Financial Condition Report 2023

Zurich Insurance Company Ltd

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Contents

The information published in this report is consistent with the information published in the Annual Reports 2023 of Zurich Insurance Group and Zurich Insurance Company Group, as well as the regulatory reporting of Zurich Insurance Company Ltd for the year 2023, including the regulatory reporting to the Swiss Financial Market Supervisory Authority FINMA (FINMA) on the Swiss Solvency Test, in accordance with Art. 25 ISA and Art. 53 ISO. While the financial statements and the information therein were subject to audit by the statutory auditor of Zurich Insurance Company Ltd, Ernst & Young Ltd (see Appendix 2), there was no external audit or review of this report.

Please further note that while this report has been filed with FINMA, FINMA has not reviewed the report.

Zurich Insurance Company Ltd (continued)

Overview

Business profile

Zurich Insurance Company Ltd (ZIC or the Company) is the main operating carrier of Zurich Insurance Group (Zurich or the Group). Zurich is a leading multi-line insurer serving people and businesses – in more than 200 countries and territories. With about 60,000 employees, it provides a wide range of property and casualty and life insurance products and services.

ZIC writes direct property and casualty insurance business mainly in United Kingdom, Switzerland, Canada, Hong Kong and Japan.

Total gross written premiums and policy fees

CHF 22.5bn

Net income after taxes

CHF 2.1bn

Net investment result

CHF 3.3bn

System of governance and enterprise risk management

Good corporate governance enables ZIC to create sustainable value for its shareholders, customers, employees and other stakeholders.

The Enterprise Risk Management framework supports achievement of Zurich's strategy and helps protect capital, liquidity, earnings and reputation across all of its entities, including ZIC.

Risk profile

Zurich identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood and supports the definition and implementation of mitigating actions.

Financial condition

ZIC's balance sheet remains very strong. As of January 2024, the insurance financial strength rating of ZIC was 'AA/Stable' by Standard and Poor's Global Ratings, 'Aa3/positive' by Moody's, and 'A+(Superior)/ Stable by A.M. Best.

Shareholders' equity (statutory accounts)

CHF 21.3bn

Swiss Solvency Test (SST) ratio for ZIC Group as of January 1, 2024

SST 226%

Standard and Poor's financial strength rating as of January 2024

AA/Stable

Acronyms

AEL	annual expected losses
AG	Aktiengesellschaft (stock company)
AGM	Annual General Meeting
APAC	Asia Pacific
Board	Board of Directors
BEL	best estimate liability
bn	billion
BS	Balance Sheet
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss franc
CO2e	carbon dioxide equivalent
CRO	Chief Risk Officer
CSM	contractual service margin
EMEA	Europe, Middle East & Africa
ERM	Enterprise Risk Management
ExCo	Executive Committee
EY	Ernst & Young Ltd
FCR	Financial Condition Report
FINMA	Swiss Financial Market Supervisory Authority FINMA
Group	Zurich Insurance Group Ltd and its subsidiaries
IACF	insurance acquisition cash flows
ICR	issuer credit rating
ISA	Swiss Insurance Supervision Act
ISO	Swiss Insurance Supervision Ordinance
Ltd	company limited by shares
MCBS	market-consistent balance sheet
MVM	market value margin
Nat Cat	natural catastrophes
NZIA	Net-Zero Insurance Alliance
P&C	Property and Casualty
PML	probable maximum losses
SFCR	Solvency and Financial Condition Report
SST	Swiss Solvency Test
TRP	Total Risk ProfilingTM
TCFD	Financial Stability Board’s Taskforce on Climate-related Financial Disclosure
UK	United Kingdom
UPR	unearned premium reserves
U.S.	United States
USD	United States dollar
WAQS	Whole Account Quota Share
Z-ECM	Zurich Economic Capital Model
ZIC Group	Zurich Insurance Company Ltd and its subsidiaries
ZIC	Zurich Insurance Company Ltd
Zurich	Zurich Insurance Group Ltd and its subsidiaries

Introduction

How to read the report

The financial condition report of ZIC is prepared in compliance with Art. 25 ISA and FINMA's Circular 2016/2 'Disclosure – insurers' and FINMA's Circular 2016/2 'Disclosure – insurers' (FINMA circular).

The report focuses on the 2023 financial year, and should be read in conjunction with the ZIC Group's Annual Report 2023 (available on www.zurich.com/investor-relations/results-and-reports/other-statutory-filings). Wherever applicable, this report also makes reference to the Zurich Insurance Group's Financial Condition Report or the Zurich Insurance Group's Annual Report (available on www.zurich.com/investor-relations) or the ZIC Group's Annual Report for more information.

This report is prepared on a consolidated basis, using a look-through approach that captures the entire ZIC Group. With this approach:

- ZIC evaluates assets and liabilities of subsidiaries and participations by 'looking through' to their balance sheets. This view is possible as subsidiaries are wholly owned and deliver detailed information about the risk profile and valuation of these assets and liabilities (e.g., an equity exposure held in the balance sheet of a subsidiary is presented in the 'equity' line in the consolidated ZIC Group balance sheet, and therefore subsidiaries are not presented under 'investments in subsidiaries'),
- ZIC aggregates assets and liabilities by type or line items, to create a consolidated view.

The consolidated, look-through approach results, in particular under the Swiss Solvency Test (SST), in an equivalent level of protection of policyholders and equivalent prudential outcome. Only the presentation differs, as it focuses on a ZIC Group view, rather than a ZIC legal entity view. This approach is consistent with our regulatory SST submissions to FINMA. See section E.2 for more information.

The report presents information following the structure given in FINMA's circular. It covers Zurich's business activities, performance, corporate governance and risk management, climate-related financial risks, risk profile, valuation, capital management and solvency. Quantitative information supporting the presentation of the information refers to different frameworks applicable or mandatory to the Company:

- 'Business activities' information is presented on a ZIC Group consolidated IFRS Accounting Standards basis.
- 'Performance results' are presented with Swiss statutory reporting standards as the basis for ZIC results. The disclosure is complemented with information in the quantitative reporting templates (see Appendix 1) based on the Swiss statutory reporting standards applicable to ZIC.
- The 'risk profile' section presents information for the ZIC Group under IFRS Accounting Standards for insurance and credit risk, and a net economic asset value-based analysis of the market risk.
- 'Valuation' presents the market-consistent balance sheet (MCBS) of the ZIC Group following the SST principles. The SST MCBS is compared with the balance sheet prepared in accordance with IFRS Accounting Standards of the ZIC Group as of December 31, 2023.
- Finally, the 'solvency' section shows the regulatory capital adequacy of the Company, supported by the results of the SST.

In accordance with the ZIC Group's Annual Report 2023, the reference currency is the U.S. dollar, except for disclosures presented in accordance with Swiss statutory reporting standards for which CHF is the reference currency (i.e., section on 'Performance overview of ZIC' and related quantitative reporting templates in Appendix 1).

Risk and capital are managed at the Group, region and business unit level according to Zurich's risk and capital management framework. The principles of the Zurich's Enterprise Risk Management described in the section 'Governance' and risk management and in the section 'Risk profile' are equally applicable to ZIC Group. There is no material difference between how risk and capital are managed at the Group and the ZIC Group. The same applies to the approach to sustainability and climate-related financial risks, which is very closely aligned between the Group and ZIC Group.

FINMA mandates the disclosure of quantitative templates for insurance groups that are presented in Appendix 1.

Introduction (continued)

1 Executive summary

Business activities

ZIC Group is the main operating carrier of Zurich. Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 60,000 employees, it provides a wide range of property and casualty and life insurance products and services in more than 200 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX.

Performance: ZIC's financial results overview in 2023

ZIC reported a net income after taxes (NIAT) of CHF 2.1 billion in 2023, a 13 percent decrease compared to 2022. The main reason for this decrease was the negative impact of the novation of the new WAQS reinsurance treaty with Zurich American Insurance Company (ZAIC) as well as of the inclusion of the new UK branch. The overall NIAT decrease of CHF 301 million was mainly driven by higher net insurance benefits and losses of CHF 2.7 billion, partially offset by higher net earned premiums and policy fees of CHF 1.8 billion.

Corporate governance and risk management

Zurich is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to enable proper conduct of business by defining the powers and responsibilities of its corporate bodies and employees. These principles are applicable as well to ZIC Group.

The members of the Zurich Insurance Group Ltd Board of Directors (Board) and Executive Committee (ExCo) equally serve as members of the Board of Directors and Executive Committee of Zurich Insurance Company Ltd.

The uncertainty of recent years persisted in 2023, with the year dominated by a continued rise in geopolitical tensions and the ongoing challenge of bringing inflation under control in major economies.

The Group has become accustomed to operating within this volatile and uncertain external environment as it continued to deliver on its strategic objectives and remained financially robust in 2023. Managing risks has been at the center of this success, enabling the Group to adapt quickly to identify, assess and manage the threats arising from today's uncertain and rapidly changing world.

Effective risk identification and assessment to help protect our capital, liquidity, earnings and reputation remains more critical than ever in such a volatile operating environment. Our integrated Enterprise Risk Management framework, and in particular, the ongoing application of our Total Risk Profiling™ methodology preserves our focus on the risks that matter.

While there are, and will continue to be, significant and unexpected external challenges, our proactive risk management is a solid foundation upon which the Group can continue to build on its success in the years to come.

Sustainability and climate-related financial risks

The Group focuses on enabling a positive socio-economic and environmental transition, while at the same time building resilience to evolving risks. As climate change is one of the most pressing challenges of our time, the Group considers the impact it has on its business as an insurer, an investor, and an employer. The Group continues to report in line with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD). The sustainability report (SR) , which is part of the Annual Report, outlines the Group's understanding of potential climate risk impacts to its insurance and investment activities as well as its own operations including supply chain and an assessment of the resilience of its strategy (see Group's Annual Report on pages 137–179).

Introduction (continued)

Risk analysis on short-, medium- and long-term

The Group analyzes climate risks on short-, medium- and long-term (see Group's Annual Report page 145). The current year analysis is based on the analysis of specific climate-related Key Performance Indicators (KPIs). For the underwriting portfolio, for example, natural catastrophe modeling is used, covering annual expected losses (AEL[1]), probable maximum losses (PML[2]) as well as monetary losses attributable to insurance pay-outs from natural catastrophes. Additionally, short-term risks are covered within the regular financial cycle which focuses on a 0 to 3-year timeframe. On the medium- and long-term, the Group assessed climate-related risks and opportunities and their potential impacts.

The following tables provide a summary of the different types of risk analysis performed within each timeframe for underwriting, investment management and own operations, including the Group's supply chain.

Risks and opportunities presented by climate change on short-, medium- and long-term

1. Underwriting (Table 1)		
Current year	Analysis	Natural catastrophe modeling AEL: AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years. PML: PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence. Monetary losses: Amount of monetary losses attributable to insurance payouts from natural catastrophes.
	Period	1 year
	Scope	Property and Casualty business
	Reference	Group Annual Report pages 141–144, 162–164
Short-term	Analysis	Captured in regular financial cycle
Medium- to long-term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed to underpin our medium-term assessment (to 2030), impacts to 2050 are analyzed qualitatively.
	Scope	The in-depth analysis performed considers: Analysis of the Group by: Lines of business | Region | Industry/sector ↓ Set of nine clusters with potentially high exposure to physical and transition risk representing: 64% of P&C | 84% of Life protection ↓ Each cluster was analyzed in depth for: Impact on demands | Impact on losses
	Impact	Please see the heatmap in the Group Annual Report on page 149
	Conclusion	The Group's strategy is resilient under the different scenarios.
	Reference	Group Annual Report pages 145–153 and 162–164

1 AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years.
2 PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence.

Introduction (continued)

2. Investment Management (Table 2)		
Current year	Analysis	Monitoring climate-related KPIs enables to understand how risks and opportunities unfolded during the year. The progress over the years helps to better understand how well the risk mitigation strategy is working and whether the presented opportunities could be captured. Please refer to table 4 for more information on the KPIs used.
Short-term	Analysis	Captured in regular financial cycle
Medium- to long-term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed on a long-term period (by 2050).
	Scope	The in-depth analysis performed considers: Analysis of our proprietary investment portfolio listed equities | corporate credit | real estate | sovereign debt 36% of our proprietary investment portfolio (listed equities, corporate credit, real estate): Within each asset class, between 70% and 100% of holdings - based on number of securities – are covered, representing a significant contribution to our market risk position. Sovereign debt: Independent analysis
	Impact	Please see the heatmaps in the Group Annual Report on pages 156 and 158
	Conclusion	The Group's strategy is resilient under the different scenarios.
	Reference	Group Annual Report pages 138, 146–147, 154–159 and 162–164

3. Own Operations and supply chain (Table 3)		
Current year	Analysis	Monitoring climate-related KPIs enables to understand how risks and opportunities unfolded during the year. The progress over the years helps to better understand how well the risk mitigation strategy is working and whether presented opportunities could be captured. Please refer to table 4 for more information on the KPIs used.
Short-term	Analysis	Captured in regular financial cycle
Medium- to long-term 2030/2050	Analysis	Climate-risk scenario analysis
	Period	Quantification is performed on medium (2030) and long term (2050).
	Scope	The in-depth analysis performed considers: Own Operations and supply chain Offices with current lease terms greater than 10 years | All strategic data centers | Critical suppliers[1]
	Impact	In 2023, the Group's assessment focused on leased offices with a term greater than 10 years (13 locations) and also included ongoing monitoring of the Group's strategic data center locations. The supply chain assessment was refreshed with higher quality supplier address data. This data came from the implementation of the Group Third-Party Governance Framework (TPGF).
	Conclusion	The monitoring work confirmed results noted in previous years' assessments: Severity of hazard exposure is not expected to drastically change from current levels.
	Reference	Group Annual Report pages 160–164

1 Suppliers performing services with the highest level of criticality for the Group, or for multiple business units (138 supplier locations).

The Group's annual portfolio-level scenario-based climate risk analysis considers its operations and material business activities across underwriting and investments.

- Overall, the P&C portfolio demonstrated relatively little movement compared with 2022, with no material shifts observed in industry or line of business mix. Consequently, modeled medium-term impacts are contained to the property and fossil fuel lines of business, with aggregate impacts across in-scope lines of business considered to remain low. With the Group's portfolio mix remaining stable, no broad adaptations are required to in-force responses which it can adapt to balance near-term market movements against the mid-term strategic scenario expectations. Please refer also to the Group Annual Report pages 146-153.
- The scope of the Group's Life protection analysis was increased and although medium-term impacts to demand were noted to be more material than previous assessments, increases were not sufficient to warrant additional responses. Please refer also to the Group Annual Report pages 146-153.
- Similar outcomes are noted across our proprietary investments where analysis of key asset classes demonstrates a largely unchanged risk profile, with physical risk having impact in few sectors to which the Group has limited exposure and where transition risk primarily impacts carbon intensive sectors. In line with 2022, observed impacts do not suggest material risk to the Group's capital position. Please refer also to the Group Annual Report pages 146-147 and 154-159.

Introduction (continued)

– Analysis of the Group's operations suggests existing business continuity planning for critical processes is sufficient to address observed physical risk impacts, while transition risk analysis does not suggest material financial impacts under the scenarios considered. Please refer also to the Group Annual Report pages 146-147 and 160-161.

In line with previous cycles, analysis outcomes suggest that the Group's customer-focused approach and diversified portfolios, supported by strong risk management practices, continue to provide the resilience and flexibility necessary to be able to adapt to the climate change impacts observed.

These conclusions are caveated by acknowledging the hypothetical nature of the underlying scenarios, the uncertainty inherent in scenario modeling over the timeframes considered and the somewhat conservative modeling of physical and transition risk. As the effects of climate change gradually increase over the coming decades, adaptation efforts at the individual, company and state level will increase and provide resilience against expected impacts. This is likely to reduce societal and economic losses; however, the details heavily depend on uncertain societal and technological developments. On the other hand, exceeding tipping points, such as accelerated melting of Antarctic ice sheets or permafrost thawing, could lead to large-scale discontinuities in the global climate systems and accelerate the impacts from physical climate risk. The strategy of continually analyzing changing risk profiles and retaining customer focus gives the flexibility required to maintain its resilience and continue to meet the needs of its customers as climate-related risk profiles evolve.

Governance principles and risk-management processes to support resilience

Sustainability, and therefore environmental topics such as climate change and nature loss, are integrated into the existing governance structure and is an executive-level responsibility. The overall governance principles are described in the Corporate Governance Report (see Group's Annual Report on pages 30–75). Within the SR, more details on how these overall governance principles are translated into the topic of sustainability are provided (see Group's Annual Report on pages 135–136), and finally the TCFD report contains very specific aspects to climate-related governance principles (see Group's Annual Report on page 162). This funnel structure is used to demonstrate the Group's integrated governance principles and shows that sustainability is included in the regular governance principles and framework. Further information on sustainability risk and its governance is set out in the Risk Review (see Group's Annual Report on pages 220–251). On the reporting side, the procedures and governance of the SR has been aligned with the financial reporting processes and governance.

Outcomes of scenario-based climate risk assessments were discussed with management as part of strategy setting processes and presented to the Board. The Group considers impacts from climate change as drivers for other risks, such as market or natural catastrophe risks, that are managed within the existing risk management framework. The approach to managing climate risk is embedded in the multi-disciplinary Group-wide risk management framework, following the same objectives of informed and disciplined risk taking. The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risk (see Group's Annual Report on pages 162–164).

As part of its strategic responsibility, the Board approves sustainability strategy and objectives, with the support from the Board Committees according to their respective core mandates. The Governance, Nominations and Sustainability Committee (GNSC) has been mandated by the Board to oversee the Group's approach and conduct with regard to sustainability. Oversight with respect to sustainability risks, including risks associated with environmental topics such as climate change and nature loss, is achieved through regular updates from the Sustainability ExCo Sponsor and the Group Head of Sustainability, who present updates on material topics to the GNSC on a quarterly basis. The GNSC receives regular performance updates on climate-related targets, while the ExCo sponsor for Sustainability confirms the consolidated set of material actions arising from scenario-based climate risk analysis with the Group ExCo for Group CEO approval, and reports same to the Board's GNSC. In addition to this, the GNSC was engaged on several strategic topics throughout 2023, including operational emissions and the Group's approach to both transition planning and sustainability performance management.

Within their assigned function or business, each ExCo member and CEO direct report is also accountable for sustainability, including climate and nature. Responsibilities for such a role include contributing to the development and implementation of the Group's climate-transition planning, assessing and managing climate-related risks and opportunities, managing progress against climate-related corporate targets and value chain engagement on climate-related issues. Furthermore, environmental topics, including climate change, are considered as part of merger, acquisition and divestment due diligence and decision-making processes.

Oversight regarding the implementation of climate-related objectives in the business, functions, regions and countries is facilitated through the Sustainability Leaders Council consisting of senior executives across the Group chaired by Group Head of Sustainability and sponsored by the Sustainability ExCo Sponsor. Furthermore, progress toward climate-related targets across regions and countries is discussed at least annually as part of regular business performance review meetings. This is in addition to regular monitoring performed at Group level across key business functions.

Introduction (continued)

Quantifying our risks and impact

As mentioned above, the Group uses three different heatmaps to quantify the impact of climate risk on its portfolio under different scenarios. Next to these heatmaps, further strategic KPIs have been selected to measure the impact of climate-related risk, as well as the efficiency of our mitigation strategy. For underwriting and investment management, as well as for own operations and supply chain, specific targets have been chosen to guide the Group's strategy and actions. Please see below for an overview of the most important targets and KPIs. For a full overview of the complete targets and the progress made so far, please refer to the SR (see Group's Annual Report on pages 127, 164–179).

4. Metrics and Targets (Table 4)

	Underwriting	Investment Management	Own operations and supply chain
Materiality	Analysis Quantification of climate risk on the Group's underwriting portfolio under two scenarios (Current policies and Net-zero 2050). See Group Annual Report page 149.	Analysis Quantification of climate risk on the Group's listed equity and corporate bond portfolio under two scenarios (Current policies and Net-zero 2050). See Group Annual Report pages 156 and 158.	Analysis Quantification of climate risk on the Group's own operations under two scenarios (Current policies and Net-zero 2050). See Group Annual Report page 160-161.
	Quantification 6 grades, from high risk to high growth	Quantification 6 grades between very high risk to opportunity	Quantification The physical risk assessment compared the variation in exposure levels between 2030 and 2050, with a focus on the degree of change. For supplier locations, an additional review was conducted on concentration risk identified in India. The qualitative hazard levels are based on specific physical parameters for each peril and include flood, wind, temperature, drought, hail, wildfire, precipitation, thunderstorms (lightning) and coastal flooding. The transition risk assessment involved the quantification of potential operational costs which are likely to incur as part of the transition to a low-carbon economy.
Other KPIs and targets	Targets See roadmap Group Annual Report page 127 and pages 164-166. Targets include: – Phase out of thermal coal – Increase revenues from sustainable solutions	Targets See roadmap Group Annual Report page 127 and pages 164-166. Targets include: – Reduce financed emission intensity of the Group's listed equity, corporate bond and real estate portfolio – Engage and support investee companies to set targets in line with the Paris Agreement and collaborate with asset managers to highlight best practice for climate conscious active ownership and work together for a just transition – Targets for financing climate solutions enhance the Group's existing long-term engagement to provide green financing solutions under its impact investing strategy and also count investments in green certified buildings.	Targets See roadmap Group Annual Report page 127 and pages 164-165. Targets include: – Reduction of total emissions – Reduction of scope 1+2 emissions – Reduction of scope 3 emissions – Increase % of MPS that is with suppliers having science-based targets
	Metrics **Risk management** is quantified by measuring: – Joint engagement with Investment Management **Opportunities** quantified by measuring: – Revenues generated from sustainable solutions, e.g.: – Energy efficiency products – Zurich Resilience Services See Group Annual Report pages 164–169 and 182 to 185	Metrics **Risk management** is quantified by measuring: – Engagement target of our portfolio to set targets in line with the Paris Agreement – Absolute and relative emissions of our investment portfolio, including real estate **Opportunities** are quantified by measuring: – Impact investment portfolio, including the amount of CO_2e avoided and the number of people benefitted. – Climate solutions, including green certified buildings in real estate portfolio See Group Annual Report pages 166–177	Metrics **Risk management** is quantified by measuring: – Reduction of total emissions – Reduction of scope 1+2 emissions – Reduction of scope 3 emissions – % of MPS that is with suppliers having science-based targets See Group Annual Report pages 178 - 179

Introduction (continued)

Please find below an overview of the FINMA circular requirements on climate-related risk disclosures and respective references to the Group's Annual Report.

FINMA Circular reference		Disclosure details/splits	Disclosure reference
The main features of the governance structure at the insurance company to enable it to identify, evaluate, manage, monitor and report on climate-related financial risks	13.3	Overall governance	Group Annual Report pages 30–110
		Sustainability related governance	Group Annual Report pages 135–136
		Climate-risk related governance	Group Annual Report pages 162
Description of the short-, medium- and long-term climate-related financial risks and their impact on the insurance company's business and risk strategy and any effects on existing risk categories	13.4	Approach & Scenario used Conclusion	Group Annual Report pages 145-146 Group Annual Report pages 161
		Underwriting	Group Annual Report pages 147 Group Annual Report pages 148–153
		Investment Management	Group Annual Report pages 147 Group Annual Report pages 154–159
		Own operations and supply chain	Group Annual Report pages 160–161
Risk management structures and processes in place to identify, evaluate and manage climate-related financial risks	13.5		Group Annual Report pages 162–164 Group Annual Report pages 250–251
Quantitative information (targets and key data) on climate-related financial risks including the methodology used.	13.6	Roadmap	Group Annual Report pages 127 and 164–165
		Underwriting	Group Annual Report pages 166–169
		Investment management	Group Annual Report pages 166 - 178
		Own operations and supply chain	Group Annual Report pages 179
Insurance companies must disclose the criteria and methods used to evaluate the materiality of climate-related financial risks.	13.7		Group Annual Report pages 149, 156, 158 and 162–179

Risk profile

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

Taking and managing risk is an integral part of the insurance business. Zurich takes risks in order to support the achievement of its strategy and serve its customers in global and local markets. Risk management contributes to enhancing the value of Zurich by embedding disciplined and conscious risk taking, where risk-reward trade-offs are transparent and understood, and risks are appropriately rewarded.

To foster transparency about risk, the Group regularly reports on its risk profile at business, Group and legal entity levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner.

The ZIC solvency position is disclosed on the basis of the SST ratio. The Group's SST internal model is approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group. The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Valuation for SST purposes

Under the SST, the market-consistent balance sheet (MCBS) represents a listing of all rights and obligations that are valued in accordance with economic principles in a market-consistent manner unless specified otherwise in the Swiss Insurance Supervision Ordinance (ISO).

Introduction (continued)

A market-consistent valuation is based on, and does not contradict to, the most recent information that can be obtained from trading in liquid and transparent financial markets, and reflects the price at which independent, knowledgeable and willing business partners would normally purchase or sell the assets or transfer the liabilities in an arm's length transaction. The market-consistent value principles and valuation methods applied by the Group to determine the SST market-consistent balance sheet are detailed in sections E.1 and E.2.4 to E.2.5 of this report.

The SST net asset value, which represents the difference between the SST market-consistent value of the assets and liabilities, forms the basis for the calculation of the risk-bearing capital.

During 2023, the ZIC Group's SST risk-bearing capital decreased by USD 3.3 billion to USD 31.7 billion as of January 1, 2024, compared to USD 35.0 billion as of January 1, 2023 restated.

Capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2023, shareholders' equity based on IFRS Accounting Standards of USD 25.3 billion and subordinated debt of USD 8.6 billion were part of the capital available in the ZIC SST available financial resources (AFR). Further adjustments to derive SST AFR typically include deductions for proposed dividends and share buyback, goodwill and intangible assets, deferred tax assets and liabilities, as well as the market-consistent valuation of insurance liabilities, which includes market value margin (MVM) and the value of in-force business. The MVM, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

The Group has interactive relationships with three global rating agencies: S&P Global Ratings, Moody's and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

On January 13, 2023, ZIC's Moody's rating of 'Aa3' changed to a positive outlook. The appropriateness of this rating was reassessed on January 22, 2024, as a reflection of "the Group's very strong market position and highly diversified business model, as well as its strong and resilient financial profile, including robust capital adequacy, earnings and financial flexibility."

Since October 2021, ZIC's AM Best Long Term Issuer Credit Rating has been 'aa-' with a positive outlook, reflecting "Zurich's consolidated balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, very favourable business profile and appropriate Enterprise Risk Management (ERM)." The AM Best Financial Strength Rating, which is less granular, is 'A+ (Superior)'.

ZIC's S&P Global Ratings IFSR rating remains at the top of the league table of European peers, in recognition of its continuing strong operating performance with low volatility and very strong capital position.

As of January 2024, the IFSR is rated 'AA/Stable' by S&P Global Ratings, 'Aa3/positive' by Moody's, and 'A+ (Superior)/Stable' by AM Best. The Issuer Credit Rating is rated 'aa–/positive' by AM Best.

Solvency

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to FINMA.

The SST ratio as of January 1, 2024, stands at 226 percent (unaudited). It is filed with FINMA at the end of April 2024 and is subject to review by FINMA. ZIC met the regulatory solvency requirements in Switzerland throughout 2023.

In the SST ratio calculations as of January 1, 2024, no allowances have been made for the planned sale of the legacy traditional life insurance back book in Germany and the annuity book in Chile. On January 30, 2024 the Group was informed that Viridium Group will not complete the purchase of the German life and pension back book as planned. The Group is committed to finding a solution for this portfolio and will explore options in due course.

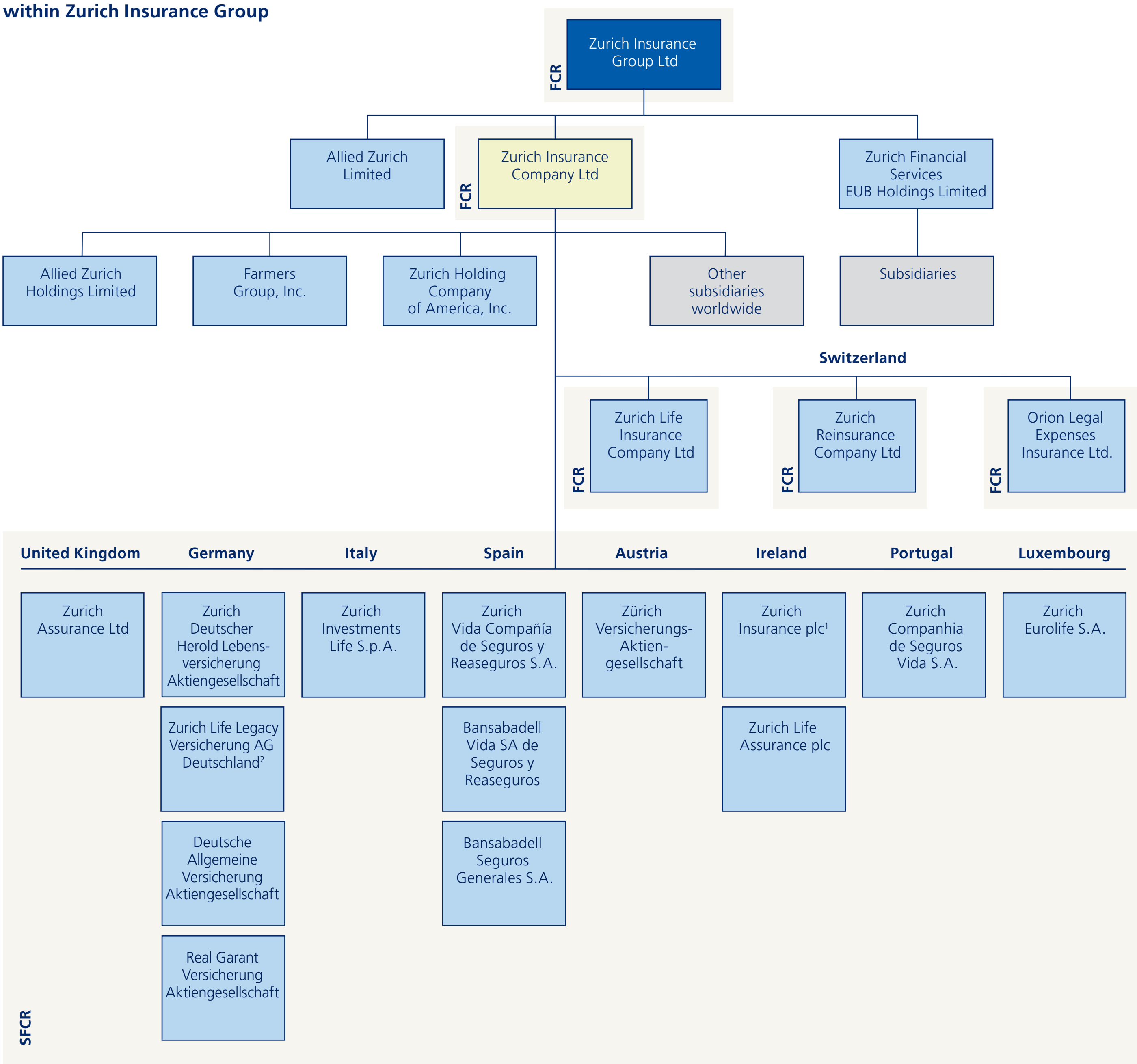
2 Approval of the Financial Condition Report

This Report was reviewed and signed-off by the Board of Directors of ZIC on April 11, 2024.

A. Business activities

A.1 .Company structure and major subsidiaries

Public reporting on solvency and financial condition within Zurich Insurance Group



SFCR: Solvency and Financial Condition Report (local regulation based on Solvency II; from 2016) **FCR:** Financial Condition Report (Swiss regulation; from 2017)

Subsidiary | Group of subsidiaries | Current disclosure

Note: The purpose of the chart above is to provide a simplified overview of the Group's major subsidiaries (as of December 31, 2023), with special focus on the public reporting of their solvency and financial condition. Please note that this is a simplified representation showing entities that must publish such a report and therefore it may not comprehensively reflect the detailed legal ownership structure of the entities included in the overview. The ordering of the legal entities under each country is not indicative of ownership; these are independent legal entities.

1 Effective January 2, 2024, the registered head office of Zurich Insurance plc (ZIP) was moved from Dublin, Ireland to Frankfurt, Germany by means of a cross-border conversion under the European Directive on cross-border conversions, mergers and divisions. While ZIP has converted to a German AG known as Zurich Insurance Europe AG (ZIE), it has preserved its legal personality in the conversion (i.e., no transfer of assets, dissolution or winding up were involved in this move).
2 Life insurance business as from October 2023.

A. Business activities (continued)

ZIC Group is a corporation domiciled in Zurich, Switzerland and is the principal operating insurance company of Zurich. With about 60,000 employees, it provides a wide range of property and casualty and life insurance products and services in more than 200 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX.

As well as being an insurance company, ZIC also acts as the holding company for the subsidiaries of the Group, except for the Group's property loans and banking activities. ZIC pools internal reinsurance and ensures pooling of capital within Zurich. In addition, it is Zurich's main issuer of debt. It also carries the cost of the Corporate Center. Its main subsidiaries include Zurich Holding Company of America, Inc., Farmers Group, Inc., Zurich Life Insurance Company Ltd, Zurich Financial Services Australia Limited and Zurich Beteiligungs-Aktiengesellschaft (Deutschland).

The ZIC subsidiaries regulated in Switzerland produce their own Financial Condition Reports:

- Zurich Life Insurance Company Ltd
- Zurich Reinsurance Company Ltd
- Orion Legal Expenses Insurance Ltd.

The ZIC subsidiaries based in the European Union produce their own Solvency and Financial Condition Reports under Solvency II regulation. All reports are available on Zurich's website: https://www.zurich.com/investor-relations/ results-and-reports/other-statutory-filings.

Significant acquisition and divestment transactions in 2023 impacting the ZIC Group structure are detailed in the note 4 of the audited consolidated financial statement in ZIC Group's Annual report 2023 on pages 71-73.

Also, a list of the **significant subsidiaries of ZIC Group** can be found in note 27 of the audited consolidated financial statements of ZIC Group's Annual Report 2023 on pages 167-169.

A.2 Information about the company's strategy, objectives and key business segments

ZIC Group's business is focused on providing best-in-class insurance products and services to individuals, small businesses, and mid-sized and large companies. Zurich's strategy focuses on:

- Customers, by providing solutions to customers' changing needs and continuing the transformation into a truly customer led company,
- Simplification, by reducing unnecessary complexity to make better use of resources, and
- Innovation, by continuously adapting to make sure Zurich continues to meet customers' expectations and needs.

Zurich's ambition is to be the insurer of choice by building meaningful relationships with customers and earning their loyalty. This involves multi-channel customer engagement as well as improving digital capabilities around customer data to enable understanding our customers' changing needs and deliver personalized propositions. Zurich will invest in simplification and automation capabilities, such as robotic process automation and process mining to provide seamless customer experience and improve efficiency, while delivering cost savings. Zurich will focus on innovation through collaboration, including themes on commercial insurance, digital simplification, life and health and retail P&C.

For additional information on the **Group's strategy**, see pages 15-17 of the Group's Annual Report 2023.

ZIC includes the direct P&C business in Switzerland and its branches mainly located in United Kingdom, Canada, Japan and Hong Kong as well as assumed reinsurance business from its subsidiaries and the Farmers Exchanges[1]. It includes the Corporate Center as well as most of the debt financing of Zurich Insurance Group.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

A. Business activities (continued)

Group structure

ZIC Group consists of ZIC and its subsidiaries.

The operational group structure reflects both ZIC Group's businesses and geographical regions. ZIC Group pursues a customer-centric strategy, with the P&C and Life businesses which are managed through a regional structure. For details on the activities of the various businesses, refer to note 26 of the ZIC Group's audited consolidated financial statements on pages 152-166 of ZIC Group Annual Report 2023.

ZIC Group further divides its P&C business into Retail and Commercial customer units. ZIC Group has identified the following 13 reportable segments.

Group structure

Businesses	Property & Casualty (P&C)	Life	Farmers	Non-Core Businesses	Group Functions and Operations
Reportable segments	Europe, Middle East & Africa (EMEA) North America Asia Pacific (APAC) Latin America (LatAm) Group Reinsurance	Europe, Middle East & Africa (EMEA) North America Asia Pacific (APAC) Latin America (LatAm) Group Reinsurance	Farmers	Non-Core Businesses	Group Functions and Operations
Customer units	Commercial Retail				

Operating insurance branches of ZIC

as of December 31, 2023		Segment
Bahrain		
Zurich Insurance Company Ltd (Bahrain Branch)	Bahrain	Property & Casualty
Canada		
Zurich Insurance Company Ltd, Canadian Branch	Canada	Property & Casualty
Hong Kong		
Zurich Insurance Company Ltd, Hong Kong Branch	Hong Kong	Property & Casualty
Israel		
Zurich Insurance Company Ltd, Israel Branch	Israel	Property & Casualty
Italy		
Zurich Insurance Company Limited – Rappresentanza Generale per l'Italia	Italy	Property & Casualty
Japan		
Zurich Insurance Company Limited	Japan	Property & Casualty
Qatar		
Zurich Insurance Company Ltd. QFC Branch	Qatar	Property & Casualty
Singapore		
Zurich Insurance Company Ltd, Singapore Branch	Singapore	Property & Casualty
Switzerland		
Zürich Versicherungs-Gesellschaft AG, Regionalsitz Zürich	Switzerland	Property & Casualty
Zürich Versicherungs-Gesellschaft AG, Regionalsitz Bern/Mittelland	Switzerland	Property & Casualty
Zürich Versicherungs-Gesellschaft AG, Regionalsitz Zentral- und Nordwestschweiz	Switzerland	Property & Casualty
Zurigo Compagnia di Assicurazioni SA, Sede regionale per il Ticino	Switzerland	Property & Casualty
Zurich Compagnie d'Assurances SA, siège régional pour la Suisse romande	Switzerland	Property & Casualty
United Arab Emirates		
Zurich Insurance Company Ltd. (DIFC Branch)	United Arab Emirates	Property & Casualty
United Kingdom		
Zurich Insurance Company Ltd, UK Branch	United Kingdom	Property & Casualty

A. Business activities (continued)

A.3 Information about the company's external auditors as per Article 28 ISA

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were re-elected as ZIG's external auditors for the financial year 2023 by the AGM on April 6, 2023.

EY assumes all auditing functions which are required by law and the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association). EY is responsible for auditing the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements.

For additional information on the Group's external auditors, refer to pages 73 and 74 of the Group's Annual Report 2023.

A.4 Significant unusual events

For significant events during 2023 and thereafter until March 15, 2024, please refer to the Group's Annual Report 2023, as well as to the news releases available at https://www.zurich.com/en/media/news-releases.

From January 1, 2023, the Group applies IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'. For more information, including the transitional effects on shareholders' equity from the adoption of IFRS 17, refer to note 2 of the Group's consolidated financial statements on pages 280-286.

The Group has no direct exposure to the armed conflict in Israel and the Gaza Strip and does not anticipate any material effects on its financial position or performance. While the direct exposure is limited, conflicts of the nature can contribute to uncertainty in the financial markets, potentially affecting monetary policies, oil prices and inflation. As reported earlier, the Group's exposure to Russia and Ukraine is also immaterial.

During 2023, though the rate of inflation slowed, most economies saw continued action of tightening of monetary policy and increasing interest rates by central banks. The bond markets improved, buoyed by rising yields and falling inflation; the experience in the equities markets was mixed, remaining flat but for certain sectors. Investment valuation and interest rates incorporate these market conditions as of December 31, 2023 and December 31, 2022.

B. Performance

B.1 Most important markets

In 2023, the most important markets for ZIC according to premium income (direct business, excluding subsidiaries) were United Kingdom, Switzerland, Japan and Canada.

B.2 Performance overview of ZIC (legal entity)

As complementary to the consolidated, look-through perspective presented for ZIC Group, FINMA and the Swiss Statutory Accounting Principle mandate the disclosure of statutory stand-alone information prepared from ZIC perspective, under local reporting requirements (Swiss Code of Obligations and relevant supervisory law) and in Swiss francs (CHF). Based on this perspective, ZIC presents performance information, differentiating between the direct Property & Casualty business written by ZIC in Switzerland and its branches located mainly in United Kingdom, Canada, Japan and Hong Kong as well as assumed reinsurance business, reflecting primarily business assumed from ZIC's subsidiaries. ZIC provides this information in Appendix 1. A discussion of the main factors affecting performance is outlined below.

On January 1, 2023, the UK business of the Company's subsidiary in Ireland, Zurich Insurance plc UK branch (ZIP UK), has been transferred to ZIC. This ZIC UK branch includes direct as well as assumed business with third parties and had a material impact on the Company's result in 2023. Furthermore, the Whole Account Quota Share (WAQS) reinsurance treaty for the accident year 2023 with Zurich American Insurance Company (ZAIC) was novated to ZIC, which also had a material impact on the Company's result in 2023. This portfolio was earlier ceded to the Group's Bermuda based entity, Zurich Global, Ltd.

ZIC reported a net income after taxes of CHF 2.1 billion in 2023, a 13 percent decrease compared to 2022. The main reason for this decrease was the negative impact of the novation of the new WAQS reinsurance treaty with ZAIC, as well as of the inclusion of the new UK branch. The overall NIAT decrease of CHF 301 million was mainly driven by higher net insurance benefits and losses of CHF 2.7 billion, partially offset by higher net earned premiums and policy fees of CHF 1.8 billion.

Total gross written premiums and policy fees increased by CHF 5.6 billion or 33 percent to CHF 22.5 billion for the year ended December 31, 2023. Direct gross written premiums and policy fees increased by CHF 3.8 billion to CHF 9.3 billion, mainly due to the transfer of the ZIP UK business and to the ongoing growth in Switzerland. Assumed gross written premiums and policy fees increased by CHF 1.8 billion to CHF 13.2 billion, mainly due to the new additional WAQS treaty with ZAIC and an ongoing increase in the Group internal reinsurance volume in 2023.

The net insurance reserves increased by CHF 4.0 billion compared with the year ended December 31, 2022, mainly due to the transfer of the ZIP UK business and the increase in the Group internal reinsurance business in 2023. This increase was partially offset by the release of insurance reserves, reflecting the termination of the WAQS reinsurance treaty for the accident years prior to 2018 with ZAIC (decrease of CHF 0.7 billion) which is in run-off since 2018, as well as by the recapture of the life reinsurance business with Farmers New World Life Insurance Company on August 1, 2023 with a decrease of net insurance reserves of CHF 0.9 billion.

The net investment result increased by CHF 0.5 billion to CHF 3.3 billion, mainly due to higher net investment gains following the overall improvement in the financial markets during 2023. This was partially offset by the decrease in the value of the single investor funds mainly due to the negative impact of the foreign currency translation on debt securities.

Shareholder's equity decreased by CHF 3.1 billion to CHF 21.3 billion for the year ended December 31, 2023, from CHF 24.4 billion for the year ended December 31, 2022. This decrease reflects the dividend payment to Zurich Insurance Group Ltd of CHF 5.2 billion in 2023, which was approved at the Annual General Meeting on April 6, 2023. The dividend outflow was offset by the net income after taxes of CHF 2.1 billion.

B. Performance (continued)

Direct Swiss Business

The underwriting result for the direct business in Switzerland decreased by CHF 23 million to CHF 234 million in 2023. The gross written premiums and policy fees increased by CHF 184 million, mainly in the illness business (CHF 83 million). The underwriting result decrease is driven by the motor business, mainly due to the weather events, partially offset by the positive prior year development in the liability business.

Direct Non-Swiss Business

The net underwriting result decreased by CHF 204 million to a loss of CHF 52 million in 2023. Net earned premiums and policy fees increased by CHF 514 million, whereas the net technical expenses increased by CHF 892 million, with the following contribution from the ZIC branches:

United Kingdom

On January 1, 2023, the UK business of ZIC's subsidiary in Ireland, Zurich Insurance plc UK branch (ZIP UK), has been transferred to ZIC. This ZIC UK branch includes direct as well as assumed business with third parties and had a material impact on the Company's result in 2023.

The underwriting result for the direct business in UK resulted in a net loss of CHF 291 million, mainly driven by the general third-party liability as well as the fire, natural hazards and property damage business. The result of this branch is the main driver for the negative development within the foreign direct business compared to prior year.

Japan

The underwriting result in Japan decreased by CHF 24 million with the net earned premiums decreasing by CHF 29 million solely due to foreign currency movements, and the net insurance benefits and losses decreasing by CHF 2 million.

Canada

In 2023, the underwriting result in Canada increased from a profit of 8 million in 2022 to a profit of CHF 105 million in 2023, despite a decrease of the technical income by CHF 30 million to CHF 515 million in 2023. The reason for the improved underwriting result is the decrease in the net insurance benefits and losses by CHF 87 million, most notably in the fire, natural hazards and property damage businesses.

Italy

The underwriting result in ZIC's Italy branch, which mainly writes motor business, decreased by CHF 8 million, resulting in a loss of CHF 4 million, mainly due to the weather events in July 2023.

Hong Kong

The underwriting result in Hong Kong increased by CHF 11 million to CHF 25 million in 2023 following higher gross written premiums due to overall growth after the end of COVID-19 restrictions, mainly in the traffic service business.

Other branches and businesses

In Liechtenstein, the underwriting result increased by CHF 7 million compared to 2022 mainly as a result of higher net earned premiums following the business growth. ZIC's business in Singapore reported a negative underwriting result of CHF 5 million compared to a loss of CHF 8 million in 2022.

Indirect Business

ZIC acts as an internal reinsurer to the other subsidiaries of the Group. Reinsurance programs are structured to support and enable the Group's risk management, capital management, underwriting and customer strategy. In the indirect business, the underwriting result decreased by CHF 928 million in 2023, from a profit of CHF 367 million to a net loss of CHF 562 million in 2023, mainly due to the negative underwriting result of CHF 691 million in the casualty business as well as a negative development in the Group internally assumed life and motor reinsurance business.

Detailed financial results are disclosed in ZIC Group's Annual Report 2023. In particular, additional information on **Overall performance** of ZIC, are provided in the Management Report section in ZIC Group's Annual Report 2023 on pages 184-185.

For information on **Investment performance** of ZIC Group, please see notes 5 and 6 of ZIC Group's Annual Report 2023 on page 192.

C. Corporate governance and risk management

C.1 Composition of the Board of Directors and Executive Committee

ZIC Group's and ZIC's corporate governance follows the principles of the Group.

The **Board of Directors** (Board), under the leadership of the Chairman, is responsible for determining the Group's overall strategy and supervising senior management. It holds the ultimate decision-making authority for ZIC and ZIC Group.

All Directors of Zurich Insurance Group Ltd equally serve as members of the ZIC Board. Mr. Liès has served as Chairman of that Board since the Annual General Meeting (AGM) of April 4, 2018. Further information about the composition of the Board, as well as changes during 2023 and since January 1, 2024, are disclosed in the Corporate Governance Report section in the Group's Annual Report on pages 42-57.

The ZIC **Executive Committee** (ExCo) is headed by Mario Greco who also serves as Group CEO for Zurich Insurance Group Ltd. The ZIC ExCo composition is equivalent to Zurich Insurance Group Ltd ExCo. Information about the composition of the ExCo, as well as changes during 2023 and since January 1, 2024, are disclosed in the Corporate Governance Report section in the Group's Annual Report on pages 58-69.

C.2 Corporate governance and risk management

To achieve its risk management objectives, the Group manages risk according to an established Enterprise Risk Management (ERM) framework. The principles of corporate governance and risk management described in the Group's Annual Report are equally applicable to the ZIC Group.

All information in relation to the ZIC corporate governance and risk management is available in the Risk Review of ZIC Group's Annual Report 2023 and include notably the following information:

- The major **risk management objectives** at ZIC Group are described in the Risk Review in ZIC Group's Annual Report 2023 on page 3.
- The **Group's ERM framework** is the structure to manage risks within the organization. It is comprised of six components: risk governance and risk culture, risk appetite and tolerance, risk identification and risk assessment, risk response, risk monitoring, and risk reporting, as further detailed in ZIC Group's Annual Report 2023 on pages 3–5.
- The **internal control system** implemented by the Group is considered essential for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's consolidated financial statements and disclosures are materially correct, support reliable operations, and ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks that could impact the achievement of business objectives. For additional information on risk management and internal controls, please see page 248 of the Group's Annual Report 2023.
- The **Group compliance** function is a control function responsible for enabling the business to manage its compliance risks, being a trusted advisor, providing independent challenge, monitoring and assurance and assisting management to promote compliance culture and ethics. For additional information on Group Compliance and its operational controls, please see page 71 of the Group's Annual Report 2023.
- The Group's **internal audit function**, Group Audit, is tasked with providing independent and objective assurance on the adequacy and effectiveness of the Group's risk management, internal control and governance processes to the Board, the Audit Committee, the Group CEO and management and to the boards and audit committees of subsidiary companies. For additional information on Group Audit, please see page 72 of the Group's Annual Report 2023.

D. Risk profile

The Group's ERM framework sets forth clear responsibilities for identifying, assessing, managing, monitoring and reporting risks.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings, and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

Additional qualitative and quantitative information about ZIC Group risk profile, can be found in the Risk Review of the ZIC Group Annual Report 2023, for each of the following risk categories:

- Insurance risk, see pages 10-16;
- Market risk, including investment credit risk, see pages 17-20;
- Other credit risk including credit risk related to reinsurance assets and receivables, see pages 20-22;
- Operational risk, see page 22;
- Liquidity risk, see pages 22-23;
- Strategic risk and risks to the Group's reputation, see page 23;

For additional information on sustainability risk, please see pages 250-251 of the Group's Annual Report 2023.

E. Valuation

E.1 Overarching market-consistent valuation principle

The following section presents the Group's market-consistent balance sheet (MCBS) which is essential in determining the Group's risk-bearing capital.

As an overarching principle, all assets and liabilities are valued in accordance with economic principles in a market-consistent manner including market-consistent discounting of insurance liabilities. A market-consistent valuation is based on, and does not contradict to, the most recent information that can be obtained from trading in liquid and transparent financial markets.

FINMA stipulates that the SST market-consistent balance sheet value of all insurance and non-insurance liabilities (with the exception of instruments eligible for risk-bearing capital) shall be determined under the assumption that the Group will fulfill its obligation in full; thus, own credit risk is not considered.

The Group uses its audited consolidated balance sheet prepared in accordance with IFRS Accounting Standards as a starting point for the MCBS. In summary, the following valuation methods apply:

MCBS valuation principles

Mark-to-market	Highest priority for third-party assets, equities and risk-absorbing capital instruments	Fair value as defined under IFRS Accounting Standards.
Mark-to-model	If mark-to-market cannot be applied	Fair value as defined under IFRS Accounting Standards; or
		Best estimate valuation using parameter or assumptions explicitly stipulated by FINMA (e.g., liabilities valued at discounted cash flows using risk-free rate, thus, without consideration of own credit risk).
IFRS carrying value under IFRS Accounting Standards		As a practical expedient, a carrying value other than fair value is used as proxy to market-consistent valuation provided such measurement can be considered reasonable. For example, same carrying value as under IFRS Accounting Standards may be considered as a reasonable proxy based on the following considerations: – It represents current balances (e.g., cash accounts); or – It involves high-frequency turnover with daily settlements (e.g., operational clearing accounts); or – It is expected to be settled/realized within relatively short period after origination (generally, within three months and always less than twelve months) and is exposed to only insignificant risk of changes in value.

When applying the mark-to-model method, adequate and best-practice valuation models and methodologies are used and sufficiently documented.

For more information on fair value measurement, see notes 5, 6 and 22 of the consolidated financial statements in the ZIC Group's Annual Report 2023, pages 74-77, 78-81, and 139-145, respectively. The summary of accounting policies underlying IFRS Accounting Standards valuations, as well as significant judgments and assumptions, are included in note 3 of the consolidated financial statements in the ZIC Group's Annual Report 2023, pages 51-70.

E. Valuation (continued)

E.2 Market-consistent balance sheet following SST principles

The Swiss Solvency Test requires to assess risk quantitatively. SST calculations are based on a market-consistent valuation of balance sheet positions. The following tables show the main drivers for the differences in valuation between MCBS (used for SST purposes) and the values included in the balance sheet prepared in accordance with IFRS Accounting Standards, where certain amounts have been reclassified in order to comply with FINMA disclosure requirements.

Following 2023 revision of the ISO, Market Value Margin (MVM) forms part of the SST market-consistent valuation of insurance liabilities and thus SST AFR. Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

As of December 31, 2023, the Group had USD 23.8 billion of assets held for sale and USD 23.9 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Life Legacy Versicherung AG (previously held by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft), Zurich Insurance plc (Spain Medical Malpractice), Zurich Insurance Company Ltd, UK Branch (UK Employers' Liability portfolios) and the annuity book of Zurich Chile Seguros de Vida S.A. These assets and liabilities are presented separately in the audited balance sheet and shown under 1.12 Other assets and 2.8 Other Liabilities. This reclassification is not applicable in the SST MCBS; therefore, presentation differences arise in multiple line items (e.g., Fixed-income securities, Loans, and Technical provisions: gross).

In the following sections all amounts, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

E. Valuation (continued)

Assets MCBS vs audited balance sheet

In USD millions, as of December 31	2022 (SST)	**2023 (SST)**	Evolution 2022–2023 (SST)	**2023 (audited BS)**	Difference 2023 (audited BS – SST)
Market conform value of investments					
Real estate	14,798	14,045	(753)	13,685	360
Participations	92	135	43	135	(0)
Fixed-income securities	100,279	110,701	10,423	90,145	20,557
Loans	8,124	2,748	(5,376)	2,239	509
Mortgages	5,331	4,580	(752)	4,324	256
Equities	4,812	4,735	(78)	5,705	(971)
Other investments	27,676	25,480	(2,196)	25,709	(229)
Collective investment schemes	4,265	4,244	(22)	4,171	73
Alternative investments	9,758	9,600	(158)	9,902	(302)
Structured products	–	–	–	–	–
Other investments	13,653	11,636	(2,017)	11,636	0
Total investments	**161,113**	**162,424**	**1,311**	**141,941**	**20,483**
Market conform value of other assets					
Financial investments from unit-linked life insurance	122,633	141,315	18,681	141,144	171
Receivables from derivative financial instruments	770	960	190	947	14
Deposits made under assumed reinsurance contracts	971	1,816	845	1,826	(10)
Cash and cash equivalents	7,597	7,360	(237)	7,273	86
Reinsurers' share of best estimate of provisions for insurance liabilities	20,434	20,646	213	27,375	(6,729)
Direct insurance: life insurance business (excluding unit-linked life insurance)	4,433	3,417	(1,016)	6,819	(3,402)
Reinsurance: life insurance business (excluding unit-linked life insurance)	297	315	18	366	(51)
Direct insurance: non-life insurance business	10,569	11,462	893	11,362	100
Direct insurance: health insurance business	–	–	–	–	–
Reinsurance: non-life insurance business	5,135	5,677	542	7,411	(1,734)
Reinsurance: health insurance business	–	–	–	–	–
Direct insurance: other business	–	–	–	–	–
Reinsurance: other business	–	–	–	–	–
Direct insurance: unit-linked life insurance business	(0)	(224)	(224)	1,417	(1,641)
Reinsurance: unit-linked life insurance business	–	–	–	–	–
Fixed assets	2,563	2,460	(102)	2,091	369
Deferred acquisition costs	–	–	–	–	–
Intangible assets	–	–	–	11,529	(11,529)
Receivables from insurance business	11,748	12,689	941	12,639	51
Other receivables	4,622	5,785	1,164	5,738	48
Other assets	913	1,053	140	25,244	(24,191)
Unpaid share capital	–	–	–	–	–
Accrued assets	3,692	3,986	294	5,252	(1,267)
Total other assets	**175,943**	**198,071**	**22,129**	**241,058**	**(42,987)**
Total market conform value of assets	**337,055**	**360,495**	**23,440**	**382,999**	**(22,504)**

E. Valuation (continued)

Best estimate liabilities and risk-bearing capital MCBS vs audited balance sheet

In USD millions, as of December 31	2022 (SST)	**2023 (SST)**	Evolution 2022–2023 (SST)	**2023 (audited BS)**	Difference 2023 (audited BS – SST)
Market conform value of liabilities (including unit-linked life insurance)					
Best estimate of provisions for insurance liabilities	**(138,356)**	**(147,425)**	**(9,069)**	**(139,903)**	**(7,522)**
Direct insurance: life insurance business (excluding unit-linked life insurance)	(70,081)	(73,714)	(3,632)	(61,099)	(12,615)
Reinsurance: life insurance business (excluding unit-linked life insurance)	(1,452)	(1,525)	(73)	(1,174)	(351)
Direct insurance: non-life insurance business	(62,205)	(66,819)	(4,613)	(71,269)	4,451
Direct insurance: health insurance business	–	–	–	–	–
Reinsurance: non-life insurance business	(4,018)	(5,367)	(1,349)	(6,360)	993
Reinsurance: health insurance business	–	–	–	–	–
Direct insurance: other business	(591)	–	591	–	–
Reinsurance: other business	(7)	–	7	–	–
Best estimate of provisions for unit-linked life insurance liabilities	**(119,034)**	**(136,865)**	**(17,831)**	**(151,051)**	**14,186**
Direct insurance: unit-linked life insurance business	(119,034)	(136,865)	(17,831)	(151,051)	14,186
Reinsurance: unit-linked life insurance business	–	–	–	–	–
Market value margin	**–**	**(6,670)**	**(6,670)**	**–**	**(6,670)**
Market conform value of other liabilities					
Non-technical provisions	(2,076)	(2,404)	(328)	(2,816)	412
Interest-bearing liabilities	(6,616)	(5,140)	1,477	(5,288)	148
Liabilities from derivative financial instruments	(1,167)	(1,252)	(85)	(1,252)	(0)
Deposits retained on ceded reinsurance	(692)	(686)	6	(826)	140
Liabilities from insurance business	(4,271)	(5,793)	(1,522)	(5,750)	(42)
Other liabilities	(11,659)	(11,770)	(111)	(35,553)	23,784
Accrued liabilities	(5,254)	(5,103)	151	(6,804)	1,701
Subordinated debts	(10,371)	(10,695)	(324)	(8,559)	(2,136)
Total market conform value of liabilities	**(299,496)**	**(333,803)**	**(34,307)**	**(357,803)**	**24,000**
Market conform value of assets minus market conform value of liabilities	**37,559**	**26,692**	**(10,867)**	**25,196**	**1,496**

E. Valuation (continued)

E.2.1 Evolution of assets in 2023

Total investments

The market value of **Total Investments** increased by USD 1.3 billion from USD 161.1 billion in 2022 to USD 162.4 billion in 2023.

Fixed-income securities increased by USD 10.4 billion from USD 100.3 billion in 2022 to USD 110.7 billion in 2023. Positive market valuation effects, driven by the decreasing interest rates and the tightening in corporate credit spreads contributed USD 5.5. billion, mainly in Switzerland, Germany and the UK. Furthemore, favorable currency translation resulted in an increase of USD 2.4 billion due to U.S. dollar depreciation against other major currencies, mainly CHF, GBP and EUR. These increases were partially offset by net sales of USD 1.4 billion, primarily in the U.S. and Italy.

Loans decreased by USD 5.4 billion from USD 8.1 billion in 2022 to USD 2.7 billion in 2023, mainly driven by the reclassification of promissory notes issued by German federal states from other loans to debt securities to better reflect the nature of the instruments. Furthermore, the financing of the share buyback program that was announced in 2022 and ended in 2023 reduced the loan exposure.

Other investments decreased by USD 2.2 billion from USD 27.7 billion in 2022 to USD 25.5 billion in 2023, mainly due to net sales of USD 4.1 billion, driven by the Farmers Life reinsurance transaction in the U.S. as well as liquidity measures to fund corporate actions. This was partially offset by favorable currency translation and market valuation impact.

Real Estate decreased by USD 0.8 billion from USD 14.8 billion in 2022 to USD 14.0 billion in 2023, primarily due to adverse valuation effects in the U.S. and Germany.

Mortgages decreased by USD 0.7 billion from USD 5.3 billion in 2022 to USD 4.6 billion in 2023, mainly due to the reclassification of commercial real estate loans managed by an external asset manager of USD 0.9 billion to other investments, to better align the presentation to the business model of managing such investments.

Total Other Assets

The market-consistent value of **Total other assets** increased by USD 22.2 billion from USD 175.9 billion in 2022 to USD 198.1 billion in 2023.

Financial investments from unit-linked life insurance increased by USD 18.7 billion from USD 122.6 billion in 2022 to USD 141.3 billion in 2023. This was driven by a significant increase in market value mainly from Ireland, Germany and Brazil Santander from both existing fund growth and new business. USD 2.6 billion were driven by foreign currency movements, mainly USD against BRL, GBP and EUR.

Other receivables increased by USD 1.2 billion from USD 4.6 billion in 2022 to USD 5.8 billion in 2023, mainly driven by reverse repo business as an instrument for active cash management in a positive interest rate environment.

Receivables from insurance business increased by USD 1.0 billion from USD 11.7 billion in 2022 to USD 12.7 billion in 2023. The increase was observed across receivables from policyholders, agents and intermediaries and other insurance companies, due to increased sales volumes.

Deposits made under assumed reinsurance contracts increased by USD 0.8 billion from USD 1.0 billion in 2022 to USD 1.8 billion in 2023 due to an increase in participation of Farmers Re in a quota share reinsurance agreement with Farmers Exchanges[1].

Accrued assets increased by USD 0.3 billion from USD 3.7 billion in 2022 to USD 4.0 billion in 2023, mainly driven by an increase in prepaid insurance benefits in the U.S. of USD 0.2 billion.

The market value of **Reinsurers' share of best estimate of provisions for insurance liabilities** increased by USD 0.2 billion from USD 20.4 billion in 2022 to USD 20.6 billion in 2023. The increase is mostly driven by the non-life business:

- **Direct insurance: non-life insurance business** increased by USD 0.9 billion from USD 10.6 billion in 2022 to USD 11.5 billion in 2023 mainly driven by increase in the underlying gross business in the U.S.
- **Reinsurance: non-life insurance business** increased by USD 0.6 billion from USD 5.1 billion in 2022 to USD 5.7 billion in 2023 primarily driven by an increase of retroceded Property line of business.
- **Direct insurance: life insurance business (excluding unit-linked life insurance)** decreased by USD 1.0 billion from USD 4.4 billion in 2022 to USD 3.4 billion in 2023, driven by Farmers Life external reinsurance transaction, whereby the expected net outflows from the term business transferred exceeded the expected net inflows from traditional savings business being reinsured.
- **Direct insurance: unit-linked life insurance business** balance is driven by the transfer of unit-linked fees from Farmers Life to external reinsurer under the modified coinsurance agreement entered into on August 1, 2023, which does not involve a transfer of underlying unit-linked assets.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

E. Valuation (continued)

E.2.2 Evolution of liabilities since 2023

Best estimate of provisions for insurance liabilities

The market-consistent value of **Best estimate liabilities (including unit-linked life insurance)** increased by USD 26.9 billion from USD 257.4 billion in 2022 to USD 284.3 billion in 2023.

- **Direct insurance: life insurance business (excluding unit-linked life insurance)** increased by USD 3.6 billion from USD 70.1 billion in 2022 to USD 73.7 billion in 2023. The increase is mainly driven by foreign currency movements of USD 2.9 billion (mainly depreciation of USD against CHF and EUR). Further increases in liabilities in Germany and Switzerland were due to lower interest rates was offset by the reduction in liabilities in Farmers Life due to significantly lower expenses as a result of outsourcing maintenance functions to the external reinsurer, effective August 1, 2023.
- **Direct insurance unit-linked life insurance business** increased by USD 17.9 billion from USD 119.0 billion in 2022 to USD 136.9 billion in 2023. The increase is predominantly driven by Ireland, Germany and Brazil Santander from both existing fund growth and new business and USD 3.0 billion foreign currency movements, mainly USD against BRL, GBP and EUR.
- **Direct insurance: non-life insurance business** increased by USD 4.6 billion from USD 62.2 billion in 2022 to USD 66.8 billion in 2023, primarily driven by the increase in underlying discounted reserves including Property line of business in Europe. Further increases are related to unfavorable currency translation effects as well as lower interest rates.
- **Reinsurance: non-life insurance business** increased by USD 1.4 billion from USD 4.0 billion in 2022 to USD 5.4 billion in 2023, primarily driven by an increase in underlying discounted reserves in the U.S., including higher participation in the All Lines Quota Share (ALQS) agreement with Farmers Exchanges[1].

Total other liabilities

The market-consistent value of **Total other liabilities** increased by USD 0.7 billion from USD 42.1 billion in 2022 to USD 42.8 billion in 2023. The increase was primarily driven by **liabilities from insurance business** of USD 1.5 billion related to amounts due to reinsurers, agents and intermediaries and policyholders in the U.S., Argentina and Switzerland. **Non-technical provisions** increased by USD 0.3 billion mainly driven by an increase in the defined benefit obligation from retirement plans in the UK and the U.S. This was partially offset by a decrease in **Interest-bearing liabilities** of USD 1.5 billion related to the previous year funding of the 2023 share buyback program.

E.2.3 Changes in MCBS valuation methodology in 2023

In 2023, there were no significant changes to the MCBS valuation methodology. The revised provisions of the ISO, which entered into force on January 1, 2024 resulted in certain editorial and presentational updates, but did not affect the MCBS valuation basis.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

E. Valuation (continued)

E.2.4 Market-consistent value of assets

Market-consistent value of investments

According to IFRS Accounting Standards, investments are measured at fair value, amortized cost or using the equity method. In addition, IFRS Accounting Standards requires fair value disclosures for financial assets that are not measured at fair value. The MCBS value of investments reflects fair value determined in accordance with the overarching valuation principles outlined in section E.1.

Valuation difference on investments

in USD millions, as of December 31, 2023

Total value of investments (audited BS)		**141,941**
Loans	Other loans measured at fair value in MCBS	403
Mortgages	Mortgage loans measured at fair value in MCBS	(306)
Equities	Own shares are not recognised in SST	(1,003)
Other Investments	Other investments measured at fair value in MCBS	(374)
	The reclassification to held for sale is not applicable in MCBS	21,763
Total market-consistent value of Investments (SST)		**162,424**

Market-consistent value of financial investments from unit-linked life insurance

The investments for unit-linked insurance are measured at fair value under both IFRS Accounting Standards and MCBS. Therefore, no measurement difference arises in MCBS.

Valuation difference on financial investments from unit-linked life insurance

in USD millions, as of December 31, 2023

Total value of financial investments from unit-linked life insurance (audited BS)		**141,144**
Financial investments from unit-linked life insurance	The reclassification to held for sale is not applicable in MCBS	171
Total market-consistent value of financial investments from unit-linked life insurance (SST)		**141,315**

Market-consistent value of reinsurers' share of best estimate of provisions for insurance liabilities

Similar to IFRS Accounting Standards, the calculation of the best estimate of reinsurers' share of best estimate provisions as well as best estimate insurance liabilities is performed on a gross basis in MCBS (i.e., no offsetting of assets with liabilities). However, under IFRS Accounting Standards, certain insurance and reinsurance transactions need to be combined and presented on a net basis to the extent such transactions are entered into with the same counterparty and are designed to achieve an overall commercial effect (e.g., certain captive arrangements). Such transactions are presented gross in MCBS.

The MCBS valuation is based on the actuarial discounted best estimate of future cash flows, taking into account the lifetime expected credit losses. The calculation of the expected credit loss allowance considers the rating of the reinsurance counterparty, the expected timing of future recoveries and the expected value of any collateral held.

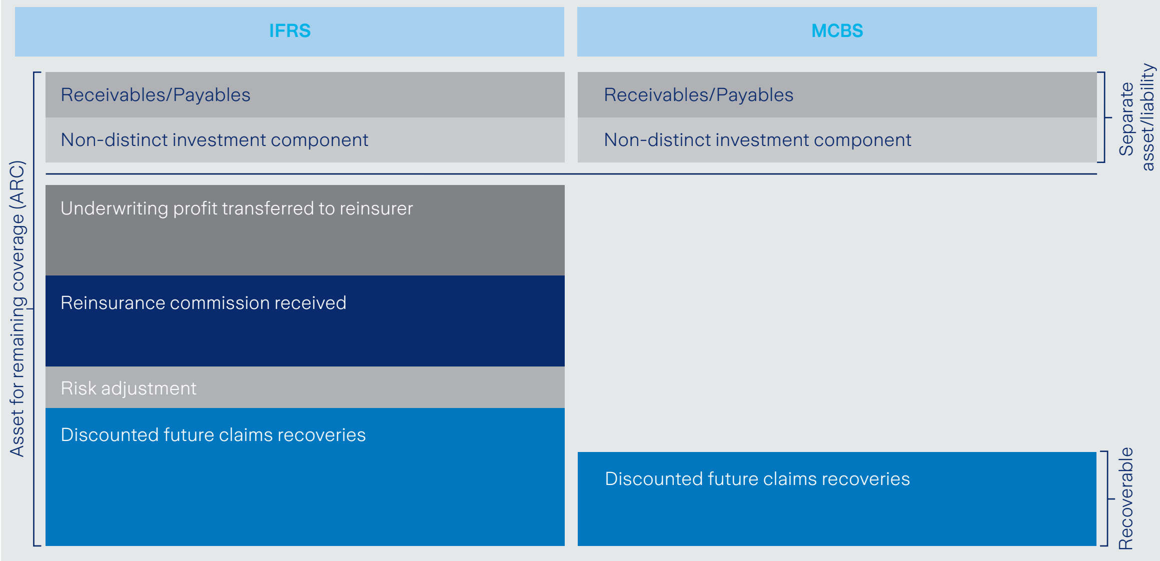
Under IFRS Accounting Standards, the actuarial best estimate is supplemented by a risk adjustment to reflect the uncertainty in the amount and timing of future cash flows. The risk adjustment is set to zero in SST; instead, the MVM forms part of the SST market-consistent valuation of insurance liabilities, reflecting the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities on a net basis.

Reinsurers' share of best estimate unearned premium reserve

Under IFRS Accounting Standards, the reinsurers' share of unearned premium reserve (UPR) or asset for remaining coverage (ARC) represents the portion of the ceded premiums related to the unexpired coverage period. Under MCBS, the ceded UPR shall only reflect a market-consistent value of future claims recoveries. The illustration below provides the breakdown of ceded UPR where ceded UPR under IFRS Accounting Standards reflects the premium paid (less commission received) for the remaining bound period and the adjustments performed to arrive at the MCBS value for ceded UPR.

E. Valuation (continued)

Illustrative break-down of ceded Unearned Premium Reserve (UPR)



Reinsurers' share of property and casualty loss reserves
Under IFRS Accounting Standards, reinsurance assets for ceded loss reserves are already held at best estimate (i.e., sum of all expected future recoveries) supplemented by risk adjustment and discounted taking into account the timing of future cash flows and expected credit losses. Valuation differences compared to the audited balance sheet predominantly relate to difference in yield curves used under IFRS Accounting Standards and SST risk-free rates and risk adjustment.

Reinsurers' share of life benefits
In order to determine the SST MCBS value of best estimate ceded reserves of life insurance and investment contracts, the following generally applies:

- The best estimate of future cash flows is based on the principles discussed in the section 'Best estimate of life investment and insurance liabilities';
- The SST MCBS value for ceded reserves only reflects the market-consistent value for future claims recoveries, i.e., only present value of future cash flows to be reimbursed by the reinsurer; and
- If the reinsurer's credit risk is not included in the best-estimate future cash flows, the expected credit loss allowance is considered.

Under IFRS Accounting Standards best estimate ceded reserves are supplemented by a contractual service margin (CSM) which represents the unearned profits from the in-force contracts transferred to the reinsurer. CSM is set to zero in SST MCBS.

Valuation difference on Best estimate of Reinsurers' share of best estimate of insurance liabilities

in USD millions, as of December 31, 2023

Total Best estimate of Reinsurers' share of best estimate of insurance liabilities (audited BS)		**27,375**
	Valuation differences	(2,560)
	CSM	(4,249)
Reinsurers' share of best estimate of insurance liabilities	Risk Adjustment	(1,192)
	The reclassification to held for sale is not applicable in MCBS	1,271
Total Best estimate of Reinsurers' share of best estimate of insurance liabilities (SST)		**20,646**

E. Valuation (continued)

Market-consistent value of other assets

Under IFRS Accounting Standards, other assets include deferred tax assets, goodwill and other intangible assets, which are valued at zero in the MCBS. Real estate held for own use is measured at cost less depreciation and impairment, whereas the MCBS value reflects fair value. Right-of use assets are reported at carrying value as per IFRS Accounting Standards (i.e., cost less depreciation and impairment) provided this is a reasonable proxy for fair value. Otherwise, if there is a major change in the market prices for comparable leases observed since inception, the MCBS value is determined considering current rental prices for comparable property and current interest rates for high-quality corporate bonds.

Cash and cash equivalents are presented at carrying value as per IFRS Accounting Standards because such balances are current and solely held for the purpose of meeting short-term (operational) cash commitments.

In the audited balance sheet, deposits made under assumed reinsurance contracts, receivables from insurance business and other receivables are presented as part of the best estimate liabilities or reinsurers' share of best estimate insurance liabilities. In SST MCBS, these amounts are reclassified to other assets but valued at the carrying value as per IFRS Accounting Standards, provided this is a reasonable proxy for fair value (i.e., the balances are subject to only insignificant risk of changes in value and settlement is expected to occur generally within three months and no more than twelve months). In this case, the carrying value as per IFRS Accounting Standards is reported net of credit impairment allowance. Otherwise, the value is based on fair value (including credit risk) using the IFRS Accounting Standards valuation principles.

Derivative financial instruments are measured at fair value under both IFRS Accounting Standards and MCBS.

The reclassification of assets of USD 23.8 billion as held for sale, presented within other assets under IFRS Accounting standards, is not applicable in MCBS.

Valuation difference on other assets

in USD millions, as of December 31, 2023

Total value of other assets (audited BS) (excluding Financial investments from unit-linked life insurance & Reinsurers' share of best estimate of provisions for insurance liabilities)		**72,539**
	Fixed assets: Real estate held for own use is at fair value in MCBS	369
	Deferred origination costs: Value set to zero in MCBS	(433)
	Deferred tax assets: Value set to zero in MCBS	(1,791)
	Goodwill and other intangible assets: Value set to zero in MCBS	(11,529)
	The reclassification to held for sale is not applicable in MCBS	(23,034)
Other assets	Other	(11)
Total market-consistent value of other assets (SST) (excluding Financial investments from unit-linked life insurance & Reinsurers' share of best estimate of provisions for insurance liabilities)		**36,110**

E. Valuation (continued)

E.2.5 Market-consistent value of liabilities

Best estimate of non-life insurance liabilities

Best estimate of unearned premium reserves

Under IFRS Accounting Standards, the unearned premium reserve (UPR) or liability for remaining coverage (LRC) represents the portion of the premiums received related to the unexpired coverage period. The UPR typically relates to one year of premiums invoiced, which is also the case for multi-year contracts where only the first year of premium is recognized and not the entire contractual future premium volume due in future periods. This reserve covers expected future losses, loss adjustment and policy administration expenses as well as underwriting profits for contracts in force. To arrive at the MCBS value for UPR, the following adjustments are made:

- Expected future losses (including loss adjustment expenses) are discounted;
- Underwriting profits are not included, as these do not represent future cash flows; and
- Future administration expenses only encompass the estimated costs to administer and maintain the insurance policy over the remaining coverage period. Consequently, any deferred or non-deferred acquisition-related costs (such as marketing, customer/market research, product development, sales commission, sales and distribution management, or underwriting policy issuance related) are excluded. Furthermore, claims settlement costs are not included in administration expenses as such costs are typically part of future losses. Similarly, amortization of IACF and intangible assets is not included because IACF and intangible assets are set to zero in MCBS.

The illustration below provides the breakdown of the UPR where UPR under IFRS Accounting Standards reflects the unearned premium for the remaining bound period and the adjustments performed to arrive at the MCBS value for UPR:

Illustrative break-down of ceded Unearned Premium Reserve (UPR)

For multi-year contracts, the determination of the best estimate of UPR requires an additional adjustment to reflect the net present value of the future cash flows from the bound multi-year contracts. The adjustment is determined using all unearned premiums (invoiced and not invoiced) as a volume metric, with the best estimate of the cost of insurance discounted using a discount factor reflective of the expected cash flows over the duration of the underlying insurance contracts and the discounted future premium not yet invoiced (less attributable future acquisition expenses) included as an inflow.

Best estimate of loss reserves

Reserves for losses under IFRS Accounting Standards represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserves are held at best estimate including recoverable for salvage and subrogation, supplemented by a provision for model and parameter uncertainty and risk adjustment under IFRS Accounting Standards, and discounted whereby the cash-flow pattern (i.e., timing of the estimated future cash flows) is adequately considered.

The valuation differences in SST MCBS to difference in the yield curves used under IFRS Accounting Standards and SST risk-free rates and risk adjustment which are set to zero in SST.

E. Valuation (continued)

Valuation difference on Best estimate of non-Life insurance liabilities

in USD millions, as of December 31, 2023

Total Best estimate of non-Life insurance liabilities (audited BS)		**(77,629)**
Non-Life insurance liabilities	Valuation differences	4,716
	CSM	458
	Risk Adjustment	1,522
	The reclassification to held for sale is not applicable in MCBS	(1,253)
Total Best estimate of non-Life insurance liabilities (SST)		**(72,186)**

Best estimate of life investment and insurance liabilities (including unit-linked life insurance liabilities)

Generally, the SST MCBS value of all unit-linked and non-unit-linked investments, as well as life insurance liabilities, is based on a bottom-up best estimate projection of future cash flows excluding any expected non-guaranteed surpluses or discretionary benefits. Any options and guarantees provided to the policyholder are valued on a market-consistent basis. Specifically, cash flow projections are made over the estimated contract period for the in-force portfolio (i.e., current policyholder base at valuation date) subject to the contractual contract boundary and in line with the principles for best estimate:

- Economic assumptions: expected asset return, discount rate, and inflation rate, stochastic economic simulations;
- Non-economic assumptions: demographic assumptions (mortality, morbidity), persistency, expense assumptions and dynamic bonus rates/profit sharing rates (where legally or contractually obligated).

Cash flow projections may vary, depending on the product. Contractually guaranteed benefits to be paid to policyholders – whether on surrender, maturity, death, morbidity or disability – increase the best estimate of life investment and insurance liabilities, as do taxes paid on behalf of policyholders, maintenance expenses and future commissions. Projected future premiums, fees and charges expected to be received from policyholders for existing business reduce the best estimate of life investment and insurance liabilities.

Best estimate of life insurance liabilities can be negative, for example, in protection business where projected regular premiums may often exceed expected death benefits and expenses on a best-estimate basis. Because the own fulfilment value of an insurance or reinsurance obligation may be lower than the surrender values of the underlying contracts, no implicit or explicit surrender value floor is assumed for the market-consistent value.

Realistic assumptions about management's behavior are used, e.g., assuming management discretion when capital gains on invested assets are realized or changes in asset allocation are made. In cases where management actions, as considered in the scenario modelling, would be subject to regulatory approval (e.g., potential cancellation of policyholder dividends), the assumptions used when interpreting local supervisory guidance are verified by the local regulator or external audit.

The main valuation differences compared to the audited balance sheet relate to future discretionary benefits, which are included in the best estimate liabilities under IFRS Accounting Standards but contribute to AFR in SST. Additional differences stem from differences in the estimated contract period for projections (contract boundary), risk adjustment and CSM, as well as differences in yield curves used under IFRS Accounting Standards and SST risk-free rates. Furthermore, under SST, the investment contract liabilities are valued in a similar way as insurance contract liabilities, which results in a positive contribution to the value of in-force investment contracts to SST AFR.

Valuation difference on Total Best estimate of life insurance liabilities

in USD millions, as of December 31, 2023

Total Best estimate of life insurance liabilities (audited BS)		**(213,325)**
Life insurance liabilities	Valuation differences	(4,057)
Unit-linked life insurance business	Valuation differences	8,698
	CSM	16,482
	Risk Adjustment	2,686
	The reclassification to held for sale is not applicable in MCBS	(22,590)
Total Best estimate of life insurance liabilities (SST)		**(212,104)**

E. Valuation (continued)

Market value margin

Following the 2023 revision of the ISO, Market Value Margin (MVM) forms part of the SST market-consistent valuation of insurance liabilities and thus SST AFR. Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities. MVM as of December 31, 2023 was USD 6.7 billion, a decrease of USD 0.6 billion compared to prior year. The decrease is mainly driven by the reinsurance agreement entered by Farmers New World Life to reinsure the in-force individual life insurance book, which led to a reduction in contribution of Life Business risk.

Market-consistent value of other liabilities

Non-technical provisions include liabilities for defined benefit pension plans measured using actuarial techniques under IFRS Accounting Standards. Such liabilities are held at the carrying value as per IFRS Accounting Standards in the MCBS.

Interest-bearing liabilities are measured in the MCBS based on risk-free rates where the future cash flows are considered over the remaining period until the earliest contractual redemption date. In cases where a quoted market price is available and used, the market price is adjusted to eliminate own credit spread. Accrued interests on interest bearing liabilities are reported as a separate position in the MCBS.

Derivative financial instruments are measured at fair value under both IFRS Accounting Standards and MCBS.

Deposits retained on ceded reinsurance are presented as part of the reinsurers' share of best estimate liabilities in the audited balance sheet but are reclassified to other liabilities in SST MCBS. Such deposits are valued at the carrying value as per IFRS Accounting Standards, provided this is a reasonable proxy for fair value (i.e., the balances are subject to only insignificant risk of changes in value and settlement is expected to occur generally within three months and no more than twelve months). Otherwise, the value is based on fair value using the IFRS Accounting Standards valuation principles, excluding own credit risk.

The market-consistent value of other liabilities is generally determined using carrying value as per IFRS Accounting Standards in accordance with the overarching valuation principles outlined in section E.1, except for the following differences:

- The market-consistent valuation of non-controlling interests is determined based on the MCBS of the underlying entities and presented separately as a liability position, whereas under IFRS Accounting Standards non-controlling interests are presented within equity;
- Lease liabilities are measured as the present value of future lease payments for the remaining lease term, discounted at risk-free rates without consideration of own credit risk.

Furthermore, the reclassification of liabilities for USD 23.9 billion as held for sale, presented within other liabilities under IFRS Accounting Standards, is not applicable in MCBS.

Accrued liabilities under IFRS Accounting Standards include deferred front-end fees and deferred taxes (other than deferred tax on Swiss real estate transfers attributable to shareholders) that are valued at zero in the MCBS.

Subordinated debt instruments eligible as risk-absorbing capital instruments under SST are measured at market-consistent value using the IFRS Accounting Standards valuation principles. In cases where a quoted market price is available and used, the market price is not adjusted to eliminate own credit spread. The accrued interest is not reported separately and is included in the MCBS carrying value.

Valuation difference on other liabilities

in USD millions, as of December 31, 2023

Total value of other liabilities (audited BS)		**(66,849)**
	Non-technical provisions: Long-term incentive plan is not recorded in ZIC SST, nor own shares	472
	Interest-bearing liabilities: Valuation differences	148
	Deposit retained on ceded reinsurance: Valuation differences	140
	Deferred taxes (other than deferred tax on Swiss real estate transfers attributable to shareholders): Value set to zero in MCBS	1,640
	The reclassification to held for sale is not applicable in MCBS	23,674
	Subordinated debts: valuation differences	(2,136)
Other liabilities	Other	68
Total market-consistent value of other liabilities (SST)		**(42,843)**

F. Capital management

F.1 Capital management objectives

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory and rating agency constraints.

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities.

For additional information regarding the **Capital structure**, please see note 18 of the ZIC Group consolidated financial statements on page 124.

For more details on **Capital management framework** and **Capital management program**, see the Risk Review in the ZIC Group's Annual Report 2023 on page 6.

For details on **issuances and redemptions of debt**, see note 17 of the ZIC Group consolidated financial statements on pages 122-123.

F.2 Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Additional information related to Regulatory solvency regimes are disclosed in ZIC Group's Annual Report 2023 on page 7.

G. Solvency

G.1 Swiss Solvency Test ratio

The Swiss Solvency Test (SST) is a principle-based, risk-sensitive supervision framework reflecting:

- A market-consistent view of the financial resources available to meet policyholder obligations – referred to as risk-bearing capital. The risk-bearing capital consist of net assets (core capital) and Tier 2 risk-absorbing capital instruments as outlined further below. As of January 1, 2024, the Group did not have outstanding instruments that fulfil the definition of Tier 1 capital.
- A view of the impact of the potential risks inherent to the regulated business – referred to as target capital and defined as an expected shortfall at a 99-percent confidence level over a one-year time horizon.

The SST compares risk-bearing capital with target capital through calculation of a ratio (the 'SST ratio'). The solvency test indicates whether the level of risk-bearing capital is sufficient to reduce the probability of policyholder impairment to a level consistent with regulatory objectives.

In 2023, the ZIC SST ratio development was mainly affected by capital actions amounting to 46 percentage points, which include the accrual of the proposed dividend and the announced share buyback of USD 1.3 billion, as well as the redemption of subordinated debt in October 2023 and the acquisition of three brokerage entities and the flood program servicing arm from Farmers Exchanges[1]. Strong operational capital generation net of incremental capital for growth contributed 29 percentage points to the ZIC Group SST ratio. Unfavourable market movements led to a 10 percentage points decrease in the ratio driven by falling interest rates and unfavourable foreign currency movements. Model and assumption changes had an unfavourable impact of 3 percentage points. Other movements reduced the ratio by 14 percentage points mainly due to a negative impact from the separation of the legacy traditional back book in Germany and unfavourable impact from the affiliated credit risk model.

In the table below, the presentation as of January 1, 2023 was restated to reflect changes in ISO. Under the amended presentation, MVM forms part of the risk-bearing capital. This change did not have any effect on the SST ratio, as previously MVM was deducted as part of the SST ratio calculation.

Solvency

in USD millions	January 1st, 2023	Adjustments Previous year	**January 1st, 2024**
Derivation of risk-bearing capital			
Market conform value of assets minus market conform value of liabilities	37,559	(7,291)	26,692
Deductions	(5,590)		(5,700)
Tier 1 risk-absorbing capital instruments (RAC) counted towards core capital	-		-
Core capital	**31,969**		**20,992**
Supplementary capital	10,371		10,695
Risk-bearing capital	**42,340**		**31,687**
Derivation of target capital			
Underwriting risk	11,369		11,235
Market risk	9,203		9,979
Diversification effects	(3,788)		(3,760)
Credit risk[1]	5,265		4,528
Market value margin and other effects on target capital[2]	(1,764)	(7,291)	(7,982)
Target capital	**20,287**		**14,000**
SST ratio[3]	**270%**		**226%**

1 Credit risk includes investment credit risk, reinsurance and receivables credit risk.
2 MVM is not included in the current period value. Other effects on target capital include diversification effects between credit risk and other risk types, expected business development over the forecasting horizon, and other risk models.
3 SST ratio is defined in the Swiss Insurance Supervision Ordinance as a ratio of risk-bearing capital to target capital.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

G. Solvency (continued)

Target capital by risk type

in USD millions	January 1st, 2023	Adjustments previous period	**January 1st, 2024**
Insurance risk derivation of target capital			
Premium and reserve risk (including UPR risk)	7,388		7,978
Nat Cat	4,280		4,354
Life insurance liabilities	3,299		2,934
Business risk	4,219		3,374
Diversification	(7,817)		(7,405)
Total	**11,369**		**11,235**
Market risk derivation of target capital			
Equity risk	2,691		3,589
Interest rate risk	3,384		3,206
Exchange rate risk	1,826		1,805
Credit spread risk	5,364		3,756
Other	10,174		10,174
Diversification	(11,931)		(9,710)
Total (including investment credit risk)	**11,507**		**12,821**
thereof			
Market risk (excluding investment credit risk)	9,203		9,979
Investment credit risk	5,142		4,307
Credit risk derivation of target capital			
Investment credit risk	5,142		4,307
Reinsurance credit risk & receivables	785		920
Diversification	(661)		(699)
Total	**5,265**		**4,528**

Appendix 1: Quantitative templates

Income Statement Zurich Insurance Company Ltd Total and Direct Swiss Business

In CHF millions, for the years ended December 31

		Total		Accident	
		2022	**2023**	2022	**2023**
1	Gross written premiums and policy fees	16,847	22,464	451	475
2	Premiums ceded to reinsurers	(4,136)	(7,550)	(9)	(9)
3	Net written premiums and policy fees (1 + 2)	12,711	14,914	442	465
4	Change in reserves for unearned premiums, gross	(525)	(1,982)	–	1
5	Change in reserves for unearned premiums, ceded	133	1,196	–	–
6	Net earned premiums and policy fees (3 + 4 + 5)	12,319	14,128	442	466
7	Other income[1]	1,127	1,247	30	26
8	**Total technical income (6+7)**	**13,446**	**15,375**	**472**	**492**
9	Claims paid, annuities and loss adjustment expenses, gross	(9,925)	(4,291)	(344)	(366)
10	Claims paid, annuities and loss adjustment expenses, ceded	2,046	(667)	6	5
11	Change in insurance reserves, gross	770	(10,118)	13	(19)
12	Change in insurance reserves, ceded	(528)	4,735	4	(5)
13	Change in actuarial provisions for unit-linked contracts				
14	**Insurance benefits and losses, net of reinsurance (9 + 10 + 11 + 12 + 13)**	**(7,637)**	**(10,341)**	**(321)**	**(386)**
15	Underwriting & policy acquisition costs, gross	(3,576)	(4,785)	(44)	(48)
16	Underwriting & policy acquisition costs, ceded	611	1,396	–	2
17	Underwriting & policy acquisition costs, net of reinsurance (15 + 16)	(2,965)	(3,390)	(44)	(46)
18	Administrative and other expense[1]	(2,068)	(2,024)	(55)	(43)
19	**Total technical expense (14 + 17 + 18) (non-life insurance only)**	**(12,670)**	**(15,755)**	**(420)**	**(474)**
20	Investment income	4,174	4,478		
21	Investment expenses	(1,364)	(1,165)		
22	**Net investment result (20 + 21)**	**2,810**	**3,314**		
23	Net investment result on unit-linked investments	–	–		
24	Other financial income	808	417		
25	Other financial expense	(1,352)	(196)		
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**3,042**	**3,155**		
27	Interest expense on debt and other interest expense	(584)	(888)		
28	Other income	–	–		
29	Other expense	–	–		
30	Extraordinary income/expense	–	–		
31	**Net income before taxes (26 + 27 + 28 + 29 + 30)**	**2,457**	**2,267**		
32	Direct tax expenses	(105)	(215)		
33	**Net income after taxes (31 + 32)**	**2,353**	**2,052**		

1 Line items 7 and 18: lines of business allocated according to the gross written premium.

Appendix 1: Quantitative templates (continued)

Direct Swiss business											
Illness		Motor vehicle		Transport		Fire, natural hazards, property damage		General third-party liability		Other branches	
2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
635	718	1,065	1,095	30	34	421	458	337	347	132	128
–	–	–	–	(6)	(6)	(25)	(8)	(39)	(18)	(37)	(46)
636	718	1,065	1,095	25	28	396	450	297	329	95	82
–	–	(9)	(12)	–	(1)	(9)	(4)	2	3	2	(2)
–	–	–	–	–	–	4	(5)	–	(1)	8	7
636	718	1,056	1,083	25	27	391	441	300	331	104	86
42	40	71	61	2	2	28	25	23	19	9	7
678	**758**	**1,127**	**1,143**	**27**	**29**	**419**	**467**	**322**	**350**	**113**	**93**
(566)	(581)	(716)	(795)	(16)	(24)	(228)	(204)	(134)	(115)	(63)	(108)
–	–	1	–	1	1	(1)	33	–	–	12	27
6	(49)	9	(22)	2	(5)	62	(74)	(65)	(41)	(9)	8
–	–	(1)	–	1	1	(1)	3	6	59	(6)	(1)
(561)	**(631)**	**(707)**	**(817)**	**(12)**	**(26)**	**(168)**	**(241)**	**(192)**	**(97)**	**(67)**	**(75)**
(57)	(63)	(184)	(196)	(9)	(10)	(112)	(125)	(80)	(83)	(19)	(20)
–	–	–	–	1	2	1	–	–	–	3	8
(57)	(63)	(184)	(196)	(8)	(8)	(111)	(125)	(79)	(83)	(16)	(12)
(78)	(65)	(131)	(99)	(4)	(3)	(52)	(41)	(41)	(31)	(16)	(12)
(696)	**(758)**	**(1,021)**	**(1,112)**	**(23)**	**(38)**	**(331)**	**(407)**	**(313)**	**(211)**	**(99)**	**(98)**

Appendix 1: Quantitative templates (continued)

Income Statement Zurich Insurance Company Ltd Direct Foreign Business and Assumed Business

In CHF millions, for the years ended December 31

		Direct non-Swiss business, total	
		2022	**2023**
1	Gross written premiums and policy fees	2,423	6,036
2	Premiums ceded to reinsurers	(1,224)	(3,944)
3	Net written premiums and policy fees (1 + 2)	1,198	2,092
4	Change in reserves for unearned premiums, gross	(72)	(1,403)
5	Change in reserves for unearned premiums, ceded	26	979
6	Net earned premiums and policy fees (3 + 4 + 5)	1,153	1,667
7	Other income[1]	162	335
8	**Total technical income (6+7)**	**1,315**	**2,002**
9	Claims paid, annuities and loss adjustment expenses, gross	(987)	2,839
10	Claims paid, annuities and loss adjustment expenses, ceded	422	(2,022)
11	Change in insurance reserves, gross	(137)	(6,422)
12	Change in insurance reserves, ceded	36	4,305
13	Change in actuarial provisions for unit-linked contracts		
14	**Insurance benefits and losses, net of reinsurance (9 + 10 + 11 + 12 + 13)**	**(665)**	**(1,300)**
15	Underwriting & policy acquisition costs, gross	(579)	(1,291)
16	Underwriting & policy acquisition costs, ceded	378	1,081
17	Underwriting & policy acquisition costs, net of reinsurance (15 + 16)	(201)	(211)
18	Administrative and other expense[1]	(297)	(544)
19	**Total technical expense (14 + 17 + 18) (non-life insurance only)**	**(1,163)**	**(2,055)**
20	Investment income		
21	Investment expenses		
22	**Net investment result (20 + 21)**		
23	Net investment result on unit-linked investments		
24	Other financial income		
25	Other financial expense		
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**		
27	Interest expense on debt and other interest expense		
28	Other income		
29	Other expense		
30	Extraordinary income/expense		
31	**Net income before taxes (26 + 27 + 28 + 29 + 30)**		
32	Direct tax expenses		
33	**Net income after taxes (31 + 32)**		

1 Line items 7 and 18: lines of business allocated according to the gross written premium.

Appendix 1: Quantitative templates (continued)

													Indirect business
Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
345	354	37	188	1,449	1,568	308	435	4,044	5,236	2,412	2,634	2,758	2,759
(7)	(7)	–	–	(29)	(27)	(83)	(148)	(1,774)	(2,326)	(487)	(623)	(416)	(386)
338	347	37	188	1,420	1,541	225	287	2,270	2,911	1,925	2,011	2,342	2,372
(20)	13	(1)	(2)	(61)	(56)	(8)	(50)	(190)	(309)	(108)	(107)	(51)	(52)
–	–	–	–	1	1	3	27	33	139	18	49	40	1
319	359	36	186	1,360	1,485	219	264	2,113	2,740	1,834	1,953	2,330	2,321
23	20	2	10	97	87	21	24	271	291	161	146	184	153
342	**379**	**38**	**196**	**1,457**	**1,572**	**240**	**288**	**2,384**	**3,031**	**1,996**	**2,100**	**2,515**	**2,474**
(259)	(251)	(26)	304	(925)	(800)	(141)	(87)	(2,018)	(1,579)	(1,532)	(972)	(1,971)	(1,553)
1	2	–	–	17	17	27	60	1,064	803	240	158	256	249
144	167	7	(499)	(39)	(443)	(24)	(67)	382	(1,073)	(46)	(1,294)	466	(283)
–	13	–	–	(10)	(2)	24	5	(744)	178	224	193	(63)	(13)
(115)	**(70)**	**(19)**	**(196)**	**(956)**	**(1,228)**	**(114)**	**(89)**	**(1,316)**	**(1,672)**	**(1,114)**	**(1,915)**	**(1,311)**	**(1,600)**
(110)	(130)	(10)	(49)	(465)	(535)	(64)	(79)	(768)	(983)	(610)	(692)	(464)	(481)
–	1	–	–	1	3	7	8	137	183	40	54	42	55
(109)	(129)	(10)	(49)	(464)	(532)	(57)	(71)	(632)	(800)	(570)	(638)	(422)	(426)
(42)	(32)	(5)	(17)	(178)	(141)	(38)	(39)	(496)	(472)	(296)	(237)	(339)	(249)
(266)	**(231)**	**(34)**	**(262)**	**(1,598)**	**(1,901)**	**(209)**	**(199)**	**(2,444)**	**(2,944)**	**(1,981)**	**(2,791)**	**(2,072)**	**(2,274)**

Appendix 1: Quantitative templates (continued)

Market conform Balance Sheet

in USD millions, for the years ended December 31	2022	Adjustments previous period	2023
Market conform value of investments			
Real estate	14,798	–	14,045
Participations	92	–	135
Fixed-income securities	100,279	–	110,701
Loans	8,124	–	2,748
Mortgages	5,331	–	4,580
Equities	4,812	–	4,735
Other investments	27,676	–	25,480
Collective investment schemes	4,265	–	4,244
Alternative investments	9,758	–	9,600
Structured products	–	–	–
Other investments	13,653	–	11,636
Total investments	**161,113**	**–**	**162,424**
Market conform value of other assets			
Financial investments from unit-linked life insurance	122,633	–	141,315
Receivables from derivative financial instruments	770	–	960
Deposits made under assumed reinsurance contracts	971	–	1,816
Cash and cash equivalents	7,597	–	7,360
Reinsurers' share of best estimate of provisions for insurance liabilities	20,434	–	20,646
Direct insurance: life insurance business (excluding unit-linked life insurance)	4,433	–	3,417
Reinsurance: life insurance business (excluding unit-linked life insurance)	297	–	315
Direct insurance: non-life insurance business	10,569	–	11,462
Direct insurance: health insurance business	–	–	–
Reinsurance: non-life insurance business	5,135	–	5,677
Reinsurance: health insurance business	–	–	–
Direct insurance: other business	–	–	–
Reinsurance: other business	–	–	–
Direct insurance: unit-linked life insurance business	–	–	(224)
Reinsurance: unit-linked life insurance business	–	–	–
Fixed assets	2,563	–	2,460
Deferred acquisition costs	–	–	–
Intangible assets	–	–	–
Receivables from insurance business	11,748	–	12,689
Other receivables	4,622	–	5,785
Other assets	913	–	1,053
Unpaid share capital	–	–	–
Accrued assets	3,692	–	3,986
Total other assets	**175,943**	**–**	**198,071**
Total market conform value of assets	**337,055**	**–**	**360,495**

Appendix 1: Quantitative templates (continued)

Market conform Balance Sheet

in USD millions, for the years ended December 31	2022	Adjustments previous period	2023
Market conform value of liabilities (including unit-linked life insurance)			
Best estimate of provisions for insurance liabilities	**(138,356)**	**–**	**(147,425)**
Direct insurance: life insurance business (excluding unit-linked life insurance)	(70,081)	–	(73,714)
Reinsurance: life insurance business (excluding unit-linked life insurance)	(1,452)	–	(1,525)
Direct insurance: non-life insurance business	(62,205)	–	(66,819)
Direct insurance: health insurance business	–	–	–
Reinsurance: non-life insurance business	(4,018)	–	(5,367)
Reinsurance: health insurance business	–	–	–
Direct insurance: other business	(591)	–	–
Reinsurance: other business	(7)	–	–
Best estimate of provisions for unit-linked life insurance liabilities	**(119,034)**	**–**	**(136,865)**
Direct insurance: unit-linked life insurance business	(119,034)	–	(136,865)
Reinsurance: unit-linked life insurance business	–	–	–
Market value margin	**–**	**(7,291)**	**(6,670)**
Market conform value of other liabilities			
Non-technical provisions	(2,076)	–	(2,404)
Interest-bearing liabilities	(6,616)	–	(5,140)
Liabilities from derivative financial instruments	(1,167)	–	(1,252)
Deposits retained on ceded reinsurance	(692)	–	(686)
Liabilities from insurance business	(4,271)	–	(5,793)
Other liabilities	(11,659)	–	(11,770)
Accrued liabilities	(5,254)	–	(5,103)
Subordinated debts	(10,371)	–	(10,695)
Total market conform value of liabilities	**(299,496)**	**(7,291)**	**(333,803)**
Market conform value of assets minus market conform value of liabilities	**37,559**	**(7,291)**	**26,692**

Appendix 2: Report of the statutory auditor on the Group consolidated financial statements 2023

The Financial Condition Report is not audited.

The consolidated financial statements of ZIC Group, which comprise the consolidated income statements, consolidated statements of comprehensive income, consolidated balance sheets, consolidated statements of cash flows, consolidated statements of changes in equity and notes to the consolidated financial statements for the year ended December 31, 2023 are audited. Please refer to the report of the statutory auditor of ZIC Group and ZIC on pages 172-181 and pages 204-212, respectively, which can be found at: www.zurich.com/investor-relations/results-and-reports/other-statutory-filings.

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