



Annual Report 2021

Financial statements

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Financial statements (continued)

Management report

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 (up to April 1, 2021) and Hong Kong (up to September 1, 2021).

Financial review

ZLIC reported net income after taxes of CHF 266 million in 2021, which is an increase of 111 percent compared to the previous year's result of CHF 126 million. Key drivers were favorable gains on portfolio transfers. ZLIC maintained a strong capital position with total shareholders' equity of CHF 1,495 million and CHF 1,399 million as of December, 31, 2021 and 2020 respectively.

Gross written premiums and policy fees decreased by 21 percent to CHF 1,468 million compared with 2020. Key drivers were the portfolio transfers of Japan and Hong Kong business, as well as the decrease in social insurance salary sums and fewer purchases of additional pension benefits in Switzerland.

Business review

The business year 2021 saw a continuation of the COVID-19 pandemic, but a resilient economy. Continued challenges came from the persisting low interest rate environment combined with intensifying margin pressure. In this environment, the execution of ZLIC's capital-light and protection-oriented strategy paid off once again. Strengthened in-force activities, especially with regard to client retention initiatives, further contributed to the stabilization of ZLIC's core business in Switzerland.

Switzerland

ZLIC is a top-five life insurer in the Swiss market in terms of risk and cost premiums and savings contributions which account for approximately 91 percent of ZLIC's total business. ZLIC operates both an Individual Life and a Group Life business. Retail products include pure risk, endowment, annuities, unit-linked and hybrid products. Group Life propositions cover risk-only solutions and joint foundations business in the second pillar plus International Group Risks solutions for Swiss Multinationals and NGOs.

In line with its business strategy, ZLIC in Switzerland continued to improve operationally through simplification, process management and digitalization. All relevant customer touchpoints were monitored on an ongoing basis and the customer service in Group Life has been certified under the ISAE 3402 standard [type 1 in 2020, type 2 following in 2022].

Furthermore, ZLIC in Switzerland also continued to focus on intelligent protection and capital efficient solutions and on maintaining a strict underwriting discipline throughout all product lines. 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 further identify and improve cross-selling opportunities. At the same time, ZLIC in Switzerland continued to strengthen distribution relationships with banks and partnerships while seeking to establish alternative distribution channels to realize upselling potential.

From an operational perspective, ZLIC in Switzerland successfully finalized the Group Life end-to-end platform aimed at increasing efficiency and customer satisfaction while improving crucial reporting capabilities. With the new set-up, ZLIC can operate more effectively in the future.

Japan

The insurance business of ZLIC's Japan branch was transferred on April 1, 2021 to ZLIC's Japan subsidiary through portfolio transfer, which resulted in a transfer gain of CHF 96 million. It was later resolved by both the Zurich Insurance Company Ltd (ZIC) and Zurich Insurance Group (ZIG) Boards that ZIC will take over the status of the sole shareholder of ZLIC's Japan subsidiary in 2022. A dividend in kind is therefore planned for April 2022. The branch is in the process of being liquidated.

Hong Kong

ZLIC's Hong Kong Retail business, in run-off since December 31, 2013 has been transferred in a portfolio transfer to Zurich Life Insurance (Hong Kong) Ltd, a ZIC subsidiary, on September 1, 2021, which resulted in a transfer gain of CHF 40 million. The branch is in the process of being liquidated.

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.

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 2021 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 2021, 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 continues to evolve globally with new variants of the virus emerging, and so do the impacts on the insurance industry and the global economy. Though most of the impacts of the pandemic on ZLIC's businesses are already known and management's best estimate of claims is reflected in the loss reserves and loss adjustment expenses, some uncertainties remain. ZLIC is closely monitoring and actively dealing with the potential for further exposure from (i) potential second-order impacts on health which could have mortality or morbidity effects, and (ii) other extended macroeconomic impacts around the pandemic, including governmental actions.

Outlook

The key priorities in 2022 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.

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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
<u>Board of Directors as of December 31, 2021</u>		
Christian Felderer, Chairman of the Board	Zurich, Switzerland	2022
Helene Westerlind	Freienbach, Switzerland	2022
Barry John Perkins	Zurich, Switzerland	2022
Justine Kelley	Richterswil, Switzerland	2022
<u>Andres Christen, Secretary of the Board of Directors</u>		
<u>Chief Executive Officer</u>		
Juan José Beer		
<u>Chief Financial Officer</u>		
Andreas Henke		
<u>Auditors</u>		
Ernst & Young AG		

As of January 2021, the Board of Directors for Zurich Life Insurance Company Ltd was chaired by Urban Angehrn. Justine Kelly and Michael Koller were appointed as Board members per April 13, 2021. Urban Angehrn resigned as Chairman and as Board member per July 15, 2021. As of July 15, 2021, Christian Felderer replaced Urban Angehrn in his role as the Vice Chairman of the Board of Directors and was officially appointed as the Chairman of the Board of Directors with Circular Resolution of the Board of Directors on August 30, 2021. Michael Koller resigned per September 10, 2021.

The Annual General Meeting was held on April 9, 2021.

The Audit & Risk Committee of Zurich Life Insurance Company Ltd as of December, 31, 2021, consisted of Helene Westerlind (Chair a.i.) and Christian Felderer.

As of January 1, 2021, the CEO of ZLIC was Juan Beer. The Management Board also included Andreas Henke, Erik Erixon, Tim Howell and Sandro Meyer. Andreas Fischer was appointed as Chief Investment Officer effective March 5, 2021. Tim Howell resigned per December 31, 2021.

Financial statements (continued)

Income statements

Income statements	in CHF millions, for the years ended December 31	Notes	2021	2020
	Gross written premiums and policy fees	5	1,468	1,861
	Premiums ceded to reinsurers		(119)	(369)
	Net written premiums and policy fees		1,349	1,492
	Change in reserves for unearned premiums, gross		4	7
	Change in reserves for unearned premiums, ceded		–	(1)
	Net earned premiums and policy fees		1,353	1,497
	Other income	6	105	7
	Total technical income		1,458	1,504
	Claims paid, annuities and loss adjustment expenses, gross	7	(1,704)	(2,028)
	Claims paid, annuities and loss adjustment expenses, ceded		34	105
	Change in insurance reserves, gross	17	206	32
	Change in insurance reserves, ceded	17	39	172
	Change in actuarial provisions for unit-linked contracts		(209)	(105)
	Insurance benefits and losses, net of reinsurance		(1,635)	(1,823)
	Underwriting & policy acquisition costs, gross		(158)	(237)
	Underwriting & policy acquisition costs, ceded		47	156
	Underwriting and policy acquisition costs, net of reinsurance		(110)	(81)
	Administrative and other expenses	8	(170)	(170)
	Total technical expense		(1,916)	(2,074)
	Investment income	9	587	839
	Investment expenses	10	(83)	(99)
	Net investment result		504	740
	Net investment result on unit-linked investments		118	43
	Other financial income		167	(1)
	Other financial expenses		(5)	(4)
	Operating result		327	207
	Interest expense on debt and other interest expense		(43)	(46)
	Net income before taxes		284	161
	Direct tax expenses		(18)	(35)
	Net income after taxes		266	126

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	2021	2020
Investments				
Real estate			2,045	1,952
Investments in subsidiaries and associates		11	119	16
Debt securities			12,349	12,810
Policyholders' loans and other loans			117	172
Mortgage loans			1,967	2,050
Equity securities			1,028	1,156
Mixed investments funds			121	121
Other investments		12	616	447
Total investments			18,363	18,723
Other assets				
Investments for unit-linked contracts		13	1,080	1,045
Derivative assets			114	85
Deposits made under assumed reinsurance contracts			–	–
Cash and cash equivalents		14	1,849	1,941
Insurance reserves, ceded		16	108	720
Fixed assets			–	2
Intangible assets			11	18
Receivables from insurance and reinsurance business		15	36	362
Other receivables			78	81
Other assets			–	–
Accrued assets			174	699
Total other assets			3,450	4,951
Total assets			21,812	23,675

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

Financial statements (continued)

Liabilities and shareholder's equity	in CHF millions as of December 31	Notes	2021	2020
Liabilities				
Insurance reserves, gross		16	16,864	18,302
Actuarial provisions for unit-linked contracts			1,063	1,033
Provisions			134	128
Senior and other debt		18	235	187
Derivative liabilities			7	8
Deposits received under ceded reinsurance contracts			35	553
Liabilities from insurance and reinsurance business		19	153	145
Other liabilities			1,167	743
Accrued liabilities			130	647
Subordinated debt		18	530	530
Total liabilities			20,317	22,276
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>			420	556
<i>Dividend paid</i>			(170)	(263)
<i>Net income after taxes</i>			266	126
Retained earnings, end of year			516	420
Total shareholder's equity (before appropriation of available earnings)			1,495	1,399
Total liabilities and shareholder's equity			21,812	23,675

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 (up to April 1, 2021) and Hong Kong (up to September 1, 2021).

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. Significant Transactions

In line with ZLIC's simplification strategy, insurance business of the Japan and Hong Kong branch have been transferred through portfolio transfer.

Transfer gains resulting from valuation differences on underlying balance sheet items are accounted for on the respective income statement account. Any additional gain on the portfolio transfer is reflected in other income.

On April 1, 2021 the insurance business of ZLIC's Japan branch was transferred to a new insurance company, Zurich Life Insurance Japan Company Ltd, which has been established in 2020 and licensed in Japan.

Overall a total of CHF 1'420 million in assets and CHF 1'381 million in liabilities have been transferred. The transfer led to a gain of CHF 96 million due to valuation differences between the net asset values transferred and the identified statutory net asset value.

The new insurance company is ultimately owned by ZLIC at December 31, 2021 and is further shown in note 11 Investment in subsidiaries and associates. It is planned to distribute the Zurich Life Insurance Japan Company Ltd to our parent company Zurich Insurance Company Ltd (ZIC) as dividend in kind.

On September 1, 2021 the Hong Kong insurance portfolio has been transferred at a transfer price of CHF 92 million to Zurich Life Insurance (Hong Kong) Ltd, a subsidiary ultimately owned by ZIC.

Overall a total of CHF 602 million in assets and CHF 538 million in liabilities have been transferred. The transfer led to a gain of CHF 40 million due to valuation differences between the net asset values transferred and the identified statutory net asset value.

4. 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	
		31/12/2021	31/12/2020	2021	2020
	Euro	103.68	108.20	108.13	107.05
	Japanese Yen	0.79	0.86	0.83	0.88

Exchange rate differences included in the income statements were a net gain of CHF 78 million and a net gain of CHF 54 million for the years ended December 31, 2021 and 2020, respectively.

5. 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	2021	2020
		Group insurance	643
Individual insurance	409	757	
Unit-linked insurance	416	372	
Gross written premiums and policy fees		1,468	1,861

Gross written premiums and policy fees by country	in CHF millions, for the years ended December 31	2021	2020
		Switzerland	1,336
Hong Kong	22	36	
Japan	110	438	
Gross written premiums and policy fees		1,468	1,861

Financial statements (continued)

6. Other income

In 2021 the other income (CHF 105 million) was mainly driven by a release of other provision of CHF 60 million and a gain on the Hong Kong portfolio transfer of CHF 14 million.

No significant other income has been realized in 2020 (CHF 7 million).

7. 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	
	2021	2020
Maturity benefits	(537)	(550)
Death benefits	(142)	(160)
Annuity payments	(378)	(390)
Disability and health benefits	(212)	(291)
Surrenders	(436)	(637)
Claims paid, annuities and loss adjustment expenses, gross¹	(1,704)	(2,028)

¹ In 2021, claims paid for the branches in Japan and Hong Kong amounted to CHF 55 million compared with CHF 136 million in 2020.

8. Administrative and other expense

Administrative and other expenses	in CHF millions, for the years ended December 31	
	2021	2020
Administration and other general expenses	(194)	(137)
Personnel expenses ¹	(55)	(81)
Gains and losses on foreign currency derivatives	47	173
Foreign currency transaction gains and losses	31	(119)
Amortization and impairment of software and equipment	–	(4)
Administrative and other general expenses	(170)	(170)

¹ Compared to prior year, personnel expenses now include salary and bonus expenses. Whereas in prior year bonus payments were disclosed under administration and other general expenses (CHF 16 million in 2020).

The decrease in personnel expenses is driven by the portfolio transfer of the Japanese branch (CHF 9 million in 2021 compared with CHF 37 million in 2020).

9. Investment income

Investment income	in CHF millions, for the years ended December 31		Current income		Realized capital gains		Write-ups		Totals
			2021	2020	2021	2020	2021	2020	2020
			2021	2020	2021	2020	2021	2020	2020
Real estate		127	131	2	303	–	–	128	434
Investments in subsidiaries and associates		–	–	–	–	–	–	–	–
Debt securities ¹		99	85	37	15	97	122	233	222
Policyholders' loans and other loans		2	3	–	–	–	–	2	3
Mortgage loans		32	34	–	–	–	–	32	35
Equity securities		21	9	87	63	72	62	180	134
Mixed investments funds		5	5	–	–	–	–	5	5
Other investments		5	6	2	–	–	–	7	6
Investment income		290	273	128	381	169	184	587	839

¹ Realized capital gains in 2021 include a CHF 26 million revaluation gain on debt securities in connection with the Hong Kong portfolio transfer.

10. Investment expenses

Investment expenses	in CHF millions, for the years ended December 31		Realized capital losses		Write-downs		Totals
			2021	2020	2021	2020	2020
			2021	2020	2021	2020	2020
Real estate		–	(3)	(2)	(7)	(2)	(10)
Investments in subsidiaries and associates		–	–	(5)	–	(5)	–
Debt securities		(1)	(4)	–	(4)	(1)	(8)
Policyholders' loans and other loans		(3)	(1)	–	–	(3)	(1)
Mortgage loans		–	–	–	–	–	–
Equity securities		(17)	(7)	(3)	(10)	(20)	(17)
Mixed investments funds		–	–	–	(4)	–	(4)
Other investments		–	–	–	–	–	–
Subtotal investment expenses		(21)	(16)	(9)	(25)	(30)	(41)
Other investment expenses		n.a.	n.a.	n.a.	n.a.	(53)	(58)
Investment expenses		(21)	(16)	(9)	(25)	(83)	(99)

Financial statements (continued)

11. Investments in subsidiaries and associates

Significant subsidiaries	as of December 31, 2021					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	5,023	
Zurich Life Insurance Japan Company Ltd	Tokyo	100.0	100.0	JPY	13,633	
Investments in subsidiaries and associates						

On April 1, 2021 the insurance business of ZLIC's Japan branch was transferred to a new insurance company, Zurich Life Insurance Company Ltd, which has been established in 2020 (including capital injections of CHF 9 million) and licensed in Japan.

In 2021 capital injections of CHF 68 million have been made by ZLIC towards the Japanese subsidiary. The Net Asset Value of ZLIC's Japan Branch, in the amount of CHF 39 million has been transferred, as a contribution in kind, on April 1, 2021, resulting in a final book value of Zurich Life Insurance Japan Company Ltd of CHF 116 million.

The subsidiary will be distributed to Zurich Insurance Company Ltd as a dividend in kind in 2022.

12. Other investments

Other investments of CHF 616 million consist mainly of collateralized debt/loan obligations of CHF 615 million in 2021 (compared to CHF 445 million in 2020).

13. Investments for unit-linked contracts

Investments held for unit-linked contracts	in CHF millions, as of December 31	
	2021	2020
Real estate	65	50
Debt securities	900	759
Equity securities	115	237
Investments held for unit-linked contracts	1,080	1,045

14. Cash and cash equivalent

Cash and cash equivalents include CHF 1'304 million (2020: CHF 1'277 million) intragroup balances related to receivables from within the Group internal cash pooling facility, which is operated by Zurich Insurance Company Ltd, refer also to note 21.

15. Receivables from insurance and reinsurance business

Receivables from insurance and reinsurance business	in CHF millions, as of December 31	
	2021	2020
Receivables from policyholders	27	64
Amounts from agents and intermediaries	–	–
Amounts from insurance and reinsurance companies	10	298
Receivables from insurance and reinsurance business	36	362

Financial statements (continued)

16. Insurance reserves, net

Insurance reserves, net	in CHF millions, as of December 31	2021	2020
	Gross		
	Reserves for unearned premiums	109	154
	Other technical reserves	1	30
	Future life policyholders' benefits	16,386	17,695
	Reserves for policyholders' dividends	369	423
	Insurance reserves, gross	16,864	18,302
	Ceded		
	Reserves for unearned premiums	(1)	–
	Future life policyholders' benefits	(107)	(720)
	Insurance reserves, ceded	(108)	(720)
	Net		
	Reserves for unearned premiums	108	154
	Other technical reserves	1	30
	Future life policyholders' benefits	16,278	16,975
	Reserves for policyholders' dividends	369	423
	Insurance reserves, net of reinsurance	16,756	17,582

Total insurance reserves, net of reinsurance, decreased by CHF 826 million to CHF 16'756 million in 2021 from CHF 17'582 million in 2020. This is mainly driven by the portfolio transfer of Japan (CHF 352 million insurance reserves, net of reinsurance in 2020) and Hong Kong (CHF 214 million insurance reserves, net of reinsurance in 2020). The remaining reduction of insurance reserves, net of reinsurance, of CHF 260 million mostly refers to Swiss business, where reserves reduced by net outflows of traditional business partly offset by strengthening of reserves.

17. Change in insurance reserves, net

Change in insurance reserves, net	in CHF millions, for the years ended December 31	2021	2020
	Gross		
	Change in other technical reserves	–	(7)
	Change in reserves for future life policyholders' benefits ¹	242	88
	Change in reserves for policyholders' dividends	(36)	(49)
	Change in insurance reserves, gross	206	32
	Ceded		
	Change in reserves for future life policyholders' benefits ²	38	172
	Change in reserves for policyholders' dividends	1	–
	Change in insurance reserves, ceded	39	172
	Net		
	Change in other technical reserves	–	(7)
	Change in reserves for future life policyholders' benefits	280	260
	Change in reserves for policyholders' dividends	(35)	(49)
	Change in insurance reserves, net of reinsurance	244	204

¹ Change in reserves for future life policyholders' benefits in 2021 include a CHF 92 million revaluation gain in connection with the Japan portfolio transfer.

² Change in ceded reserves for future life policyholders' benefits is driven by the reinsurance program of the Japan branch until April 1, 2021.

18. 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.

19. Liabilities from insurance and reinsurance business

Liabilities from insurance and reinsurance business	in CHF millions, as of December 31	2021	2020
	Amounts due to policyholders	140	93
	Amounts due to agents and intermediaries	–	–
	Amounts due to insurance and reinsurance companies	13	52
	Liabilities from insurance and reinsurance business	153	145

Financial statements (continued)

20. Shareholder's equity

Shareholders' equity	in CHF millions, as of December 31			
	2021	2020	Change	
Share capital	60	60	–	
Legal reserve	41	41	–	
General free reserve	878	878	–	
Retained earnings:				
<i>Beginning of year</i>	420	556	(137)	
<i>Dividend paid</i>	(170)	(263)	93	
<i>Net income after taxes</i>	266	126	140	
Retained earnings, end of year	516	420	96	
Total shareholders' equity	1,495	1,399	96	

21. Assets and liabilities relating to companies within Zurich Insurance Company

Assets and liabilities relating to Zurich Insurance Company Ltd	in CHF millions, as of December 31		
	2021	2020	
Assets			
Policyholders' loans and other loans	59	101	
Equity securities ¹	3	3	
Derivative assets	15	13	
Cash and cash equivalents	1,304	1,277	
Insurance reserves, ceded	106	700	
Receivables from insurance and reinsurance business	9	284	
Other receivables	–	2	
Accrued assets	2	533	
Total assets	1,499	2,913	
Liabilities			
Senior and other debt	230	178	
Derivative liabilities	–	1	
Deposits received under ceded reinsurance contracts	35	553	
Liabilities from insurance and reinsurance business	11	26	
Other liabilities	24	38	
Accrued liabilities	11	479	
Subordinated debt	530	530	
Total liabilities	841	1,804	

¹ ZLIC owns Zurich Insurance Group Ltd shares with a cost value of CHF 3 million as of December 31, 2021 and 2020.

22. Supplementary information

Supplementary information	in CHF millions for the years ended December 31		
	2021	2020	
Commitments under investment agreements net of funding	135	109	
Leasing obligations not recorded on the balance sheet	1	5	
Pledged assets in respect of securities lending agreements (at book value)	4	5	
Liabilities to pension funds	5	7	
Audit fees	1	1	
Other service fees	0	0	
Number of employees – average full time equivalents ¹	4	354	

¹ Decrease in number of employees due to the Japanese branch, which reported a staff count of 350 as per December 31, 2020.

According to regulatory requirements, CHF 20.0 billion are attributed to tied assets. Compared to CHF 20.7 billion as of December 31, 2020, including the requirement of the foreign branches.

The Zurich Life Insurance Company Ltd is a member of the Zurich VAT group (CHE-116.288.787 VAT) and is therefore jointly and severally liable for the VAT debts of the entire Group to the Swiss Federal Tax Administration.

23. Net release of hidden reserves

In 2021 there was no release of hidden reserves to be reported according to Swiss Code of Obligation. In 2020, hidden reserves amounting to CHF 8 million were released.

Financial statements (continued)

Appropriation of available earnings as proposed by the Board of Directors

	2021	2020
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 5, 2022, to appropriate the available earnings for 2021 as follows:

in CHF	Available earnings
Available earnings	
As of January 1, 2021	419,821,885
Dividend paid	(170,000,000)
Net income after taxes	266,202,303
Available earnings, as of December 31, 2021	516,024,188

The Board of Directors proposes a dividend of CHF 515,935,449 out of the available earnings for 2021:

in CHF	Available earnings
Appropriation of available earnings	
As of January 1, 2022	516,024,188
Cash dividend out of available earnings	(400,000,000)
Dividend in kind: Zurich Life Insurance Japan Company Ltd ¹	(115,935,449)
Balance carried forward	88,739

¹ The Board of Directors proposes to distribute a dividend in kind to ZIC in the form of the 100% participation in Zurich Life Insurance Japan Company Ltd, at the carrying amount of CHF 116 million.

Zurich, April 5, 2022

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

Christian Felderer
Chairman of the Board

Helene Westerlind
Member of the Board

Report of the statutory auditor



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

Zurich, 5. April 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zurich Life Insurance Company Ltd (hereinafter referred to as “the Company”), which comprise the balance sheet, income statement and notes (pages 5 to 14), for the year ended 31. December 2021.

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 the 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 2021 comply with Swiss law and the Company’s articles of association.

Other matter

The financial statements of Zurich Life Insurance Company Ltd for the year ended 31. December 2020 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 9. April 2021.

Report of the statutory auditor (continued)



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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.

Ernst & Young Ltd

Christian Fleig
Licensed audit expert
(Auditor in charge)

Patrik Schaller
Licensed audit expert

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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 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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