves in 2018.

22. Subsequent event-Covid-19

The Covid-19 pandemic outbreak led to increased economic uncertainty in 2020 with expected impacts on valuation of investments and reserves as well as premium income as a result of the social distancing measures introduced. Given those uncertainties, the full impact on the 2020 financial year cannot yet be quantified. However, the customer's liabilities are secured and ZLIC's solvency position remains strong.

Financial statements (continued)

Appropriation of available earnings as proposed by the Board of Directors

in CHF, for the years ended December 31	2019 (Proposed)	2018 (Approved)
Appropriation of available earnings as proposed by the Board of Directors		
Balance brought forward	65,460,222	148,179,652
Gain of merger	228,213,875	–
Net income after taxes	262,814,978	237,280,570
Available earnings	556,489,075	385,460,222
Cash dividend	(263,000,000)	(320,000,000)
Balance carried forward	293,489,075	65,460,222

The Board of Directors proposes to the shareholder at the Annual General Meeting on April 08, 2020, to pay a cash dividend of CHF 263,000,000 and to carry forward available earnings of CHF 293,489,075 as shown in the table above.

As the legal reserve exceeds 50 percent of fully paid-in share capital, no further allocation to the legal reserve is required by the Swiss Code of Obligations.

On behalf of the Board of Directors of Zurich Life Insurance Company Ltd

Urban Angehrn
Chairman of the Board

Zurich, April 08, 2020

Report of the statutory auditor

Report of the statutory auditor

To the General Meeting of Zurich Life Insurance Company Ltd, Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Zurich Life Insurance Company Ltd (the Company), which comprise the balance sheet, income statement and notes (pages 5 - 16), for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (page 17) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Ray Kunz
Audit expert
Auditor in charge

Martin Schwörer
Audit expert

Zurich, April 08, 2020

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives of Zurich Life Insurance Company Ltd. Forward-looking statements include statements regarding Zurich Life Insurance Company Ltd's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding Zurich Life Insurance Company Ltd'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 Life Insurance Company Ltd 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 Life Insurance Company Ltd and on whether the targets will be achieved. Zurich Life Insurance Company 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.

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent advisor.

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.

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