

# Annual Report 2020

## 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 net income after taxes of CHF 126 million in 2020, which is a decrease of 52 percent compared to the prior year's result of CHF 263 million. Key drivers were reserve strengthening in all major business units and lower investment income compared to prior year. ZLIC maintained a strong capital position with total shareholders' equity of CHF 1,399 million and CHF 1,535 million as of December, 31, 2020 and 2019, respectively.

Gross written premiums and policy fees decreased by 7 percent to CHF 1,861 million compared to 2019. Key drivers were less new business written and decrease in social insurance salary sums in Switzerland, despite continuous growth of the business in Japan.

#### Business review

The year 2020 was embossed by the COVID-19 crisis and the resulting economic uncertainties. Additional pressure resulted from persistently low interest rates and intensifying competition. In this environment, the execution of ZLIC's capital-light and protection-oriented strategy, as well as dedicated in-force activities, continued to be recognized as effective tools to efficiently manage the business through the crisis.

#### 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 74 percent of ZLIC's total business. ZLIC operates both a retail and commercial business in Switzerland. Retail products include pure risk, endowment, annuities, unit-linked and hybrid products.

As part of its long-term vision and business strategy, ZLIC in Switzerland continued to move to a more efficient, simple and customer-focused organization with customer satisfaction 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 on enhancing customer-oriented processes. ZLIC in Switzerland also continued to focus on intelligent protection and capital efficient 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 distribution relationships while seeking to establish alternative distribution channels to realize upselling potential. From an operational perspective, ZLIC in Switzerland is streamlining the IT and process landscape through an end-to-end platform aimed at increasing efficiency and customer satisfaction while improving reporting capabilities and standardizing processes.

#### Japan

ZLIC Japan branch's retail business with key products covering death, critical illness and medical/hospital continued to grow in 2020, predominantly driven by competitive protection products. The Japan branch has 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. In line with the Group's and ZLIC's simplification strategy, a new insurance company, Zurich Life Insurance Japan Company Ltd, has been set up and licensed in Japan. The insurance business of ZLIC's Japan branch was transferred on April 1, 2021 to ZLIC's Japan subsidiary through a Contribution in Kind.

#### Hong Kong

Hong Kong retail business was placed in run-off as of December 31, 2013.

#### Investment Management

ZLIC's objective is to achieve superior, risk-adjusted investment returns relative to liabilities with risk capital allocated to market risk. In order to enhance investment returns and maintain operating earnings while 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.

## Financial statements (continued)

### Risk review

ZLIC has established a risk management framework under the lead of the 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 2020 and the Boards 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 Groupwide 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 2020, 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.

### COVID-19

Since the end of 2019, the COVID-19 pandemic has developed rapidly with far-reaching impacts across the insurance industry and the global economy overall. The global nature of the pandemic and the varying government actions taken to mitigate it make potential losses (including the wide range of related coverage issues generated) inherently more difficult to model than other loss events with a consequent increase in uncertainty around them. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions. Specifically, insurance liabilities reflect management's best estimate of claims activity directly related to COVID-19 as well as premium returns and rebates to customers where appropriate.

### Outlook

The economy is expected to rebound in 2021 and reach pre-crisis level the following year. Equity markets gained back lost ground and volatility stabilized. The outlook is expected to remain challenging for ZLIC's business operation. However, ZLIC is well prepared to manage through the 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 and the simplification of the branch and subsidiary structure, to further grow the business and to improve operational efficiency.

The key priorities in 2021 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.

## 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
<b>Board of Directors as of December 31, 2020</b>		
Urban Angehrn, Chairman of the Board	Greifensee, Switzerland	2021
Christian Felderer	Zurich, Switzerland	2021
Helene Westerlind	Freienbach, Switzerland	2021
Gary Shaughnessy	Hampshire, United Kingdom	2021
Robert David Campbell	Edinburgh, United Kingdom	2021
Barry John Perkins	Zurich, Switzerland	2021
Andres Christen, Secretary of the Board of Directors		
<b>Chief Executive Officer</b>		
Juan José Beer		
<b>Chief Financial Officer</b>		
Andreas Henke		
<b>Auditors</b>		
PricewaterhouseCoopers AG		

As of January 1, 2020, the Board of Directors for Zurich Life Insurance Company Ltd was chaired by Urban Angehrn. Barry Perkins was appointed as Board member per August 24, 2020.

The Annual General Meeting was held on April 8, 2020.

The Audit & Risk Committee of Zurich Life Insurance Company Ltd as of December, 31, 2020, consisted of David Campbell (Chairperson), Urban Angehrn and Helene Westerlind.

As of January 1, 2020, the CEO of ZLIC was Juan Beer. The Management Board also included Bettina Bornmann, Erik Erixon, Tim Howell and Sandro Meyer. Bettina Bornmann resigned per January 31, 2020 and Andreas Henke was appointed as her successor effective February 1, 2020.

## Financial statements (continued)

### Income statements

Income statements	in CHF millions, for the years ended December 31	Notes	2020	2019
	Gross written premiums and policy fees	4	1,861	1,994
	Premiums ceded to reinsurers		(369)	(353)
	Net written premiums and policy fees		1,492	1,641
	Change in reserves for unearned premiums, gross		7	2
	Change in reserves for unearned premiums, ceded		(1)	–
	Net earned premiums and policy fees		1,497	1,643
	Other income	5	7	107
	<b>Total technical income</b>		<b>1,504</b>	<b>1,750</b>
	Claims paid, annuities and loss adjustment expenses, gross	6	(2,028)	(1,900)
	Claims paid, annuities and loss adjustment expenses, ceded		105	109
	Change in insurance reserves, gross	15	32	(204)
	Change in insurance reserves, ceded	15	172	130
	Change in actuarial provisions for unit-linked contracts		(105)	(140)
	Insurance benefits and losses, net of reinsurance		(1,823)	(2,006)
	Underwriting & policy acquisition costs, gross		(237)	(263)
	Underwriting & policy acquisition costs, ceded		156	181
	Underwriting and policy acquisition costs, net of reinsurance		(81)	(83)
	Administrative and other expense	7	(170)	(212)
	<b>Total technical expense</b>		<b>(2,074)</b>	<b>(2,301)</b>
	Investment income	8	839	902
	Investment expenses	9	(99)	(100)
	Net investment result		740	801
	Net investment result on unit-linked investments		43	136
	Other financial income		(1)	31
	Other financial expense		(4)	(6)
	<b>Operating result</b>		<b>207</b>	<b>412</b>
	Interest expense on debt and other interest expense		(46)	(49)
	<b>Net income before taxes</b>		<b>161</b>	<b>363</b>
	Direct tax expenses		(35)	(100)
	<b>Net income after taxes</b>		<b>126</b>	<b>263</b>

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

## Financial statements (continued)

### Balance sheets

<b>Assets</b>	in CHF millions as of December 31	Notes	<b>2020</b>	2019
<b>Investments</b>				
Real estate			1,952	1,941
Investments in subsidiaries and associates		10	16	7
Debt securities			12,810	12,741
Policyholders' loans and other loans			172	179
Mortgage loans			2,050	2,113
Equity securities			1,156	1,369
Mixed investments funds			121	125
Other investments		11	447	460
<b>Total investments</b>			<b>18,723</b>	<b>18,936</b>
<b>Other assets</b>				
Investments for unit-linked contracts		12	1,045	953
Derivative assets			85	103
Deposits made under assumed reinsurance contracts			–	2
Cash and cash equivalents			1,941	2,310
Insurance reserves, ceded		14	720	578
Fixed assets			2	2
Intangible assets			18	19
Receivables from insurance and reinsurance business		13	362	251
Other receivables			81	46
Other assets			–	–
Accrued assets			699	567
<b>Total other assets</b>			<b>4,951</b>	<b>4,830</b>
<b>Total assets</b>			<b>23,675</b>	<b>23,766</b>

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



## Financial statements (continued)

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## Financial statements (continued)

<b>Liabilities and shareholder's equity</b>	in CHF millions as of December 31	Notes	<b>2020</b>	2019
<b>Liabilities</b>				
Insurance reserves, gross		14	18,302	18,503
Actuarial provisions for unit-linked contracts			1,033	946
Provisions			128	128
Senior and other debt		16	187	256
Derivative liabilities			8	2
Deposits received under ceded reinsurance contracts			553	415
Liabilities from insurance and reinsurance business		17	145	196
Other liabilities			743	777
Accrued liabilities			647	477
Subordinated debt		16	530	530
<b>Total liabilities</b>			<b>22,276</b>	<b>22,230</b>
<b>Shareholder's equity (before appropriation of available earnings)</b>				
Share capital			60	60
Legal reserve			41	41
General free reserve			878	878
Retained earnings:				
<i>Beginning of year</i>			556	385
<i>Gain of merger</i>			–	229
<i>Dividend paid</i>			(263)	(320)
<i>Net income after taxes</i>			126	263
Retained earnings, end of year			420	556
<b>Total shareholder's equity (before appropriation of available earnings)</b>			<b>1,399</b>	<b>1,535</b>
<b>Total liabilities and shareholder's equity</b>			<b>23,675</b>	<b>23,766</b>

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

## 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 and Hong Kong.

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

Significant accounting policies applied in these financial statements are set out below.

##### Investments

**Real estate** held for investment and 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 on a single valuation basis and is carried at acquisition cost less any necessary 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 necessary impairment.

**Mortgage loans** are valued at nominal value less any necessary impairments.

**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.

##### Other assets

**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.

**Derivative financial instruments** held for purposes of economic hedging are carried at fair value. Derivatives hedging long-term cash flows from life insurance liabilities in Switzerland are carried at amortized cost.

**Deposits made under assumed reinsurance contracts** consist of funds deposited with ceding insurers to guarantee contractual liabilities for assumed reinsurance.

## Financial statements (continued)

**Accrued assets** relate primarily to interest accrual, other prepaid expenses (mainly prepaid annuity benefits) and other accrued income. Accrued investment income within the single investor funds in Switzerland is recorded as write-up on investments.

### Insurance reserves

**Reserves for unearned premiums** represent the portion of the premiums written relating to the unexpired term of insurance coverages as of balance sheet date. 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 permitted 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 liabilities

**Accrued liabilities** include accrued interest payables, accrued commissions, other accrued expenses and premium prepayments from policyholders.

### 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.

### Investment income and expenses

**Realized capital gains or 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 gain/loss is determined from the difference between carrying value and the sales price.

**Write-downs and write-ups 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. As well included is the change in valuation of the single investor funds, which also include the investment income of the investments within these funds.

### Other financial income and expense

**Other financial income** includes interest income on cash and cash equivalents as well as gains on derivatives.

**Other financial expense** includes mainly losses on derivatives.

### 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. 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	
		31/12/2020	31/12/2019	2020	2019
	Euro	108.20	108.68	107.05	111.25
	Japanese Yen	0.86	0.89	0.88	0.91

Exchange rate differences included in the income statements were a net gain of CHF 54 million and a net gain of CHF 33 million for the years ended December 31, 2020 and 2019, respectively.

**4. 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	2020	2019
		Group insurance Switzerland	732
Group insurance abroad	–	–	
Individual insurance Switzerland	655	660	
Individual insurance abroad	36	41	
Health insurance abroad	438	403	
Reinsurance assumed	–	5	
<b>Gross written premiums and policy fees</b>		<b>1,861</b>	<b>1,994</b>

Gross written premiums and policy fees by country	in CHF millions, for the years ended December 31	2020	2019
		Switzerland	1,387
Hong Kong	36	41	
Japan	438	403	
<b>Gross written premiums and policy fees</b>		<b>1,861</b>	<b>1,994</b>

**5. Other income**

No significant other income has been realized in 2020 (CHF 7 million). In 2019 the other income (CHF 107 million) was mainly driven by a release of other provision of CHF 120 million.

**6. 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	2020	2019
		Maturity benefits	(550)
Death benefits	(160)	(152)	
Annuity payments	(390)	(404)	
Disability and health benefits	(291)	(257)	
Surrenders	(637)	(449)	
<b>Claims paid, annuities and loss adjustment expenses, gross</b>		<b>(2,028)</b>	<b>(1,900)</b>

## Financial statements (continued)

### 7. Administrative and other expense

Administrative and other expense	in CHF millions, for the years ended December 31		2020	2019
	2020	2019		
Operating and administrative expenses			(152)	(169) <sup>1</sup>
Personnel expenses			(66)	(66)
Gains and losses on foreign currency derivatives			173	153
Foreign currency transaction gains and losses			(119)	(120)
Amortisation of software			(4)	(7)
Depreciation of equipment			–	(1)
Restructuring costs			(1)	(3)
<b>Administrative and other general expenses</b>			<b>(170)</b>	<b>(212)</b>

1 In 2019 a contribution of CHF 26 million to the Z Zurich Foundation is included in operating and administrative expenses.

### 8. Investment income

Investment income	in CHF millions, for the years ended December 31		Realized capital gains		Write-ups		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
Real estate	131	148	303	327	–	–	434	475
Investments in subsidiaries and associates	–	–	–	–	–	–	–	–
Debt securities	85	88	15	7	122	145	222	240
Policyholders' loans and other loans	3	4	–	1	–	–	3	5
Mortgage loans	34	38	–	–	–	–	35	38
Equity securities	9	12	63	41	62	77	134	130
Mixed investments funds	5	6	–	–	–	–	5	6
Other investments	6	8	–	–	–	–	6	8
<b>Investment income</b>	<b>273</b>	<b>302</b>	<b>381</b>	<b>377</b>	<b>184</b>	<b>223</b>	<b>839</b>	<b>902</b>

### 9. Investment expenses

Investment expenses	in CHF millions, for the years ended December 31		Realized capital losses		Write-downs		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
Real estate			(3)	–	(7)	(9)	(10)	(9)
Investments in subsidiaries and associates			–	–	–	–	–	–
Debt securities			(4)	(2)	(4)	(2)	(8)	(3)
Policyholders' loans and other loans			(1)	(21)	–	–	(1)	(21)
Mortgage loans			–	–	–	–	–	–
Equity securities			(7)	(1)	(10)	(3)	(17)	(4)
Mixed investments funds			–	–	(4)	(2)	(4)	(2)
Other investments			–	–	–	–	–	–
<b>Subtotal investment expenses</b>			<b>(16)</b>	<b>(24)</b>	<b>(25)</b>	<b>(15)</b>	<b>(41)</b>	<b>(39)</b>
Other investment expenses			n.a.	n.a.	n.a.	n.a.	(58)	(62)
<b>Investment expenses</b>			<b>(16)</b>	<b>(24)</b>	<b>(25)</b>	<b>(15)</b>	<b>(99)</b>	<b>(100)</b>

## Financial statements (continued)

## 10. Investments in subsidiaries and associates

Significant subsidiaries	as of December 31, 2020				Share capital in million units of local currency
	Registered office	Voting rights %	Ownership interest %	Currency	
Zurich Colombia Seguros S.A.	Bogota	5.5	5.5	COP	3,808
Zurich Life Insurance Japan Company Ltd	Tokyo	100.0	100.0	JPY	1,000
<b>Investments in subsidiaries and associates</b>					

ZLIC held two subsidiaries in Colombia: Zurich Colombia Seguros S.A. and ZLS Aseguradora de Colombia S.A., where the later was merged in Zurich Colombia Seguros S.A during 2020.

Zurich Life Insurance Japan Company Ltd, has been set up and licensed in Japan in 2020. A capital injection of CHF 9 million was made to fund the setup.

## 11. Other investments

Other investments of CHF 447 million consist mainly of collateralized debt/loan obligations of CHF 445 million in 2020 (compared to CHF 459 million in 2019). Asset-backed securities and Mortgage backed securities each amount to a total value of CHF 1 million each (compared to CHF 1 million and CHF 0 million in 2019).

## 12. Investments for unit-linked contracts

Investments held for unit-linked contracts	in CHF millions, as of December 31	
	2020	2019
Real estate	50	34
Debt securities	759	717
Equity securities	237	203
<b>Investments held for unit-linked contracts</b>	<b>1,045</b>	<b>953</b>

## 13. Receivables from insurance and reinsurance business

Receivables from insurance and reinsurance business	in CHF millions, as of December 31	
	2020	2019
Receivables from policyholders	64	65
Amounts from agents and intermediaries	–	–
Amounts from insurance and reinsurance companies	298	186
<b>Receivables from insurance and reinsurance business</b>	<b>362</b>	<b>251</b>

## 14. Insurance reserves, net

Insurance reserves, net	in CHF millions, as of December 31	
	2020	2019
<b>Gross</b>		
Reserves for unearned premiums	154	162
Other technical reserves	30	28
Future life policyholders' benefits	17,695	17,857
Reserves for policyholders' dividends	423	457
<b>Insurance reserves, gross</b>	<b>18,302</b>	<b>18,503</b>
<b>Ceded</b>		
Reserves for unearned premiums	–	(1)
Future life policyholders' benefits	(720)	(577)
<b>Insurance reserves, ceded</b>	<b>(720)</b>	<b>(578)</b>
<b>Net</b>		
Reserves for unearned premiums	154	160
Other technical reserves	30	28
Future life policyholders' benefits	16,975	17,280
Reserves for policyholders' dividends	423	457
<b>Insurance reserves, net of reinsurance</b>	<b>17,582</b>	<b>17,925</b>

Total insurance reserves, net of reinsurance, decreased by CHF 343 million to CHF 17,582 million in 2020 from CHF 17,925 million in 2019. This is mainly driven by maturities, surrenders and a divesting program in Switzerland. In 2020 the Japan branch entered into two new significant reinsurance agreements with an impact of CHF 152 million.

## Financial statements (continued)

### 15. Change in insurance reserves, net

Change in insurance reserves, net	in CHF millions, for the years ended December 31		2020	2019
	<b>Gross</b>			
	Change in other technical reserves		(7)	(2)
	Change in reserves for future life policyholders' benefits		88	(159)
	Change in reserves for policyholders' dividends		(49)	(43)
	<b>Change in insurance reserves, gross</b>		<b>32</b>	<b>(204)</b>
	<b>Ceded</b>			
	Change in reserves for future life policyholders' benefits		172	129
	Change in reserves for policyholders' dividends		-	1
	<b>Change in insurance reserves, ceded</b>		<b>172</b>	<b>130</b>
	<b>Net</b>			
	Change in other technical reserves		(7)	(2)
	Change in reserves for future life policyholders' benefits		260	(30)
	Change in reserves for policyholders' dividends		(49)	(42)
	<b>Change in insurance reserves, net of reinsurance</b>		<b>204</b>	<b>(75)</b>

### 16. Interest-bearing liabilities

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

Subordinated debt is granted for an unlimited period of time, with the right to terminate in less than 12 months subject to FINMA approval.

### 17. Liabilities from insurance and reinsurance business

Liabilities from insurance and reinsurance business	in CHF millions, as of December 31		2020	2019
	Amounts due to policyholders		93	129
	Amounts due to agents and intermediaries		-	-
	Amounts due to insurance and reinsurance companies		52	67
	<b>Liabilities from insurance and reinsurance business</b>		<b>145</b>	<b>196</b>

### 18. Shareholder's equity

Shareholder's equity	in CHF millions, as of December 31		2020	2019	Change
	Share capital		60	60	-
	Legal reserve		41	41	-
	General free reserve		878	878	-
	Retained earnings:				
	<i>Beginning of year</i>		556	385	171
	<i>Gain of merger<sup>1</sup></i>		-	228	(228)
	<i>Dividend paid</i>		(263)	(320)	57
	<i>Net income after taxes</i>		126	263	(137)
	Retained earnings, end of year		420	556	(137)
	<b>Total shareholder's equity</b>		<b>1,399</b>	<b>1,535</b>	<b>(137)</b>

1 The gain of merger in 2019 relates to the merger of the two subsidiaries Genevoise and Casai into ZLIC.



## Financial statements (continued)

### 19. Assets and liabilities relating to companies within Zurich Insurance Group

Assets and liabilities relating to Zurich Insurance Company Ltd and Zurich Insurance Group Ltd	in CHF millions, as of December 31	2020	2019
<b>Assets</b>			
	Policyholders' loans and other loans	101	104
	Equity securities <sup>1</sup>	3	3
	Derivative assets	13	12
	Cash and cash equivalents	1,277	1,623
	Insurance reserves, ceded	700	558
	Receivables from insurance and reinsurance business	284	178
	Other receivables	2	–
	Accrued assets	533	391
	<b>Total assets</b>	<b>2,913</b>	<b>2,869</b>
<b>Liabilities</b>			
	Senior and other debt	178	250
	Derivative liabilities	1	–
	Deposits received under ceded reinsurance contracts	553	415
	Liabilities from insurance and reinsurance business	26	36
	Other liabilities	38	43
	Accrued liabilities	479	285
	Subordinated debt	530	530
	<b>Total liabilities</b>	<b>1,804</b>	<b>1,559</b>

1 ZLIC owns Zurich Insurance Group Ltd shares with a cost value of CHF 3 million as of December 31, 2020 and 2019.

### 20. Supplementary information

Supplementary information	in CHF millions, as of December 31	2020	2019
	Commitments under investment agreements, net of funding	109	146
	Leasing obligations not recorded on the balance sheet	5	5
	Pledged assets in respect of securities lending agreements (at book value)	5	7
	Audit fees	(1)	(1)
	Other service fees	–	–
	Number of employees – average full-time equivalents	354	339

According to regulatory requirements, CHF 20.7 billion are attributed to tied assets, including the requirement of the foreign branches, as of December 31, 2020, compared to CHF 20.9 billion as of December 31, 2019.

### 21. Net release of hidden reserves

In 2020 hidden reserves amounting to CHF 8 million were released compared to a release of CHF 137 million in 2019.

## Financial statements (continued)

### Appropriation of available earnings as proposed by the Board of Directors

	2020	2019
number of shares, as of December 31		
Registered shares eligible for dividends		
Eligible shares	60,000,000	60,000,000

The Board of Directors proposes to the Annual General Meeting to be held on April 9, 2021, to appropriate the available earnings for 2020 as follows:

in CHF	Available earnings
<b>Available earnings</b>	
As of January 1, 2020	556,489,072
Dividend paid	(263,000,000)
Net income after taxes	126,188,429
<b>Available earnings, as of December 31, 2020</b>	<b>419,677,501</b>

The Board of Directors proposes a dividend of CHF 170,000,000 out of the available earnings for 2020:

in CHF	Available earnings
<b>Appropriation of available earnings</b>	
As of January 1, 2021	419,677,501
Dividend payment out of available earnings	(170,000,000)
<b>Balance carried forward</b>	<b>249,677,501</b>

Zurich, April 9, 2021

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

Urban Angehrn  
Chairman of the Board

Helene Westerlind  
Member of the Board

## Financial statements (continued)

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## 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 income statement, balance sheet and notes (pages 5 to 15), for the year ended 31 December 2020.

##### *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 2020 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 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 9, 2021

## Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich 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, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Life Insurance Ltd and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by Zurich Life Insurance Company Ltd and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by Zurich Life insurance Company Ltd or potentially exposing Zurich Life Insurance Ltd to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. 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. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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