



Annual Report 2022

Financial statements

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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 (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 has a direct book, which has been in run-off for over 35 years.

Financial review

ZRe reported a net gain after taxes of CHF 32 million for the twelve months to December 31, 2022. The gain is mainly related to a stronger underwriting result compared to the previous year driven by strong performance of the assumed reinsurance as well as by net FX-gains of CHF 8 million following the stronger U.S. dollar exchange rate in 2022 compared to 2021.

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

Asia Pacific region accounting for 70 percent of the Company's gross written premiums and policy fees and the rest of the world accounting for 30 percent of the gross written premiums and policy fees. Both regions' gross written premiums and policy fees are generated through international program business (IPZ) (44 percent) and non-IPZ business (56 percent), whereas the IPZ business was growing further in 2022 as planned. Whereby the IPZ assumed business from ZIC branches is being retroceded to ZIC and the non-IPZ assumed business (mainly comprised of quota share reinsurance from ZIC branches in Japan (motor and personal accident (PA) business) and in Hong Kong (whole account quota share)) is mostly retained by ZRe.

Business overview

From an underwriting perspective, the active business, also under the light of the fading COVID-19 situation, performed well in the twelve months to December 31, 2022. In respect of COVID-19, no adverse development was observed and ZRe's business, because of the portfolio composition, was not negatively impacted by the war in Ukraine. The run-off business continues to be managed carefully as consistent with previous years. During 2022, ZRe maintained its prudent policy regarding reserving for this portfolio. Overall, it evolves as expected. The investment income result was driven by a combination of third-party invested assets and Group internal loans. The net investment result for 2022 developed in line with management's expectations.

Risk review

ZRe has a risk management framework under the lead of ZRe's Chief Risk Officer (CRO) which is fully integrated into Zurich's Group-wide risk process. For closer information on ZRe's overall approach to risk management, please refer to the risk review section in the Zurich Insurance Group Annual Report 2022.

ZRe uses two key sources for the identification and assessment of risks. One is the risk and capital model as required by Swiss Solvency Test. This model quantifies financial risks which threaten the capital of the Company over a one-year time horizon. The significant risks for ZRe, as measured by capital metrics, are premium and reserve risk, market and credit risk. The other source is the Total Risk Profiling™ (TRP) methodology which identifies all risks that threaten capital, earnings and reputation over a three-year planning horizon. The TRP process is applied to identify, evaluate, control and monitor these risks. Mitigation actions are defined for key risks. The TRP is completed at least annually with management's participation. Key risks identified and assessed during the TRP conducted in 2022 included: dependency on counterparties, key-people dependency, underwriting and currency risk, but all managed and within the Company's risk appetite.

Throughout the year, quarterly risk reports to the ZRe Management Board and the ZRe Board of Directors provide updates of the risk and solvency situation as well as on Internal Control System related matters. Annually, an Own Risk and Solvency Assessment (ORSA) for ZRe is completed and was submitted to FINMA at the beginning of 2023. To ensure the Board is adequately involved in the ORSA process, ZRe's CRO provides regular update, thus allowing the Board to challenge findings and consider its views in its decision making process.

Management report (continued)

Outlook

The business written by the Company in 2023 is structurally expected to be similar to 2022. The business opportunity triggered by the UK business following Brexit materializes as per January 1, 2023, and on the gross side, ZRe will grow substantially in 2023 in terms of business volume. The overall appetite of ZRe to retain on a net base business out of portfolios with low volatility will remain unchanged. Consequently, ZRe will continue focusing on a stable portfolio and similar risks in 2023 as it did in 2022, with the primary retained exposures being on ZRe's reinsurance of the Japan motor and personal accident business and the Hong Kong as well as Singapore Whole Account Quota Share (WAQS). In 2023, ZRe will also retain a part out of the UK WAQS, aligned with the size of the above mentioned transactions. The underwriting results are expected to be driven by the profitability of these retained contracts and the stability and homogeneity of the underlying portfolios, where the new UK WAQS fits very well into and contributes to ZRe's further diversification. The Company's management continues to carefully monitor any development of regulatory and legal requirements.

Board of Directors, management and auditors

Board of Directors, management and auditors

	Residence	Expiration of current term of office
Board of Directors as of December 31, 2022		
Juan José Beer, Chairman of the Board	Möriken-Wildegg, Switzerland	2023
Christian Carl	Hünenberg, Switzerland	2023
Christian Felderer	Zurich, Switzerland	2023
Andrea Stürmer	Vienna, Austria	2023
Andres Christen, Secretary of the Board of Directors		
Chief Executive Officer		
Felix R. Kuhn		
Chief Financial Officer		
Elena Kuratli		
Auditors		
Ernst & Young AG		

As of January 1, 2022, the Board of Directors for Zurich Reinsurance Company Ltd (ZRe) was chaired by Juan José Beer.

The Annual General Meeting was held on April 12, 2022.

As of January 1, 2022, the CEO of ZRe was Felix R. 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, 2023

Income statements

Income statements	in CHF millions, for the years ended December 31	Notes	2022	2021
		3	1,125	1,092
			(594)	(530)
			530	562
			(49)	(40)
			41	28
			522	550
			1	5
			524	555
			(9)	(1)
			(338)	(355)
			133	126
		12	(83)	(75)
		12	66	28
			(231)	(276)
			(350)	(355)
			102	94
			(248)	(261)
		4	(9)	2
			(487)	(535)
		5	13	11
		6	(5)	(1)
			7	10
			7	–
			51	30
			(10)	(1)
			41	29
			(9)	(6)
			32	23

Balance sheets

Assets	in CHF millions, as of December 31	Notes	2022	2021
Investments				
Investments in subsidiaries and associates		7	–	–
Debt securities			626	484
Other loans			53	60
Total investments			679	544
Other assets				
Derivative assets			1	–
Deposits made under assumed reinsurance contracts		8	177	175
Cash and cash equivalents ¹			2	789
Insurance reserves, ceded		13	848	758
Deferred acquisition costs, net of reinsurance		9	83	86
Intangible assets		10	13	16
Receivables from insurance and reinsurance business		11	163	103
Other receivables ¹			815	15
Accrued assets			14	11
Total other assets			2,117	1,954
Total assets			2,796	2,498

¹ In 2022, Other receivables includes intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 815 million which was disclosed within Cash and cash equivalents in the previous year (CHF 773 million).

Balance sheets (continued)

Liabilities and shareholder's equity	in CHF millions, as of December 31	Notes	2022	2021
	Liabilities			
	Insurance reserves, gross	13	1,447	1,367
	Senior and other debt ¹	14	415	337
	Derivative liabilities		1	–
	Deposits received under ceded reinsurance contracts	8	97	97
	Liabilities from insurance and reinsurance business	15	144	46
	Other liabilities ¹		26	2
	Accrued liabilities		17	8
	Total liabilities		2,147	1,856
	Shareholder's equity (before appropriation of available earnings)	18		
	Share capital		12	12
	Capital contribution reserve:			
	<i>Beginning of year</i>		576	616
	<i>Dividend paid</i>		(25)	(40)
	Capital contribution reserve, end of year		551	576
	Retained earnings:			
	<i>Beginning of year</i>		55	24
	<i>Transfer of organizational fund to retained earnings</i>		–	8
	<i>Net income after taxes</i>		32	23
	Retained earnings, end of year		87	55
	Total shareholder's equity (before appropriation of available earnings)		649	642
	Total liabilities and shareholder's equity		2,796	2,498

¹ In 2022, Other liabilities includes intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 14 million which was disclosed within Senior and other debt in the previous year (CHF 36 million).

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 estimates 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.

Notes to the 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.

Notes to the 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	2022	2021
		Personal accident	201
Workers' compensation		31	29
Health		5	4
Motor		252	272
Marine, Aviation, Transport		20	15
Property		436	385
Casualty		180	167
Miscellaneous		1	2
Gross written premiums and policy fees		1,125	1,092

Gross written premiums and policy fees totaled CHF 1,125 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 in 2022 originates from ZIC's Japan branch (personal accident and motor business) and international program business written in Canada (mainly property and casualty business).

4. Administrative and other expense

Administrative and other expense	in CHF millions, for the years ended December 31	2022	2021
		Operating and administrative expenses	(13)
Amortization of intangible assets		(3)	(3)
Foreign currency transaction gains and losses		8	15
Gains and losses on foreign currency derivatives		–	(3)
Administrative and other expense		(9)	2
of which personnel expenditure		(1)	(1)

In 2022, a contribution of CHF 10 million to the Z Zurich Foundation was included in operating and administrative expenses. In 2021, the contribution to Z Zurich Foundation was CHF 4 million. Foreign currency transaction gains and losses are mainly driven by the net FX-gains of CHF 8 million following the stronger U.S. dollar exchange rate in 2022.

5. Investment income

Investment income by category	in CHF millions, for the years ended December 31	Current income		Realized capital gains		Write-ups		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
		Debt securities	10	7	–	2	–	–	10
Other loans	2	3	–	–	–	–	2	3	
Investment income		12	9	–	2	–	–	13	11

6. Investment expenses

Investment expenses by category	in CHF millions, for the years ended December 31	Realized capital losses		Write-downs		Total	
		2022	2021	2022	2021	2022	2021
		Debt securities	(5)	(1)	–	–	(5)
Other loans	–	–	–	–	–	–	
Subtotal investment expenses		(5)	(1)	–	–	(5)	(1)
Investment general expenses		n.a.	n.a.	n.a.	n.a.	–	–
Investment expenses		(5)	(1)	–	–	(5)	(1)

Realized capital losses on debt securities of CHF 5 million were mainly due to the sale of Canadian government bonds in order to reposition the portfolios and reinvest them at the higher market interest rate.

Notes to the 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, 2022 and 2021, respectively.

Significant indirect subsidiaries

Zurich Reinsurance Company Ltd holds no indirect subsidiaries.

8. Deposit made under assumed reinsurance contracts/Deposits received under ceded reinsurance contracts

ZRe reported deposits made under assumed reinsurance contracts of CHF 177 million and CHF 175 million as of December 31, 2022 and 2021, respectively, to comply with regulatory requirements in Singapore and Hong Kong for the assumed business from ZIC. For the retroceded part of this business, ZRe recorded deposits received of CHF 97 million both as of December 31, 2022 and 2021, respectively.

9. Deferred acquisition costs

Deferred acquisition costs, net of reinsurance	in CHF millions, as of December 31	2022	2021
		Deferred acquisition costs, assumed reinsurance	126
	Deferred acquisition costs, retroceded reinsurance	(43)	(41)
	Deferred acquisition costs, net of reinsurance	83	86

10. Intangible assets

Intangible assets consist of renewal rights of CHF 13 million and CHF 16 million as of December 31, 2022 and 2021, respectively, which are amortized over a period of ten years.

11. Receivables from insurance and reinsurance business

Receivables from insurance and reinsurance business	in CHF millions, as of December 31	2022	2021
		Receivables from insurance and reinsurance business	163
	Receivables from insurance and reinsurance business	163	103

Receivables from insurance and reinsurance business increased in 2022 compared to December 31, 2021, mainly related to the reinsurance business which is fully fronted and not retained.

Notes to the financial statements (continued)

12. Change in insurance reserves, net

Change in insurance reserves, net	in CHF millions, for the years ended December 31	2022	2021
	Gross		
	Change in reserves for losses and loss adjustment expenses, direct business	8	(18)
	Change in reserves for losses and loss adjustment expenses, assumed business	(91)	(57)
	Change in other technical reserves	-	-
	Change in insurance reserves, gross	(83)	(75)
	Ceded		
	Change in reserves for losses and loss adjustment expenses, direct business	(4)	9
	Change in reserves for losses and loss adjustment expenses, assumed business	70	20
	Change in other technical reserves	-	-
	Change in insurance reserves, ceded	66	28
	Net		
	Change in reserves for losses and loss adjustment expenses, direct business	4	(9)
	Change in reserves for losses and loss adjustment expenses, assumed business	(22)	(37)
	Change in other technical reserves	-	-
	Change in insurance reserves, net of reinsurance	(17)	(46)

13. Insurance reserves, net

Insurance reserves, net	in CHF millions, as of December 31	2022	2021
	Gross		
	Reserves for unearned premiums	437	412
	Reserves for losses and loss adjustment expenses	1,008	953
	Other technical reserves	2	2
	Insurance reserves, gross	1,447	1,367
	Ceded		
	Reserves for unearned premiums	(231)	(196)
	Reserves for losses and loss adjustment expenses	(617)	(562)
	Insurance reserves, ceded	(848)	(758)
	Net		
	Reserves for unearned premiums	206	216
	Reserves for losses and loss adjustment expenses	391	390
	Other technical reserves	2	2
	Insurance reserves, net of reinsurance	599	608

Total net insurance reserves decreased by CHF 10 million to CHF 599 million in 2022 from CHF 608 million in 2021. 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 increase in the gross insurance reserves of CHF 80 million was mainly due to the international program business from Canada and is fully retroceded to ZIC. The COVID-19 pandemic had only a minor impact on the Company's insurance reserves in 2022 and in 2021, respectively.

14. Senior and other debt

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

Notes to the financial statements (continued)

15. Liabilities from insurance and reinsurance business

Liabilities from insurance and reinsurance business	in CHF millions, as of December 31	
	2022	2021
Liabilities from insurance and reinsurance business	144	46
Liabilities from insurance and reinsurance business	144	46

Liabilities from insurance and reinsurance business increased in 2022 compared to December 31, 2021, mainly related to the reinsurance business which is fully fronted and not retained.

16. Assets and liabilities relating to Zurich Insurance Company Ltd and Zurich Insurance Group Ltd

Assets and liabilities relating to ZIC	in CHF millions, as of December 31	
	2022	2021
Assets		
Other loans	53	60
Derivative assets	1	–
Deposits made under assumed reinsurance contracts	177	175
Cash and cash equivalents ¹	–	773
Insurance reserves, ceded	802	706
Deferred acquisition costs, net of reinsurance	82	85
Receivables from insurance and reinsurance business	143	91
Other receivables ¹	815	6
Accrued assets	4	3
Total assets	2,078	1,900
Liabilities		
Insurance reserves, gross	1,268	1,176
Senior and other debt ²	415	337
Derivative liabilities	1	–
Deposits received under ceded reinsurance contracts	97	97
Liabilities from insurance and reinsurance business	141	45
Other liabilities ²	19	1
Accrued liabilities	9	2
Total liabilities	1,951	1,657

¹ In 2022, Other receivables includes intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 815 million which was disclosed within Cash and cash equivalents in the previous year (CHF 773 million).

² In 2022, Other liabilities includes intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 14 million which was disclosed within Senior and other debt in the previous year (CHF 36 million).

There are no assets or liabilities relating to Zurich Insurance Group Ltd on the Company's balance sheet as of December 31, 2022 and 2021, respectively.

17. Supplementary information

Supplementary information	in CHF thousands, for the years ended December 31	
	2022	2021
Audit fees	140	141
Other service fees	–	–
Number of employees – average full time equivalents	2	2

According to regulatory requirements, CHF 117 million and CHF 109 million are attributed to tied assets as of December 31, 2022 and 2021, respectively.

To secure the insurance reserves of the assumed reinsurance business, investments with a value of CHF 430 million and of CHF 297 million as of December 31, 2022, respectively 2021, 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.

ZRe is a member of the Zurich VAT group and is therefore jointly and severally liable for the VAT debts of the entire Group to the Swiss Federal Tax Administration. In addition, the Company has provided two unlimited guarantees and is not aware of any event or default that would require it to satisfy any of these guarantees.

Notes to the financial statements (continued)

18. Shareholder's equity

Shareholder's equity	in CHF millions, as of December 31	2022	2021	Change
Share capital		12	12	–
Capital contribution reserve:				
<i>Beginning of year</i>		576	616	(40)
<i>Dividend paid</i>		(25)	(40)	15
Capital contribution reserve, end of year		551	576	(25)
Retained earnings:				
<i>Beginning of year</i>		55	24	31
<i>Transfer of organizational fund into retained earnings</i>		–	8	(8)
<i>Net income after taxes</i>		32	23	9
Retained earnings, end of year		87	55	32
Total shareholder's equity		649	642	7

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 totally released and transferred into retained earnings in 2021.

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.

Exchange rates	CHF per 1 foreign currency unit	Balance sheets		Income statements	
		31/12/2022	31/12/2021	2022	2021
	British pound	1.1143	1.2344	1.1803	1.2574
	U.S. dollar	0.9248	0.9117	0.9540	0.9140

Proposed appropriation of available earnings and capital contribution reserve

The available earnings for 2022 originate as follows:

in CHF	Available earnings
Available earnings	
As of January 1, 2022	54,891,577
Net income after taxes	31,954,803
Available earnings as of December 31, 2022	86,846,380

The Board of Directors proposes to the Annual General Meeting to be held on April 13, 2023, to appropriate the available earnings and a part of the capital contribution reserve as follows:

in CHF	Available earnings
Appropriation of available earnings	
As of January 1, 2023	86,846,380
Balance carried forward	86,846,380

in CHF	Capital contribution reserve
Appropriation of capital contribution reserve	
As of January 1, 2023	550,807,652
Dividend of CHF 43,000,000 ¹	(43,000,000)
Balance carried forward¹	507,807,652

¹ These figures are based on the share capital issued on December 31, 2022, of CHF 11,676,271 divided into 11,676,271 registered shares with a nominal value of CHF 1 each.

Zurich, April 13, 2023

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

Juan José Beer

Chairman

Report of the statutory auditor



Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zurich Reinsurance Company Ltd, Zurich

Zurich, April 13, 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Zurich Reinsurance Company Ltd (hereinafter referred to as “the Company”), which comprise the balance sheet as at December 31, 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 4 to 13) comply with Swiss law and the Company’s articles of association.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor (continued)



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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report of the statutory auditor (continued)



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Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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

Philip Kirkpatrick
Licensed audit expert
(Auditor in charge)

Thomas Lussiez
Certified Public Accountant (U.S.)

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Disclaimer and cautionary statement

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Zurich Reinsurance Company Ltd

Mythenquai 2

8002 Zurich, Switzerland

Phone: +41 (0) 44 628 28 28

www.zurich.com

