

# Annual Report 2020

## Financial statements

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## Financial statements (continued)

### Management report

Zurich Reinsurance Company Ltd (ZRe or the Company) is a reinsurance company domiciled in Zurich, Switzerland. The Company was licensed in Switzerland on December 15, 2016. The Company is a standalone legal entity that has both a reinsurance and a direct non-life insurance license issued by FINMA. The Company belongs to the Zurich Insurance Group (ZIG or the Group). ZRe's focus is on providing reinsurance solutions primarily to affiliated companies of the Group, in particular to branches of Zurich Insurance Company Ltd (ZIC). To date, the retained business is predominantly from ZIC's operations in Asia Pacific. ZRe's has a direct book, which has been in run-off for over 20 years.

#### Financial review

ZRe reported a net loss after taxes of CHF 6 million for the twelve months to December 31, 2020. The loss is mainly driven by net FX-losses of CHF 43 million following the strong depreciation of the U.S. Dollar exchange rate in 2020. Besides that, the underwriting results were driven by a strong performance of some of the assumed reinsurance.

Gross written premiums and policy fees were generated primarily by two sources:

- Reinsurance of the Group's entities in Asia Pacific, which accounts for 80 percent of the Company's gross written premiums and policy fees. Of this business assumed, the majority is retained by ZRe and is comprised mainly of quota share reinsurance from ZIC's Japan branch on the motor and personal accident (PA) business, and whole account reinsurance of ZIC's Hong Kong branch.
- International program business, which is 20 percent of total gross written premiums and policy fees, through which ZRe supports the Group's international programs propositions for its corporate and commercial clients. None of this insurance risk is retained in ZRe as it is retroceded to ZIC.

#### Business overview

From an underwriting perspective, the active business, despite COVID-19, performed well in the twelve months to December 31, 2020. The run-off business continues to be managed carefully as consistent with previous years, evolves as expected and has a minimal impact on the overall underwriting performance. The investment income result was driven by a combination of third-party invested assets and Group internal loans. The net investment result for 2020 developed in line with management's expectations.

#### Risk review

ZRe is fully integrated into the Group-wide risk assessment process and follows the same approach to risk as the Group. This risk process also addresses the nature and scope of business activities and the specific risks of ZRe. For more information on this approach to risk management, please refer to the risk review section in the Zurich Insurance Group 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.

ZRe filed with FINMA in January 2021 the Own Risk and Solvency Assessment report (ORSA), that summarizes ZRe's risk and solvency assessment. In-depth discussions and reviews of the ORSA were performed with the ZRe management and the ZRe Board during 2020 and the Board approved the ORSA prior to filing. Throughout the year, quarterly risk reports give updates of the risk and solvency topics.

#### Outlook

The business written by the Company in 2021 is expected to be similar to 2020. The Company is expecting to continue to assume a stable portfolio and similar risks in 2021 as it did in 2020, with the primary retained exposures being on the Company's reinsurance of the Japan motor and personal accident business and the Hong Kong Whole Account Quota Share (WAQS). The underwriting results are expected to be driven by the profitability of these retained contracts and the stability and homogeneity of the underlying portfolios.

## Financial statements (continued)

### Board of Directors, management and auditors

| Board of Directors,<br>management<br>and auditors    | Residence                       | Expiration of<br>current term<br>of office |
|--|---------------------------------|--|
| Board of Directors as of December 31, 2020           |                                 |  |
| Juan José Beer, Chairman of the Board                | Möriken-Wildegg,<br>Switzerland | 2021                                       |
| Christian Carl                                       | Hünenberg, Switzerland          | 2021                                       |
| Christian Felderer                                   | Zurich, Switzerland             | 2021                                       |
| Andrea Stürmer                                       | Vienna, Austria                 | 2021                                       |
| Andres Christen, Secretary of the Board of Directors |                                 |  |
| Chief Executive Officer                              |                                 |  |
| Felix R. Kuhn  |                                 |  |
| Chief Financial Officer                              |                                 |  |
| Elena Kuratli  |                                 |  |
| Auditors   |                                 |  |
| PricewaterhouseCoopers AG                            |                                 |  |

As of January 1, 2020, the Board of Directors Zurich Reinsurance Company Ltd (ZRe) was chaired by Juan José Beer.

The Annual General Meeting was held on March 24, 2020.

As of January 1, 2020, the CEO of ZRe was Felix Kuhn. The management also included Elena Kuratli and Roger Oberholzer.

Juan José Beer

Christian Carl

Chairman of the Board

Member of the Board

Zurich, April 13, 2021

## 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                                      | 3     | 947          | 960          |
|                   | Premiums ceded to reinsurers  |       | (385)        | (379)        |
|                   | Net written premiums and policy fees  |       | 562          | 580          |
|                   | Change in reserves for unearned premiums, gross                             |       | (55)         | (29)         |
|                   | Change in reserves for unearned premiums, ceded                             |       | 45           | (3)          |
|                   | Net earned premiums and policy fees   |       | 552          | 548          |
|                   | Other income  |       | 2            | –            |
|                   | <b>Total technical income</b>   |       | <b>554</b>   | <b>549</b>   |
|                   | Claims paid, annuities and loss adjustment expenses, direct business, gross |       | (1)          | (1)          |
|                   | Claims paid, annuities and loss adjustment expenses, assumed                |       | (383)        | (423)        |
|                   | Claims paid, annuities and loss adjustment expenses, ceded                  |       | 159          | 198          |
|                   | Change in insurance reserves, gross   | 11    | (17)         | 8            |
|                   | Change in insurance reserves, ceded   | 11    | (13)         | (19)         |
|                   | Insurance benefits and losses, net of reinsurance                           |       | (254)        | (237)        |
|                   | Underwriting & policy acquisition costs, assumed, gross                     |       | (318)        | (307)        |
|                   | Underwriting & policy acquisition costs, ceded                              |       | 52           | 51           |
|                   | Underwriting & policy acquisition costs, net of reinsurance                 |       | (265)        | (255)        |
|                   | Administrative and other expense  | 4     | (50)         | (17)         |
|                   | <b>Total technical expense</b>  |       | <b>(569)</b> | <b>(510)</b> |
|                   | Investment income   | 5     | 12           | 14           |
|                   | Investment expenses   | 6     | (3)          | (1)          |
|                   | Net investment result   |       | 9            | 13           |
|                   | Other financial income  |       | 1            | 12           |
|                   | <b>Operating result</b>   |       | <b>(5)</b>   | <b>63</b>    |
|                   | Interest expense on debt and other interest expense                         |       | (1)          | (6)          |
|                   | <b>Net income before taxes</b>  |       | <b>(6)</b>   | <b>57</b>    |
|                   | Direct tax expenses   |       | –            | (13)         |
|                   | <b>Net income after taxes</b>   |       | <b>(6)</b>   | <b>44</b>    |

## Financial statements (continued)

### Balance sheets

| <b>Assets</b>       | in CHF millions, as of December 31                  | Notes | <b>2020</b>  | 2019         |
|---------------------|---|-------|--------------|--------------|
| <b>Investments</b>  |   |       |              |              |
|                     | Investments in subsidiaries and associates          | 7     | –            | –            |
|                     | Debt securities                                     |       | 338          | 358          |
|                     | Other loans   |       | 66           | 80           |
|                     | <b>Total investments</b>                            |       | <b>404</b>   | <b>437</b>   |
| <b>Other assets</b> |   |       |              |              |
|                     | Derivative assets                                   |       | 1            | 1            |
|                     | Deposits made under assumed reinsurance contracts   |       | 38           | 53           |
|                     | Cash and cash equivalents                           |       | 783          | 747          |
|                     | Insurance reserves, ceded                           | 12    | 692          | 711          |
|                     | Deferred acquisition costs, net of reinsurance      | 8     | 87           | 92           |
|                     | Intangible assets                                   | 9     | 19           | 24           |
|                     | Receivables from insurance and reinsurance business | 10    | 104          | 183          |
|                     | Other receivables                                   |       | 13           | 12           |
|                     | Accrued assets                                      |       | 6            | 6            |
|                     | <b>Total other assets</b>                           |       | <b>1,743</b> | <b>1,829</b> |
|                     | <b>Total assets</b>                                 |       | <b>2,147</b> | <b>2,266</b> |

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

## 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  |                                    | 12    | 1,262        | 1,273        |
| Provisions   |                                    | 13    | 3            | 4            |
| Senior and other debt  |                                    | 14    | 187          | 199          |
| Derivative liabilities   |                                    |       | –            | –            |
| Deposits received under ceded reinsurance contracts                            |                                    |       | –            | –            |
| Liabilities from insurance and reinsurance business                            |                                    | 15    | 29           | 75           |
| Other liabilities  |                                    |       | 3            | 5            |
| Accrued liabilities  |                                    |       | 4            | 4            |
| <b>Total liabilities</b>   |                                    |       | <b>1,488</b> | <b>1,560</b> |
| <b>Shareholder's equity (before appropriation of available earnings)</b>       |                                    |       |              |              |
| Share capital  |                                    |       | 12           | 12           |
| Capital contribution reserve   |                                    |       | 616          | 616          |
| Organizational fund  |                                    |       | 8            | 11           |
| Retained earnings:   |                                    |       |              |              |
| <i>Beginning of year</i>   |                                    |       | 68           | 59           |
| <i>Dividend paid</i>   |                                    |       | (38)         | (36)         |
| <i>Net income after taxes</i>  |                                    |       | (6)          | 44           |
| Retained earnings, end of year   |                                    |       | 24           | 68           |
| <b>Total shareholder's equity (before appropriation of available earnings)</b> |                                    |       | <b>659</b>   | <b>706</b>   |
| <b>Total liabilities and shareholder's equity</b>                              |                                    |       | <b>2,147</b> | <b>2,266</b> |

## Financial statements (continued)

### Notes to the financial statements

#### 1. Basis of presentation

The Company's financial statements are presented 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 Swiss Francs (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

**Investments in subsidiaries and associates** are held at acquisition cost less necessary impairments.

**Debt securities** are carried at amortized cost using the effective interest rate method.

**Other loans** are carried at nominal value less impairments as necessary.

##### Other assets

###### Derivative financial instruments

Derivative financial instruments held for purposes of economic hedging are carried at fair value.

###### Deposits made under assumed reinsurance contracts

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

###### Deferred acquisition costs

Acquisition costs related to reinsurance business are deferred. The deferred costs are subsequently amortized over the period in which the related assumed premiums are earned.

###### Accrued assets

This amount relates primarily to interest income accruals, other accrued income and other prepaid expenses.

###### Insurance reserves

**Reserves for unearned premiums** represent the portion of the premiums written relating to the unexpired term of insurance coverage as of the balance sheet date. In many insurance contracts, the insurance period for which the insurance company assumes a risk against a premium paid 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.

**Reserves for losses and loss adjustment expenses** represent reserves for reported claims and reserves for losses incurred but not yet reported (IBNR). In addition, equalization reserves are included if these are accepted or required by the Swiss regulator FINMA. The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the income statements in the period in which estimates are changed.

###### 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 represent primarily technical expense in connection with the operation of the core business.

###### Investment income and expense

**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 gain/loss is the difference between carrying value and the sales price or redemption value.



## Financial statements (continued)

**Write-downs on investments** include losses arising from a decrease in the fair value below cost or the carrying value at the previous year-end and necessary impairments of debt securities and investments in subsidiaries and associates.

**Other financial income**

Other financial income includes interest income on cash and cash equivalents.

**Direct tax expenses**

Direct tax expenses include Swiss income and capital tax expense 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 | 2020              | 2019       |
|--|--|-------------------|------------|
|  |  | Personal accident | 227        |
| Workers' compensation <sup>1</sup>                         |  | 26                | –          |
| Health   |  | 4                 | 4          |
| Motor  |  | 270               | 266        |
| Marine, Aviation, Transport                                |  | 14                | 12         |
| Property   |  | 307               | 285        |
| Casualty   |  | 97                | 107        |
| Miscellaneous  |  | 2                 | 18         |
| <b>Gross written premiums and policy fees</b>              |  | <b>947</b>        | <b>960</b> |

<sup>1</sup> The gross written premiums and policy fees for workers' compensation were included in personal accident in 2019 and amounted to CHF 32 million.

Gross written premiums and policy fees totaled CHF 947 million. As ZRe's direct business is all in run-off, the gross written premiums and policy fees reflect only assumed business. The majority of the assumed business originates from ZIC's Japan branch (personal accident and motor business) and international program business written in the Asia Pacific region (property business).

## 4. Administrative and other expense

| Administrative and other expense                 | in CHF millions, for the years ended December 31 | 2020                                  | 2019        |
|--|--|---------------------------------------|-------------|
|  |  | Operating and administrative expenses | (4)         |
| Amortization of intangible assets                |  | (4)                                   | (9)         |
| Gains and losses on foreign currency derivatives |  | 3                                     | (1)         |
| Foreign currency transaction gains and losses    |  | (45)                                  | –           |
| <b>Administrative and other expense</b>          |  | <b>(50)</b>                           | <b>(17)</b> |
| of which personnel expenditure                   |  | (1)                                   | (1)         |

In 2020, a contribution of CHF 4 million to the Z Zurich Foundation is included in operating and administrative expenses. In 2019, the contribution to Z Zurich Foundation was CHF 7 million. As of September 30, 2019, the Japan PA Quota Share treaty was commuted and renewed on different terms. Following, the capitalized renewal rights were reduced accordingly, which explains the lower amortization in 2020 compared to 2019. Foreign currency transaction gains and losses are mainly driven by the net FX-losses of CHF 45 million following the strong depreciation of the U.S. Dollar exchange rate in 2020.

## 5. Investment income

| Investment income by category | in CHF millions, for the years ended December 31 | Current income  |           | Realized capital gains |          | Write-ups |          | Total     |           |
|-------------------------------|--|-----------------|-----------|------------------------|----------|-----------|----------|-----------|-----------|
|                               |  | 2020            | 2019      | 2020                   | 2019     | 2020      | 2019     | 2020      | 2019      |
|                               |  | Debt securities | 7         | 7                      | 2        | 3         | –        | –         | 9         |
| Other loans                   | 3  | 3               | –         | –                      | –        | –         | 3        | 3         |           |
| <b>Investment income</b>      |  | <b>10</b>       | <b>11</b> | <b>2</b>               | <b>3</b> | <b>–</b>  | <b>–</b> | <b>12</b> | <b>14</b> |

## 6. Investment expenses

| Investment expenses by category     | in CHF millions, for the years ended December 31 | Realized capital losses |            | Write-downs |          | Total      |            |
|-------------------------------------|--|-------------------------|------------|-------------|----------|------------|------------|
|                                     |  | 2020                    | 2019       | 2020        | 2019     | 2020       | 2019       |
|                                     |  | Debt securities         | (3)        | (1)         | –        | –          | (3)        |
| Other loans                         | –  | –                       | –          | –           | –        | –          |            |
| <b>Subtotal investment expenses</b> |  | <b>(3)</b>              | <b>(1)</b> | <b>–</b>    | <b>–</b> | <b>(3)</b> | <b>(1)</b> |
| Investment general expenses         |  | n.a.                    | n.a.       | n.a.        | n.a.     | –          | –          |
| <b>Investment expenses</b>          |  | <b>(3)</b>              | <b>(1)</b> | <b>–</b>    | <b>–</b> | <b>(3)</b> | <b>(1)</b> |

## Financial statements (continued)

### 7. Investments in subsidiaries and associates

ZRe has a minority stake in Zurich Risk Management Services (India) Private Limited. The book value for this investment is CHF 1 for the years ended December 31, 2020 and 2019, respectively.

### Significant indirect subsidiaries

Zurich Reinsurance Company Ltd holds no indirect subsidiaries.

### 8. Deferred acquisition costs

| Deferred acquisition costs, net of reinsurance        | in CHF millions, as of December 31 |           |
|---|------------------------------------|-----------|
|   | 2020                               | 2019      |
| Deferred acquisition costs, assumed reinsurance       | 118                                | 114       |
| Deferred acquisition costs, retroceded reinsurance    | (31)                               | (22)      |
| <b>Deferred acquisition costs, net of reinsurance</b> | <b>87</b>                          | <b>92</b> |

### 9. Intangible assets

Intangible assets consist of renewal rights of CHF 19 million, which are amortized over a period of ten years. In 2019, the intangible assets were reduced by the revenues from the commutation of the Japan PA Quota Share treaty, which took place as of September 30, 2019.

### 10. Receivables from insurance and reinsurance business

| Receivables from insurance and reinsurance business        | in CHF millions, as of December 31 |            |
|--|------------------------------------|------------|
|  | 2020                               | 2019       |
| Receivables from insurance and reinsurance business        | 104                                | 183        |
| <b>Receivables from insurance and reinsurance business</b> | <b>104</b>                         | <b>183</b> |

Receivables from insurance and reinsurance business decreased by CHF 79 million in 2020, mainly following a payment in regards to the commutation of the Japan PA Quota Share treaty in 2019.

## Financial statements (continued)

## 11. 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 reserves for losses and loss adjustment expenses, direct business  | 1           | 1           |
|                                   | Change in reserves for losses and loss adjustment expenses, assumed business | (18)        | 7           |
|                                   | <b>Change in insurance reserves, gross</b>                                   | <b>(17)</b> | <b>8</b>    |
| <b>Ceded</b>                      |  |             |             |
|                                   | Change in reserves for losses and loss adjustment expenses, direct business  | –           | –           |
|                                   | Change in reserves for losses and loss adjustment expenses, assumed business | (12)        | (18)        |
|                                   | <b>Change in insurance reserves, ceded</b>                                   | <b>(13)</b> | <b>(19)</b> |
| <b>Net</b>                        |  |             |             |
|                                   | Change in reserves for losses and loss adjustment expenses, direct business  | 1           | 1           |
|                                   | Change in reserves for losses and loss adjustment expenses, assumed business | (30)        | (11)        |
|                                   | <b>Change in insurance reserves, net of reinsurance</b>                      | <b>(29)</b> | <b>(10)</b> |

## 12. Insurance reserves, net

| Insurance reserves, net | in CHF millions, as of December 31               | 2020         | 2019         |
|-------------------------|--|--------------|--------------|
|                         | <b>Gross</b>                                     |              |              |
|                         | Reserves for unearned premiums                   | 381          | 348          |
|                         | Reserves for losses and loss adjustment expenses | 879          | 924          |
|                         | Other technical reserves                         | 2            | 2            |
|                         | <b>Insurance reserves, gross</b>                 | <b>1,262</b> | <b>1,273</b> |
| <b>Ceded</b>            |  |              |              |
|                         | Reserves for unearned premiums                   | (165)        | (131)        |
|                         | Reserves for losses and loss adjustment expenses | (527)        | (579)        |
|                         | <b>Insurance reserves, ceded</b>                 | <b>(692)</b> | <b>(711)</b> |
| <b>Net</b>              |  |              |              |
|                         | Reserves for unearned premiums                   | 216          | 216          |
|                         | Reserves for losses and loss adjustment expenses | 352          | 344          |
|                         | Other technical reserves                         | 2            | 2            |
|                         | <b>Insurance reserves, net of reinsurance</b>    | <b>571</b>   | <b>562</b>   |

Total net insurance reserves increased by CHF 8 million to CHF 571 million in 2020 from CHF 562 million in 2019. The net reserves are primarily related to the Japan personal accident and motor business and to the Hong Kong WAQS business as well as to run-off business. The COVID-19 pandemic had only a minor impact on the Company's insurance reserves in 2020.

## 13. Provisions

Provisions include unrealized foreign exchange gains that were not included in the Company's income statements as well as general provisions for disputable claims.

## 14. Senior and other debt

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

## Financial statements (continued)

### 15. Liabilities from insurance and reinsurance business

| Liabilities from insurance and reinsurance business        | in CHF millions, as of December 31 |           |
|--|------------------------------------|-----------|
|  | 2020                               | 2019      |
| Liabilities from insurance and reinsurance business        | 29                                 | 75        |
| <b>Liabilities from insurance and reinsurance business</b> | <b>29</b>                          | <b>75</b> |

The decrease in liabilities from insurance and reinsurance business was driven by the payment following a Group internal loss portfolio transfer in 2019.

### 16. Assets and liabilities relating to ZIC Ltd and ZIG Ltd

| Assets and liabilities relating to ZIC Ltd          | in CHF millions, as of December 31 |              |
|---|------------------------------------|--------------|
|   | 2020                               | 2019         |
| <b>Assets</b>                                       |                                    |              |
| Other loans   | 66                                 | 80           |
| Derivative assets                                   | 1                                  | 1            |
| Deposits made under assumed reinsurance contracts   | 38                                 | 53           |
| Cash and cash equivalents                           | 763                                | 731          |
| Insurance reserves, ceded                           | 644                                | 645          |
| Deferred acquisition costs, net of reinsurance      | 86                                 | 91           |
| Receivables from insurance and reinsurance business | 91                                 | 174          |
| Other receivables                                   | 5                                  | 10           |
| Accrued assets                                      | 4                                  | 4            |
| <b>Total assets</b>                                 | <b>1,698</b>                       | <b>1,787</b> |
| <b>Liabilities</b>                                  |                                    |              |
| Insurance reserves, gross                           | 1,075                              | 1,076        |
| Senior and other debt                               | 187                                | 199          |
| Derivative liabilities                              | –                                  | –            |
| Deposits received under ceded reinsurance contracts | –                                  | –            |
| Liabilities from insurance and reinsurance business | 26                                 | 68           |
| Other liabilities                                   | 2                                  | 3            |
| Accrued liabilities                                 | 3                                  | 3            |
| <b>Total liabilities</b>                            | <b>1,293</b>                       | <b>1,349</b> |

There are no assets or liabilities relating to Zurich Insurance Group Ltd (ZIG Ltd) on the Company's balance sheet as of December 31, 2020 and 2019, respectively.

### 17. Supplementary information

| Supplementary information                           | in CHF thousands, for the years ended December 31 |      |
|---|---|------|
|   | 2020  | 2019 |
| Audit fees  | 174   | 199  |
| Other service fees                                  | –   | –    |
| Number of employees – average full time equivalents | 2   | 1    |

According to regulatory requirements, CHF 86 million and CHF 91 million are attributed to tied assets as of December 31, 2020 and 2019, respectively.

To secure the insurance reserves of the assumed reinsurance business, investments with a value of CHF 178 million and of CHF 188 million as of December 31, 2020, respectively 2019, were deposited in favor of ceding companies.

ZRe had an employment services agreement in place with ZIC. Under this agreement, ZIC committed to make available certain services of identified staff to the Company.

## Financial statements (continued)

## 18. Shareholder's equity

| Shareholder's equity                  | in CHF millions, as of December 31 | 2020          | 2019       | Change      |
|---------------------------------------|------------------------------------|---------------|------------|-------------|
|                                       |                                    | Share capital | 12         | 12          |
| Capital contribution reserve          |                                    | 616           | 616        | –           |
| Organizational fund                   |                                    | 8             | 11         | (3)         |
| Retained earnings:                    |                                    |               |            |             |
| <i>Beginning of year</i>              |                                    | 68            | 59         | 8           |
| <i>Dividend paid</i>                  |                                    | (38)          | (36)       | (2)         |
| <i>Net income after taxes</i>         |                                    | (6)           | 44         | (50)        |
| <i>Retained earnings, end of year</i> |                                    | 24            | 68         | (44)        |
| <b>Total shareholder's equity</b>     |                                    | <b>659</b>    | <b>706</b> | <b>(47)</b> |

The Company's only shareholder is Zurich Insurance Company Ltd.

The organizational fund, which was set up in 2016 amounting to CHF 20 million, was reduced as per December 31, 2020, to CHF 8 million according to FINMA regulations.

## 19. Exchange rates

The presentation currency for ZRe is CHF. The functional currency is the currency of the primary economic environment in which the business unit operates. Assets and liabilities of those business units with functional currencies other than CHF 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, whereas the unrealized foreign exchange gains are deferred and recorded in the balance sheet.

The table below summarizes the 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   |
| USD                      |                                   | 88.47          | 96.84      | 93.78             | 99.37  |
| GBP                      |                                   | 120.81         | 128.25     | 120.38            | 126.82 |

## Financial statements (continued)

### Proposed appropriation of available earnings

|  | 2020       | 2019       |
|--|------------|------------|
| number of shares, as of December 31      |            |            |
| Registered shares eligible for dividends |            |            |
| Eligible shares                          | 11,676,271 | 11,676,271 |

The Board of Directors proposes to the Annual General Meeting to be held on April 13, 2021, to appropriate the available earnings for 2020 as follows:

| in CHF  | Available earnings |
|---|--------------------|
| Available earnings                                |                    |
| As of January 1, 2020                             | 67,543,139         |
| Dividend paid                                     | (38,000,000)       |
| Net income after taxes                            | (5,898,560)        |
| <b>Available earnings as of December 31, 2020</b> | <b>23,644,580</b>  |

The Board of Directors proposes to carry forward available earnings of CHF 23,644,580:

| in CHF                              | Available earnings |
|-------------------------------------|--------------------|
| Appropriation of available earnings |                    |
| As of January 1, 2021               | 23,644,580         |
| <b>Balance carried forward</b>      | <b>23,644,580</b>  |

The Board of Directors proposes a dividend of CHF 40,000,000 out of the capital contribution reserve:

| in CHF   | Capital contribution reserve |
|--|------------------------------|
| Appropriation of capital contribution reserve        |                              |
| As of January 1, 2021                                | 615,807,652                  |
| Dividend payment out of capital contribution reserve | (40,000,000)                 |
| <b>Balance carried forward</b>                       | <b>575,807,652</b>           |

Zurich, April 13, 2021

On behalf of the Board of Directors of Zurich Reinsurance Company Ltd

Juan José Beer

Chairman

## Report of the statutory auditor

### Report of the statutory auditor

#### To the General Meeting of Zurich Reinsurance Company Ltd, Zurich

##### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Zurich Reinsurance Company Ltd, which comprise the income statement, balance sheet and notes ([pages 3 to 12](#)), for the year ended December 31, 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 association. 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 December 31, 2020, comply with Swiss law and the Company's articles of association.

##### 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 association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Ray Kunz  
Audit expert  
Auditor in charge

Nicolas Juillerat  
Audit expert

Zurich, April 13, 2021



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## 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 Reinsurance Company Ltd. Forward-looking statements include statements regarding the Zurich Reinsurance Company Ltd's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Zurich Reinsurance 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 Reinsurance 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 Reinsurance Company Ltd and on whether the targets will be achieved. Zurich Reinsurance 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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