

# Financial Condition Report 2023

# Zurich Reinsurance Company Ltd

## Contents

<b>Acronyms</b>	<b>4</b>	<b>D. Risk profile</b>	<b>15</b>
<b>Introduction</b>	<b>5</b>	D.1 Insurance risk	15
<b>A. Business activities</b>	<b>7</b>	D.2 Market risk including investment credit risk	16
A.1 Legal structure and major subsidiaries and branches	7	D.3 Other credit risk	19
A.2 Information about the company's strategy, objectives and key business segments	8	D.4 Operational risk	19
A.3 Information about the company's external auditors as per Article 28 ISA 8	8	D.5 Liquidity risk	19
A.4 Significant unusual events	8	D.6 Other material risks	20
<b>B. Performance</b>	<b>9</b>	<b>E. Valuation</b>	<b>21</b>
B.1 Underwriting performance	9	E.1 Overarching market-consistent valuation principle	21
B.2 Investment performance	9	E.2 Market-consistent balance sheet following SST principles	21
B.3 Intragroup events and transactions	10	<b>F. Capital management</b>	<b>25</b>
<b>C. Corporate governance and risk management</b>	<b>11</b>	<b>G. Solvency</b>	<b>27</b>
C.1 Corporate governance	11	<b>Appendix 1: Quantitative templates</b>	<b>30</b>
C.2 Risk management	12	<b>Appendix 2: Report of the statutory auditor on the ZRe financial statements</b>	<b>34</b>
C.3 Internal control system	13		
C.4 Compliance	13		
C.5 Internal audit	14		

The information published in this report is consistent with the information in the Annual Report 2022 and 2023 of Zurich Reinsurance Company Ltd and the regulatory reporting of Zurich Reinsurance Company Ltd, including the regulatory reporting to the Swiss Financial Market Supervisory Authority (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 Reinsurance 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 this report.

# Zurich Reinsurance Company Ltd (continued)

## Overview

### Business profile

Zurich Reinsurance Company Ltd (ZRe or the company) is a reinsurance company domiciled in Zurich, Switzerland. The company is a stand-alone legal entity that has both a reinsurance and a direct non-life insurance license issued by Swiss Financial Market Supervision Authority FINMA (FINMA). The company belongs to the Zurich Insurance Group (Group). ZRe's focus is on providing reinsurance solutions primarily to affiliated companies of the Group, in particular to branches of Zurich Insurance Company Ltd (ZIC).

ZRe has a direct book, which has been in run-off for over 35 years. ZRe does not write any new direct business.

### System of governance

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

ZRe's enterprise risk management (ERM) framework supports achievement of the Group's strategy and helps protect capital, liquidity, earnings and reputation.

### Risk profile

ZRe is fully integrated into Zurich's Group-wide risk process. For more information on ZRe's approach to risk management, please refer to the risk review section in the Zurich Insurance Group Annual Report 2023, which describes the Group's risk management framework and risk governance.

ZRe uses two sources for the identification and assessment of risks. One is the risk and capital model as required by Swiss Solvency Test (SST). This model quantifies financial risks which threaten the capital of the company over a one-year time horizon. The significant risks for ZRe, as measured by capital metrics, are premium and reserve risk, credit risk and market risk. The other source is the Total Risk Profiling™ process (TRP), which identifies all risks that threaten capital, earnings, and reputation over a three-year planning horizon. The TRP process is applied to identify, evaluate, control, and monitor these risks. Mitigation actions are defined for key risks. The TRP is completed annually with management's participation. Critical key risks identified and assessed during the TRP conducted in 2023 included: regulatory scrutiny and upcoming regulatory changes, dependency on counterparties, adequacy of assumed reserves and currency risk.

An own risk and solvency assessment (ORSA) for ZRe is completed annually. The ZRe ORSA was submitted to FINMA at the beginning of 2024. To ensure the Board is adequately involved in the ORSA process, ZRe's Chief Risk Officer provides regular update, thus allowing the Board to challenge findings and consider its views in its decision-making process.

### Financial condition

ZRe reported a net loss after taxes of CHF –17 million for the twelve months to December 31, 2023, compared to a net income after taxes of CHF 32 million for 2022. The loss is mainly driven by the adverse FX-development of the U.S. dollar compared to the Swiss Franc (presentation currency). The underwriting result has mainly developed as planned.

To align ZRe's shareholder's capital to an economical reasonable level, the Board proposed and the Annual General Meeting approved to appropriate part of the capital contribution reserve to pay a dividend of CHF 420 million in April 2024.

Net loss after taxes 2023

**CHF –16.7m**

Shareholder's equity as of December 31, 2023

**CHF 590m**

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

**148%**

## Acronyms

ARC	Audit and Risk Committee of the ZRe Board
AER	administration expense ratio
AFR	Available Financial Resources
AG	Aktiengesellschaft (stock company)
AGM	Annual General Meeting
ALV	Arbeitslosenversicherung (Swiss unemployment insurance)
BEL	best estimate liabilities
Board	Board of Directors
CAD	Canadian Dollar
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss franc
CO	Swiss Code of Obligations
company	Zurich Reinsurance Company Ltd
CRO	Chief Risk Officer
DAC	deferred acquisition costs
DF	discount factor
EMEA	Europe, Middle East & Africa
ERM	enterprise risk management
EUR	euro
EY	Ernst & Young Ltd
FCR	financial condition report
FINMA	Swiss Financial Market Supervisory Authority FINMA
FOMC	U.S. Federal Open Markets Committee
GA	Group Audit
GBP	Great Britain pound
Group	Zurich Insurance Group Ltd and its subsidiaries
GWP	gross written premiums and policy fees
HKD	Hong Kong Dollar
ICS	internal control system
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IPZ	International Programs Zurich
ISA	Swiss Insurance Supervision Act
ISO	Swiss Insurance Supervision Ordinance
m	million
MVM	market value margin
MCBS	market-consistent balance sheet
nat cat	natural catastrophe
LAE	loss adjustment expenses
ORSA	own risk and solvency assessment
Q	quarter
RBC	Risk-Bearing Capital
SFCR	Solvency and Financial Condition Report
SST	Swiss Solvency Test
TRP	Total Risk Profiling™
UK	United Kingdom
UPR	unearned premium reserves
U.S.	United States of America
USD	United States dollar
WAQS	Whole Account Quota Share
ZAIC	Zurich American Insurance Company
ZGL	Zurich Global Ltd
ZIC	Zurich Insurance Company Ltd
ZIG	Zurich Insurance Group Ltd (holding company)
ZRe	Zurich Reinsurance Company Ltd
Zurich	Zurich Insurance Group Ltd and its subsidiaries

# Introduction

## 1. How to read the report

Zurich Reinsurance Company Ltd (ZRe or the company)'s financial condition report is prepared in compliance with the Swiss Insurance Supervision Act (ISA) Article 25, the Insurance Supervision Ordinance (ISO) Article 111a and FINMA's Circular 2016/2 'Disclosure – insurers'. The report focuses on the 2023 financial year and should be read in conjunction with ZRe's annual report 2023 (available on [www.zurich.com/en/investor-relations/results-and-reports/other-statutory-filings](http://www.zurich.com/en/investor-relations/results-and-reports/other-statutory-filings)). Wherever applicable, this report refers to the Group's financial condition report or the Group's Annual Report for more information.

The report presents information following the structure provided in FINMA's circular. It covers ZRe's business activities, performance, corporate governance and risk management, risk profile, valuation, capital management and solvency. Quantitative information refers to different frameworks applicable or mandatory to the company:

- 'Business activities'-related and 'Performance' results are presented based on the Swiss statutory reporting standards applicable to ZRe (Swiss Code of Obligations (CO) and relevant insurance supervisory law).
- The 'Risk profile' section presents information based on the Swiss statutory reporting standards for insurance risk, and a net economic asset value-based analysis of the market and credit risk.
- 'Valuation' presents the market-consistent balance sheet (MCBS) of ZRe following the Swiss Solvency Test (SST) principles. The SST MCBS is compared with the balance sheet based on the Swiss statutory reporting standards of ZRe as of December 31, 2023.
- The 'Solvency' section shows the regulatory capital adequacy of the company based on SST.

Risk and capital are managed at ZRe according to the Group's risk and capital management framework. The principles of the Group's enterprise risk management described in the 'Corporate governance and risk management section' and in the 'Risk profile' section are applicable to ZRe as well as a subsidiary of the Group.

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

All amounts, unless otherwise stated, are shown in CHF, rounded to the nearest million, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All variances are calculated using the actual figures rather than the rounded amounts.

# Introduction (continued)

## 2. Executive summary

### Business activities

ZRe is a reinsurance company domiciled in Zurich, Switzerland. The company was licensed in Switzerland on December 15, 2016. The company is a standalone legal entity that has both a reinsurance and a direct non-life insurance license issued by FINMA. The company belongs to the Zurich Insurance Group (Group) and is 100% owned by ZIC. ZRe's focus is on providing reinsurance solutions primarily to affiliated companies of the Group, in particular to branches of ZIC. To date, the retained business is predominantly from ZIC's operations in Asia Pacific and the United Kingdom (UK). During 2023, ZRe's geographical diversification has grown into the United States of America (U.S.) as ZRe has started to assume a small portion of a Whole Account Quota Share (WAQS) treaty with a Group entity in the U.S., which is fully retained. ZRe has a direct book, which has been in run-off for over 35 years.

### Company results

ZRe reported a net loss after taxes of CHF 17 million for the twelve months to December 31, 2023. The loss is mainly driven by net FX-losses of CHF 37 million following the weaker U.S. dollar exchange rate in 2023 compared to 2022. From an underwriting perspective, the active business performed mainly as expected in the twelve months ending December 31, 2023.

### Corporate governance and risk management

ZRe is a member of the Zurich Insurance Group (Zurich or the Group). The Group is committed to effective corporate governance for the benefit of its shareholder, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to provide proper organization and conduct of business within Zurich and to define the powers and responsibilities of its corporate bodies and employees. These principles are also applied to ZRe.

Taking risk is inherent to the insurance business, but such risk-taking needs to be made in an informed and disciplined way, and within a pre-determined risk appetite and tolerance. This is the primary objective of ZRe's risk management.

### Risk profile

ZRe uses the Total Risk Profiling™ process to monitor both external and internal risks to its strategy and financial plan. Among the risks identified in 2023 were regulatory scrutiny and upcoming regulatory changes, dependency on counterparties, adequacy of assumed reserves and currency risk as well as monitoring the performance of the new UK and U.S. portfolio.

In 2023, ZRe produced an own risk and solvency assessment (ORSA), as required by the Swiss regulator FINMA, which was submitted at the beginning of 2024.

### Valuation

ZRe's market-consistent assets and liabilities are derived and valued in accordance with FINMA guidelines and are used to calculate the risk-bearing capital from ZRe's market-consistent balance sheet MCBS.

### 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. Potential changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under 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 the Swiss Financial Market Supervisory Authority (FINMA).

For the SST 2024 calculation, ZRe uses an internal model approved by FINMA following an internal model approval process (IMAP) in 2020.

The SST ratio as of January 1, 2024, stands at 148 percent (unaudited). It is filed with FINMA at the end of April 2024 and is subject to review by FINMA. ZRe met the regulatory solvency requirements in Switzerland throughout 2023.

## 3. Approval of the Financial Condition Report

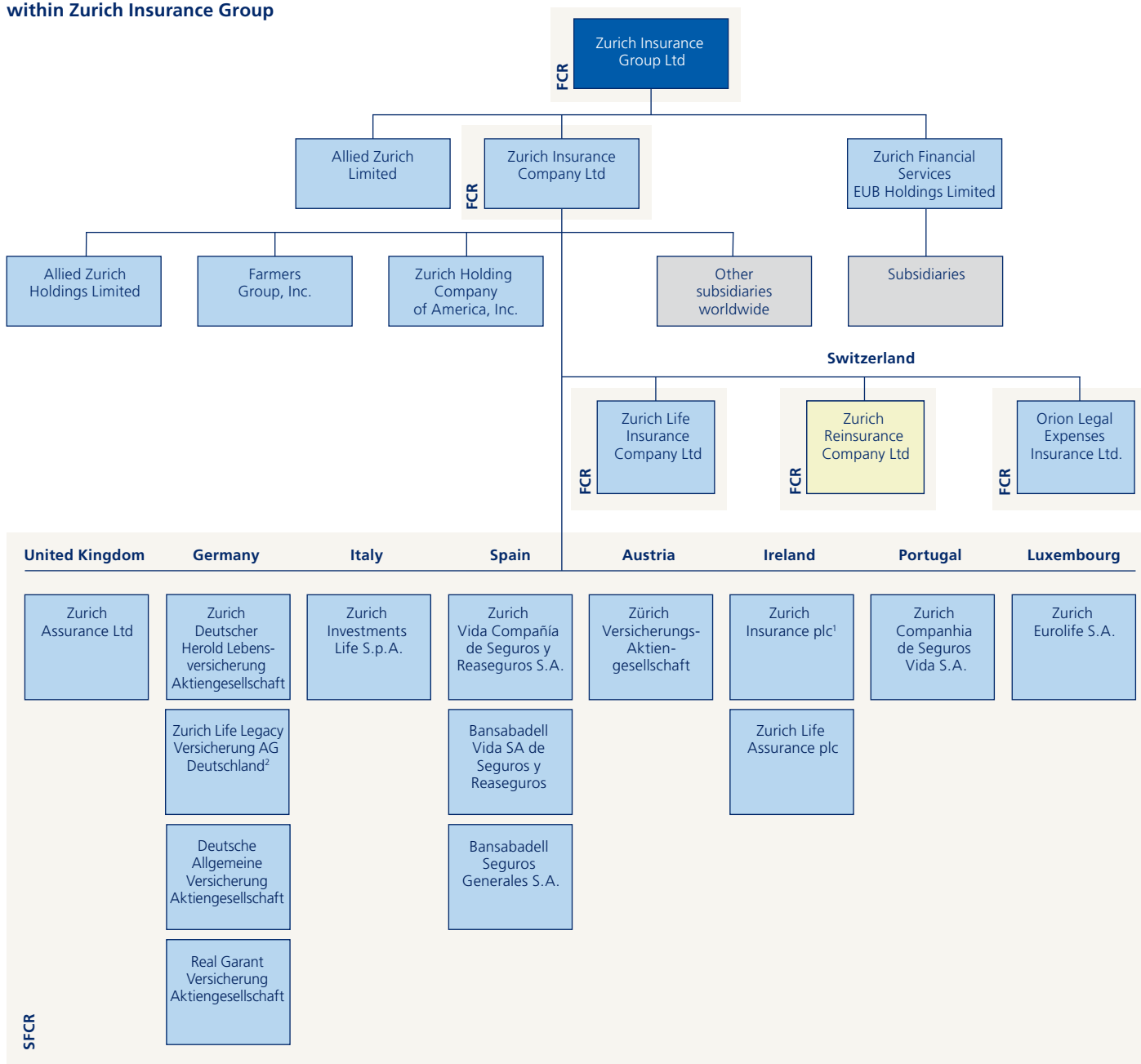
This report was reviewed and signed off by the Board of ZRe on April 19, 2024.

# A. Business activities

## A.1 Legal structure and major subsidiaries and branches

ZRe is part of the Zurich Insurance Group (Group), a leading multi-line insurer that serves its customers in global and local markets.

### 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.

<sup>1</sup> 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).

<sup>2</sup> Life insurance business as from October 2023.

## A. Business activities (continued)

ZRe is a 100 percent subsidiary of ZIC, which in turn is fully owned by Zurich Insurance Group Ltd, the ultimate holding company of the Group.

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

ZRe's strategy is to actively facilitate an optimal capital and risk management strategy through intragroup reinsurance. It aims to provide capacity for customers while protecting the balance sheet, managing earnings volatility and achieving capital efficiency.

ZRe's main activity is assuming property and casualty risks from affiliated companies of the Group. ZRe retains partially or entirely a certain number of treaties.

ZRe's strategy is tailored to customers and product propositions as follows:

- Provides risk and solvency relief to Zurich branches and subsidiaries by way of treaty reinsurance.
- Supports the Group's international program business by assuming reinsurance from mostly local Zurich branch offices issuing local policies and retroceding such business to the Zurich 'producing company' or to a central Zurich balance sheet (the 'clearing house').
- Participates in the Group's own insurance programs.
- Manages the run-off of a clearly identified book of businesses that is no longer written by ZRe.

#### *Outsourcing of services*

As of December 15, 2016, ZRe and ZIC entered into an employment services agreement ('Personalleihvertrag'), under which ZIC committed to provide defined services. The key roles and responsibilities subject to this employment services agreement are the ZRe Management Board Members, the Appointed Actuary, the head of Risk Management and the head of Compliance. ZRe draws on ZIC and other affiliated Zurich companies to provide all other services not subject to the employment services agreement based on outsourcing agreements between ZRe, ZIC and ZIC affiliates.

### **A.3 Information about the company's external auditors as per Article 28 ISA 8**

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were re-elected as ZRe's external auditors for the financial year 2023 by the AGM on April 13, 2023.

EY assumes all auditing functions which are required by law and the Articles of Association. EY is responsible for auditing ZRe's financial statements and for auditing its compliance with specific regulatory requirements. The external auditors are appointed by the shareholder of ZRe annually.

### **A.4 Significant unusual events**

There have been no significant unusual events in 2022 and 2023.

The Company 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 very limited, conflicts of this nature can contribute to uncertainty in the financial markets, potentially affecting monetary policies, oil prices and inflation.

As reported earlier, the company's exposure to Russia and Ukraine continues to be immaterial.



## B. Performance

ZRe reported a net loss after taxes of CHF 17 million for 2023 and a net income after taxes of CHF 32 million for 2022. The loss is mainly driven by the adverse FX-development of the U.S. dollar compared to the Swiss Franc (presentation currency). The underwriting result has mainly developed as planned.

The investment income result was driven by a combination of third-party invested assets and Group-internal loans and developed in line with expectations.

### B.1 Underwriting performance

From an underwriting perspective, the active business, despite the increased inflation, performed mainly as planned in the twelve months ending December 31, 2023. The run-off business continues to be managed carefully consistent with previous years. During 2023, the company, based on updated market information, decided to keep conservative approach to reserve this portfolio.

Business stemmed primarily from four sources:

- Reinsurance of the Group's entities in Asia Pacific, mainly business assumed from ZIC's Japan branch, which primarily originated from quota share reinsurance for the motor and personal accident business.
- Reinsurance of the Group's United Kingdom portfolio where ZRe retains a 10% share out of the Whole Account Quota Share business, starting with accident year 2023.
- International program business, through which ZRe supports the Group's international program business propositions for its corporate and commercial clients. This insurance risk is retroceded to ZIC and not retained in ZRe.
- The run-off business continued to be managed carefully.

#### Key markets

Gross written premiums and policy fees totaled CHF 4,216 million. United Kingdom (UK) and the Asia Pacific region account for 72 percent and 17 percent, respectively, of the company's gross written premiums and policy fees. The remaining 11 percent is with the rest of the world. Gross written premiums and policy fees are generated through non-International Programs Zurich (non-IPZ) business (58 percent) and International Programs Zurich (IPZ)-processed business (42 percent). The IPZ assumed business from ZIC branches is retroceded to ZIC and the non-IPZ assumed business is substantially retained by ZRe. The non-IPZ business is mainly comprised of quota share reinsurance from ZIC branches, in Japan (motor and personal accident (PA) business), in UK (Whole Account Quota Share (WAQS)) and in Hong Kong (WAQS). It grew mainly due to the new UK contracts.

### B.2 Investment performance

Investment income by category	in CHF millions, for the years ended December 31		Current income		Realized capital gains		Write-ups		Totals	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
	Debt securities	10	19	–	1	–	–	10	21	
Other loans	2	2	–	–	–	–	2	2		
<b>Investment income</b>	<b>12</b>	<b>21</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>22</b>		

Investment expenses by category	in CHF millions, for the years ended December 31		Realized capital losses		Write-downs		Total	
	2022	2023	2022	2023	2022	2023	2022	2023
	Debt securities	(5)	(2)	–	–	(5)	(2)	
Other loans	–	–	–	–	–	–		
<b>Subtotal investment expenses</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5)</b>	<b>(2)</b>		
Investment general expenses	n.a.	n.a.	n.a.	n.a.	–	–		
<b>Investment expenses</b>	<b>(5)</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(5)</b>	<b>(2)</b>		

## B. Performance (continued)

ZRe's net investment result for the period January 1, 2023, to December 31, 2023, was CHF 20.1 million and it developed in line with management's expectations. The result is the aggregation of six portfolios of assets denominated in Canadian Dollar (CAD), U.S. dollar (USD), Hong Kong Dollar (HKD) and British Pound (GBP). The result was underpinned by volatile but high level of interest rates globally, the US 10-year bond ended the year 2023 unchanged at 3.9 percent compared to the beginning of the year while reaching highs of 4.9 percent end October and lows of 3.4 percent in March. Within the CAD portfolios, interest rate dynamics on the sovereign curve were similar to those of the USD curve with the 10-year CAD bond ending the year at 3.1 percent. GBP 10-year bonds slightly declined towards end of 2023, from 3.7 percent in January to 3.5 percent. Similarly for the HKD portfolio, the reference yield (Hong Kong sovereign curve) observed with the 7-year bond declined; from 3.7 percent at the beginning of the year to a yield of 2.9 percent at the end of 2023.

In the aggregate, realized capital losses amounted to CHF 2.0 million, mainly due to the sale of Canadian government bonds in order to reposition the portfolios and reinvest at the higher market interest rate. As in prior years, the management of the invested assets remained outsourced to external asset managers.

### **B.3 Intragroup events and transactions**

#### **Transactions in 2023**

ZRe entered successfully into a broad novation and reinsurance treaty relationship with ZIC's branch in UK with effective date January 1, 2023, and further entered into a novation with Zurich Global Ltd (ZGL) to assume a minor co-reinsurance share from Zurich American Insurance Company (ZAIC)'s WAQS, effective date November 1, 2023. There were no other material intragroup events and transactions not mentioned otherwise in this report in 2023. The current outlook to these transactions is so far as expected, however, will be closely monitored by management in order to take action during renewals, if required.

## C. Corporate governance and risk management

### C.1 Corporate governance

The Group including ZRe is committed to effective corporate governance for the benefit of all its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to provide proper organization and conduct of business by the powers and responsibilities of its corporate bodies and employees.

The Group uses the three-lines-of-defense model in its approach to governance and enterprise risk management. The three-lines-of-defense approach runs through the Group's governance structure, so that risks are clearly identified, assessed, owned, managed and monitored. For further information, please see Zurich Insurance Group's Annual Report 2023, page 70.

At ZRe, various governance and control functions help to ensure that risks are identified and appropriately managed and being covered by adequate internal controls. Although each governance and control function maintains its distinct mandate and responsibilities, the functions are closely aligned and co-operate with each other through a regular exchange of information, planning and other activities. This approach supports management in its responsibilities and provides confidence that risks are appropriately addressed and that adequate mitigation actions are implemented.

The Board, under the leadership of the Chairman, is responsible for determining the overall strategy of ZRe and the supervision of management. It holds the ultimate decision-making authority for ZRe, except for decisions on matters reserved to the shareholder.

Management is responsible for preparing ZRe's financial statements, managing risk, developing and maintaining internal controls and ensuring appropriate governance processes. The Audit and Risk Committee (ARC) serves as a focal point for discussion and for the communication of matters related to financial reporting oversight, internal control compliance and risk management, and reports on these matters to the Board. For this purpose, the ARC receives regular information about important audit or compliance findings, including adverse opinions, mitigation actions and management concerns. Internal audit, risk management and compliance function as well as ZRe's management ensure that issues affecting ZRe's operations are brought to ARC's attention, and that action is taken as necessary.

The Board of Directors members are elected by the Annual General Meeting (AGM) in accordance with Article 698 CO. The Board constitutes itself in its first meeting after the AGM.

#### Board of Directors (as of December 31, 2023)

Board of Directors	Expiration of current term of office
Juan José Beer, Chairman	2024
Christian Felderer	2024
Christian Carl	2024
Andrea Stürmer	2024

Andres Christen, Secretary of the Board of Directors

Management	Position held
Felix R. Kuhn	Chief Executive Officer
Elena Kuratli	Chief Financial Officer
Roger Oberholzer	Chief Underwriting Officer

The Audit & Risk Committee of Zurich Reinsurance Company Ltd as of December 31, 2023, consisted of Christian Felderer (Chair), Christian Carl and Andrea Stürmer.

## C. Corporate governance and risk management (continued)

### C.2 Risk management

#### C.2.1 Objectives of Risk management

ZRe's major risk management objectives are to:

- Support achievement of its business strategy and objectives, protect capital, liquidity, earnings and reputation by identifying, assessing, responding to, monitoring and reporting risks in line with the Group's and ZRe's risk appetite and tolerance.
- Enable the Board of Directors (the 'Board'), senior management and other stakeholders charged with governance and oversight, to discharge their risk management responsibilities, including risk and reporting and external disclosures.
- Support transparency in decision-making processes by providing consistent, reliable and timely risk information.
- Embed a culture of risk awareness and disciplined and informed risk-taking.

#### C.2.2 Enterprise Risk Management framework

The risk management framework is fully integrated into Zurich's Group-wide risk process and based on a governance process that sets forth clear responsibilities for identifying, taking, managing, monitoring and reporting risks.

The Zurich Risk Policy (ZRP) is a Group policy that articulates Zurich's approach to risks and sets mandatory requirements for risk management throughout the Group and fully applies to ZRe. The policy describes Group's Enterprise Risk Management framework (ERM), and provides a standardized set of risk types. Risk-specific policy manuals, supported by local governance documents, provide requirements and procedures to implement the principles in ZRP on a local level. Ongoing assessments verify that requirements are met.

ZRe 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™ (TRP) methodology. The methodology allows ZRe to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At ZRe, this is an annual process, followed by regular reviews and updates by management.

ZRe has a defined risk appetite which sets the limits for financial and non-financial risks. Furthermore, monitoring and escalation procedures are outlined in the risk appetite statement which is at least annually reviewed by management and signed off by the Board. As part of the ERM, the risk management function evaluates actual and potential operational events; the overall responsibility lies with management.

ZRe regularly reports on its risk profile. ZRe has procedures in place to refer risk issues to management, ARC and the Board in a timely manner. To foster transparency about risk, ZRe's ARC receives quarterly risk reports containing risk- and ICS – updates.

#### C.2.3 Risk management organization

The Board, assisted by its ARC, has overall responsibility for ZRe's risk management and internal control framework.

The ZRe Chief Risk Officer (CRO) leads the risk management function, which provides risk governance guidance to assess and manage risks effectively and efficiently with clear accountabilities, roles and responsibilities that enable disciplined risk-taking. The ZRe CRO is responsible for the risk oversight and regular reporting on risk matters to the ZRe CEO, ZRe management, the ARC and BoD.

The ZRe risk management function is part of the Group's risk management organization. The risk function is independent of the business by being a vertically integrated function where all risk employees globally report into the Group CRO, unless otherwise required by local laws or regulations. Risk officers are embedded in the business, positioning them to advise and independently challenge business decisions from a risk perspective helping to foster a good risk-aware culture in the business.

## C. Corporate governance and risk management (continued)

### C.3 Internal control system

ZRe considers internal controls to be essential for managing operational risk. The Board, assisted by its ARC, has overall responsibility for ZRe's risk management and internal control framework. The ZRe's internal control system objectives are to provide reasonable assurance that ZRe's 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 the material risk that could impact the achievement of business objectives.

ZRe promotes risk awareness and encourages understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across the Group being adopted to legal entity necessities.

Management, as the first line of defense, is responsible for identifying, evaluating and managing risks, and designing, implementing and maintaining internal controls. Testing of the relevant internal controls also forms part of the control life cycle.

Key processes and controls are subject to regular review and challenge by the second and third line. The second and third lines of defense regularly report on observations, conclusions and recommendations that arise from their independent examination of internal controls. Significant risks and associated mitigation actions are reported regularly to management, the ARC and the Board. ZRe risk management has assessed the effectiveness of the risk management framework and internal control system for the calendar year 2023 and presented its report to the Board.

### C.4 Compliance

ZRe is committed to integrity and to doing the right thing, complying with all applicable laws, regulations, internal requirements, professional and industry standards, and its stated corporate values.

ZRe Compliance is a second-line control function independent from the business (first line) and its operational controls. The function enables business management to manage its compliance risks by providing compliance solutions and independent challenge, monitoring and assurance related to relevant processes and controls, new business opportunities, and complexity of the business and the type of compliance activity at stake. ZRe Compliance mandate includes:

1. Enabling the business to manage its compliance risks.
2. Being a trusted advisor.
3. Providing independent challenge, monitoring and assurance.
4. Assisting management to promote compliance culture and ethics.

ZRe Compliance is led by the appointed ZRe Chief Compliance Officer. The ZRe Chief Compliance Officer reports directly to the ZRe CEO while maintaining functional independence as second line of defense. The ZRe Chief Compliance Officer has direct access to the Audit Committee Chair and appropriate access to the Chairman of the Board.

ZRe Compliance performs its activities according to the risk-based annual compliance plan, prepared based on an independent forward-looking compliance risk assessment, considering both the internal and external environments key risk drivers.

ZRe Compliance also provides compliance risks insights through relevant and targeted reporting on insights into key compliance trends, compliance issues in the areas they occur and progress measured against the plan, to management and the ARC of the Board to enable the members of the respective bodies to take informed business decisions.

The Group Chief Compliance Officer defines and issues compliance policies relevant to the Group and establishes appropriate processes and guidance. ZRe implements such Group Compliance policies and ZRe Compliance issues additional compliance policies for ZRe if required. ZRe Compliance supports a strong compliance culture within ZRe through training and awareness initiatives and integrity concerns reporting mechanism.

Zurich is committed to fostering a "Speak-Up" culture across the organization: a culture marked by inclusive workplace where employees feel a sense of belonging, are free to express their views and opinions without fear of retaliation, and confident that their voices will be heard. Employees are encouraged to constructively express their opinions, speak up promptly and report alleged wrongdoing or suspected or actual illegal, fraudulent, improper or unethical conduct, violating Zurich Code of Conduct or policies. Employees are free to report their integrity concerns to management, human resources, the legal department, its compliance function, or through the Zurich Ethics Line (or similar service provided locally), a phone and web-based service run by an external specialist provider. Reports can also be made anonymously. Zurich does not tolerate retaliation against any employee or other person who reports a concern in good faith. Protection against retaliation is also extended to those who assist in any investigation of such concerns and, where applicable, to other persons.

## C. Corporate governance and risk management (continued)

### C.5 Internal audit

The Group's internal audit function (GA) is responsible for providing independent and objective assurance to ZRe's ARC, Board, CEO and management, on the adequacy and effectiveness of the risk management, internal control and governance processes.

GA develops and delivers an annual risk-based audit plan, which is updated as risks change. The audit plan takes into account the full spectrum of business risks, including concerns and issues raised by the ARC, management and other stakeholders. The ARC is responsible for approving the annual plan and any changes to it.

GA executes the plan in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA).

Audit staff are expected to be independent and objective in all assignments and to do nothing that might prejudice or be perceived as prejudicing independence or objectivity. GA has no operational responsibilities over the areas it reviews and, to ensure independence, all GA staff report (via audit managers) to the head of GA.

GA is authorized to review all areas and has full, free and unrestricted access to all activities, accounts, records, property and personnel necessary to fulfill its duties. In the course of its work, GA takes into consideration the work of other assurance functions. In particular, GA coordinates its activities with the external auditors, sharing risk assessments, work plans, audit reports and updates on audit actions.

GA is responsible for ensuring that issues which it identifies that could impact ZRe's operations are communicated to the responsible management, CEO and the ARC. GA issues periodic reports to management and the ARC, summarizing audit findings, the status of corrective actions and the status of plan execution. A member of GA attends each Board meeting.

The ARC assesses the independence of GA and reviews its activities, plans and organization, the quality of its work and its cooperation with the external auditors. As required by the IIA International Standards, an independent qualified assessor reviews the quality of GA at least every five years. This review was conducted most recently in 2021. The results confirmed that GA's practices comply with all IIA standards.

## D. Risk profile

Risk and capital are managed at ZRe according to the Group's framework. The principles of the Zurich's enterprise risk management described in this chapter are equally applicable to ZRe.

The significant risks for ZRe, as measured by the SST target capital, are premium and reserve, market and credit risk (see chapter G). ZRe's risk profile is largely a function of the risks written by the assumed business from other Group entities. The reinsurance credit risk is mainly related to the retrocession to ZIC.

### D.1 Insurance risk

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. As part of the underwriting process of affiliated companies, part of the exposure is transferred to ZRe. ZRe actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. ZRe manages the customer risks it assumes, and minimizes unintended underwriting risks, through such means as:

- Establishing limits for underwriting authority.
- Requiring specific approvals for transactions above established limits or new products.
- Using a variety of reserving and modeling methods.
- Ceding insurance risk through external proportional or non-proportional reinsurance treaties and facultative single-risk placement. The Group centrally manages third-party reinsurance treaties.

ZRe writes property and casualty business only. Property and casualty insurance risk comprises premium and reserve risk and business risk. Premium and reserve risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Business risk for property and casualty insurance predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting and administration. The following provides an overview of the ZRe's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third-party liability insurance.
- Property includes fire risks (e.g., fire, explosion but also business interruption), natural perils (e.g., earthquake, windstorm and flood), engineering lines (e.g., boiler explosion, machinery breakdown and construction) and marine (e.g., cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- Special lines/other lines include directors and officers, credit and surety, crime and fidelity, accident and health, workers' compensation and employer's liability.

ZRe's underwriting strategy aims to take advantage of the diversification of property and casualty insurance risks across lines of business and geographic regions.

Underwriting discipline is a fundamental part of managing insurance risk. ZRe sets limits on underwriting capacity, and delegates authority to individuals based on their specific expertise.

Actual losses on claims provisions may be higher or lower than anticipated. Property and casualty insurance reserves are therefore regularly estimated, reviewed and monitored. The total loss and loss adjustment expense reserves are based on work performed by qualified and experienced actuaries.

To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, historical trends and patterns of loss payments, exposure growth, court decisions, economic conditions, inflation, and public attitudes that may affect the ultimate cost of claim settlement.

To ensure a common understanding among the functions for financial, underwriting and pricing decisions, ZRe has established continuous cross-functional collaboration between underwriting, actuarial (pricing and reserving), finance and risk management, underpinned by quarterly meetings.

In most cases, these actuarial analyses are conducted at least twice a year for on-going business and annually for business in run-off according to agreed timetables. Analyses are performed by treaty types and terms, ceding countries, lines of business and year of occurrence. As with any projection, claim reserve estimates are inherently uncertain since the ultimate liability for claims will be affected by trends as yet unknown, including future changes in the likelihood of claimants bringing suit, the size of court awards, and claimants' attitudes toward settlement of their claims.

## D. Risk profile (continued)

In addition to the specific risks insured, ZRe is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to management, ARC and the Board. For ZRe the most important peril region on a net basis is Japan, mainly related to personal accident and motor business.

The table shows ZRe's concentration of risk by region and line of business based on assumed written premiums for the year 2023, before retrocession. Retroceded premiums amounted to CHF 3,577.7 million for the same period.

Concentration of risk	in CHF millions, for the year ended December 31, 2023					
	Accident	Property	Motor	Liability	Other Lines	Total
Japan	160.0	37.2	179.8	9.7	1.9	388.6
Rest of Asia	45.1	201.7	13.5	58.4	16.2	335.0
Canada/United States of America	0.2	248.0	16.7	151.2	8.5	424.6
UK	112.7	1,197.2	515.9	1,115.2	110.2	3,051.3
Others	0.0	6.3	1.0	9.4	0.0	16.6
<b>Total</b>	<b>318.1</b>	<b>1,690.3</b>	<b>726.9</b>	<b>1,343.9</b>	<b>136.8</b>	<b>4,216.1</b>

### D.2 Market risk including investment credit risk

Market risk is the risk associated with ZRe's balance sheet positions where the value or cash flow depends on financial markets.

Risk factors include:

- Interest-rate risk
- Credit and swap spread changes
- Issuer defaults
- Currency exchange rates

ZRe has outsourced investment management to ZIC, which manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while considering ZRe's risk appetite and tolerance and local regulatory constraints.

ZRe's Asset/Liability Management Investment Committee reviews and monitors ZRe's strategic asset allocation and tactical boundaries, and monitors asset/liability exposure. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

#### Risk from interest rates and credit spreads

Interest-rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves when valuing interest rate sensitive investments and derivatives relative to fair value of insurance liabilities. ZRe is exposed to interest-rate risk including from debt securities, reserves for insurance contracts and loans and receivables.

ZRe has limits on deviations of asset interest rate sensitivities from liability interest rate sensitivities. The Group also manages credit-spread risk, which describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over risk-free interest rate yield curves. Movements of credit spreads are driven by supply and demand considerations, expected probability of default, expected losses in cases of issuer defaults, the uncertainty of default probabilities and losses, as well as actual defaults of issuers.

Overall, and despite the potentially increasing cost for claims, ZRe expects a rather positive impact of the increasing interest rates for its future results.



## D. Risk profile (continued)

### D.2.1 Analysis of market risk sensitivities for interest rate, equity and credit spread risks

#### Basis of presentation

The basis of the presentation for the following tables is an economic valuation represented by the fair value for investments. IFRS insurance liabilities are discounted at risk-free market rates to reflect the present value of insurance liability cash flows and other liabilities; assets are also reported on an IFRS basis.

The tables show the estimated economic market risk sensitivities of the net impact for ZRe. Positive values represent an increase in the balance, and values in parentheses represent a decrease. Mismatches in changes in value of assets relative to liabilities represent an economic risk to ZRe. The net impact – the difference between the impact on investments and liabilities – represents the economic risk that ZRe faces related to changes in market risk factors. In determining sensitivities, investments and liabilities are fully re-valued in given scenarios. Each instrument is re-valued separately, taking the relevant product features into account. Non-linear effects, where they exist, are reflected in the model. Sensitivities are shown gross of tax.

#### Analysis of economic sensitivities for interest rate risk

The following table shows the estimated impact of a 100-basis point increase/decrease in yield curves after consideration of hedges in place, as of December 31, 2023 and 2022.

Economic interest rate sensitivities	in USD millions as of December 31	
	2022	2023
100 basis point increase in the interest rate yield curves		
<b>Property and casualty business</b>		
Net impact before tax	(7.8)	(5.2)
100 basis point decrease in the interest rate yield curves		
<b>Property and casualty business</b>		
Net impact before tax	7.7	5.1

#### Analysis of economic sensitivities for equity risk

Not applicable as there is no equity exposure.

#### Analysis of economic sensitivities for credit spread risk

The following table shows the estimated impacts from a 100 basis points increase in corporate credit spreads, as of December 31, 2023 and 2022. The sensitivities apply to all fixed income instruments, excluding government, supranational and similar debt securities.

Economic credit spread sensitivities	in USD millions as of December 31	
	2022	2023
100 basis point increase in credit spread		
<b>Property and casualty business</b>		
Net impact before tax	(10.4)	(13.2)

## D. Risk profile (continued)

### D.2.2 Risk from defaults of counterparties

#### Debt securities

ZRe is exposed to credit risk from third-party counterparties where the company holds securities issued by those entities.

Debt securities by rating of issuer	as of December 31, 2022		2023	
	CHF millions	% of total	CHF millions	% of total
<b>Rating</b>				
AA- and higher	452	72%	625	77%
A- up to including A+	147	23%	150	18%
BBB+ and lower	27	4%	38	5%
Unrated	-	-	-	-
<b>Total</b>	<b>626</b>	<b>100%</b>	<b>813</b>	<b>100%</b>

The table shows the credit risk exposure of debt securities, by issuer credit rating. As of December 31, 2023, 100 percent of the ZRe's debt securities were investment grade with 46.1 percent rated 'AAA'.

The risk-weighted average issuer credit rating of ZRe's debt securities portfolio was 'AA' on December 31, 2023, and 'AA' on December 31, 2022.

As of December 31, 2023, the largest concentration in the ZRe's debt securities portfolio, on a market value basis, was in governments, government agencies and supranationals (59 percent) and CAD government securities (38 percent).

#### Cash and cash equivalents

To reduce concentration, settlement and operational risks, ZRe limits the amount of cash that can be deposited with a single external counterparty. ZRe applies the authorized list of acceptable cash counterparties maintained by the Group.

Cash and cash equivalents amounted to CHF 1.6 million as of December 31, 2023, and CHF 2.2 million as of December 31, 2022.

### D.2.3 Risk from currency exchange rates

Currency risk is the risk of loss resulting from changes in exchange rates. Management deems that the risk from currency exchange rates is moderate based on the following:

- ZRe aims to have matching assets to liabilities with respect to currencies.
- ZRe's retrocession arrangements are for the most part aligned with the currency of the business assumed.
- ZRe mitigates foreign exchange risk by hedging material foreign exchange risks using forward contracts with ZIC.

The foreign exchange risk management policy for ZRe is consistent with the policies in all other Group subsidiaries and follows a standardized process aimed at mitigating and managing the foreign currency exposures at Group level and the legal entity level.

The Group, as outlined in its risk policy manual, defines clear responsibilities, rules, limits and reporting requirements for managing foreign exchange risk. ZRe is a Swiss legal entity regulated in Switzerland and reports in CHF to FINMA. ZRe is part of the Zurich Insurance Group, which reports its consolidated results according to IFRS in USD.

ZRe measures its foreign exchange exposures in accordance with the following Group principles:

- All assets and liabilities are valued in the balance sheet at their IFRS accounting values – attributed to their transaction currency. That means that the Swiss local statutory balance sheet and the SST MCBS are not actively hedged, which can lead to a FX-risk.
- ZRe only hedges foreign exchange risk with ZIC as a counterparty.
- All Group-internal hedges are performed back to the currency of the underlying reporting unit.

## D. Risk profile (continued)

### D.3 Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. ZRe's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets
- Receivables

ZRe's objective in managing credit risk exposures is to maintain these exposures within parameters that reflect the Group's strategic objectives, risk appetite and tolerance. Credit risk sources are assessed and monitored.

ZRe's primary reinsurer is its parent ZIC which maintains a strong capital position. As of December 31, 2023, the rating of ZIC was 'AA/Stable' by S&P Global Ratings.

ZRe has minimal third-party reinsurance, the majority of which is placed with well-capitalized global reinsurers.

ZRe has no history of having material impairment issues related to reinsurance assets and receivables. Management reviews all third-party balances for impairment on a quarterly basis, and a credit impairment allowance has been booked accordingly.

### D.4 Operational risk

Operational risk is the risk of financial loss or gain, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events including external fraud, catastrophes or failure in outsourcing arrangements.

The Group has a framework to identify, assess, quantify, manage, monitor and report operational risk within the Group. Within this framework, ZRe:

- Documents and reviews operational events exceeding a threshold determined by internal policies. Remedial action is taken to avoid a recurrence of such operational loss events.
- Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, ZRe uses sources of information such as the Total Risk Profiling™ process, internal control assessments, audit findings as well as scenario modeling and loss event data.

In 2023, ZRe management identified key risks like dependency on counterparties, key-people dependency, underwriting and currency risk, but all managed and within risk appetite.

### D.5 Liquidity risk

Liquidity risk is the risk that ZRe may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. ZRe's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, ZRe assesses, monitors and manages its liquidity needs on an ongoing basis.

ZRe has material cash pooling balances with ZIC that can be drawn upon immediately to meet liquidity needs. Additionally, ZRe's investment portfolios are primarily invested in highly liquid securities.

## D. Risk profile (continued)

### D.6 Other material risks

#### D.6.1 Strategic risk

ZRe defines the strategy as the long-term plan of action designed to allow it to achieve its goals and aspirations. Strategic risk is defined as the risk of strategy, or parts thereof, being rendered sub-optimal or unachievable.

Strategic risks can arise from:

- Internal triggers such as inadequate risk-reward assessment of strategic plans or changes to underlying assumptions.
- External triggers including macroeconomic or geopolitical events or trends, regulatory or legal changes, or developments in the competitor landscape.

ZRe works to manage risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ (TRP) process. As part of the annual assessment of strategic risks, the management assesses potential risk from both external and internal factors, looking at the current year and beyond. The management defines actions to respond as appropriate and review changes to the key risks and their status of actions at least quarterly.

#### D.6.2 Risk to ZRe's reputation

Many factors can affect ZRe's reputation including the ZRe's market conduct, workplace culture, entity strategy, underwriting practices, claims handling, entity responsibility, regulatory compliance, financial performance, communications and crisis management. Every risk type has potential consequences for ZRe's reputation. Effectively managing each type supports preventing adverse reputation outcomes.

ZRe aims to preserve its reputation by

- Adhering to applicable laws and regulations,
- Following the core values and principles of the Group's code of conduct that promote integrity and good business practice.

Potential risks to ZRe's reputation are included in its risk assessment processes and tools, including the TRP process.

## E. Valuation

### E.1 Overarching market-consistent valuation principle

As an overarching principle, for SST purposes, all assets and liabilities are valued in accordance with economic principles in a market-consistent manner including market-consistent discounting of insurance liabilities and their valuation is presented in the MCBS. In general, unless stated otherwise, the MCBS applies the same fair value measurement and hierarchy as the Group IFRS consolidated annual financial statements. In such cases, fair value is determined on a best estimate valuation using assumptions and parameters as defined by FINMA or based on management's judgment.

In summary, the following valuation applies for assets:

- i. Mark-to-market: for third-party assets
- ii. Mark-to-model: in case mark-to-market cannot be applied
- iii. IFRS/Swiss local statutory accounting principles carrying value

FINMA stipulates that the SST MCBS value of all insurance and non-insurance liabilities shall be determined under the assumption that ZRe will fulfill its obligation in full, thus, own credit risk is not considered.

### E.2 Market-consistent balance sheet following SST principles

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.

Asset valuation MCBS vs Swiss local stat	In CHF millions, as of December 31		Evolution	2023 (local	Difference SST
	2022 (SST)	2023 (SST)	2022–2023 (SST)	Swiss stat)	to local Swiss stat (2023)
<b>Market conform value of investments</b>					
Real estate	–	–	–	–	–
Participations	0.0	0.0	–	0.0	0.0
Fixed-income securities	592.1	797.4	205.3	813.1	(15.7)
Loans	53.2	41.5	(11.8)	41.5	(0.0)
Mortgages	–	–	–	–	–
Equities	–	–	–	–	–
Other investments	–	–	–	–	–
Collective investment schemes	–	–	–	–	–
Alternative investments	–	–	–	–	–
Structured products	–	–	–	–	–
Other investments	–	–	–	–	–
<b>Total investments</b>	<b>645.3</b>	<b>838.9</b>	<b>193.5</b>	<b>854.6</b>	<b>(15.7)</b>
<b>Market conform value of other assets</b>					
Receivables from derivative financial instruments	1.4	1.3	(0.1)	1.3	–
Deposits made under assumed reinsurance contracts	177.2	163.8	(13.5)	163.8	–
Cash and cash equivalents	816.9	705.1	(111.7)	1.6	703.5
Reinsurers' share of best estimate of provisions for insurance liabilities	675.5	3,845.6	3,170.2	4,646.6	(800.9)
Direct insurance: non-life insurance business.	16.6	19.1	2.5	25.3	(6.2)
Direct insurance: health insurance business	–	–	–	–	–
Reinsurance: non-life insurance business	658.9	3,826.5	3,167.6	4,621.2	(794.7)
Direct insurance: other business.	–	–	–	–	–
Reinsurance: other business	–	–	–	–	–
Fixed assets	–	–	–	–	–
Deferred acquisition costs	–	–	–	81.9	(81.9)
Intangible assets	–	–	–	9.1	(9.1)
Receivables from insurance business	163.9	252.1	88.2	252.5	(0.4)
Other receivables	0.5	13.5	13.0	717.0	(703.5)
Other assets	–	–	–	–	–
Accrued assets	14.2	59.9	45.7	59.9	–
<b>Total other assets</b>	<b>1,849.6</b>	<b>5,041.3</b>	<b>3,191.7</b>	<b>5,933.6</b>	<b>(892.3)</b>
<b>Total market conform value of assets</b>	<b>2,494.9</b>	<b>5,880.1</b>	<b>3,385.2</b>	<b>6,788.1</b>	<b>(908.0)</b>

## E. Valuation (continued)

### MCBS vs Swiss local stat – best estimate liabilities and risk-bearing capital

In CHF millions, as of December 31

	2022 (SST)	2023 (SST)	Evolution 2022–2023 (SST)	2023 (local Swiss stat)	Difference SST to local Swiss stat (2023)
<b>BEL: Best estimate liabilities</b>					
<b>Best estimate of provisions for insurance liabilities</b>	<b>1,164.1</b>	<b>4,357.5</b>	<b>3,193.4</b>	<b>5,289.4</b>	<b>(932.0)</b>
Direct insurance: non-life insurance business	45.3	51.6	6.2	80.0	(28.5)
Reinsurance: non-life insurance business	1,118.8	4,305.9	3,187.1	5,209.4	(903.5)
Direct insurance: other business	–	–	–	–	–
Reinsurance: other business	–	–	–	–	–
<b>Market value margin</b>	<b>–</b>	<b>22.2</b>	<b>22.2</b>	<b>–</b>	<b>22.2</b>
<b>Market conform value of other liabilities</b>					
Non-technical provisions	–	–	–	–	–
Interest-bearing liabilities	427.4	561.9	134.5	529.1	32.8
Liabilities from derivative financial instruments	0.9	0.8	(0.1)	0.8	–
Deposits retained on ceded reinsurance	96.9	80.1	(16.8)	80.1	–
Liabilities from insurance business	144.2	207.0	62.8	207.0	–
Other liabilities	12.0	14.1	2.1	38.7	(24.7)
Accrued liabilities	16.8	53.2	36.4	53.2	–
<b>Total BEL plus market conform value of other liabilities</b>	<b>1,862.3</b>	<b>5,296.9</b>	<b>3,434.6</b>	<b>6,198.5</b>	<b>(901.6)</b>
<b>Market conform value of assets minus total from BEL plus market conform value of other liabilities</b>	<b>632.6</b>	<b>583.2</b>	<b>(49.4)</b>	<b>589.7</b>	<b>(6.4)</b>

#### E.2.1 Market-consistent value of assets

##### Market-consistent value of investments

Debt securities are carried at amortized cost using the effective interest rate method under Swiss local statutory accounting principles. The carrying value as of December 31, 2023, amounted to CHF 813.1 million. As of December 31, 2022, ZRe held debt securities in the amount of CHF 625.7 million.

Loans in ZRe amounted to CHF 41.5 million as of December 31, 2023, and CHF 53.2 million as of December 31, 2022, under Swiss local statutory accounting principles and consist only of loans with other Group companies. Loans are carried at nominal value less impairments as necessary.

Under MCBS, the value of investments reflects fair value determined in accordance with the overarching valuation principles outlined in section E.1.

##### Market-consistent value of other assets

Derivative financial instruments are measured at fair value under both Swiss local statutory accounting principles and MCBS.

Cash and cash equivalents are presented at Swiss local statutory carrying value because such balances are current and solely held for the purpose of meeting short-term (operational) cash commitments. In 2023, there are intragroup balances related to the Group's internal cash pooling facility of CHF 703.5 million. As of December 31, 2022, ZRe had CHF 814.7 million in the cash pooling.

Receivables from insurance business and other receivables are valued at Swiss local statutory carrying value, 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 within three months and no more than twelve months). In this case, the carrying value is reported net of credit impairment allowance. Otherwise, the value is based on fair value (including credit risk).

Under Swiss local statutory accounting principles, other assets include deferred acquisition costs (DAC) and intangible assets related to renewal rights, which are both valued at zero in the MCBS.

Accrued assets related to interest income accruals, other accrued income and other prepaid expenses are presented at Swiss local statutory carrying value because the balances are expected to be subject to insignificant risk of changes in value and are settled within a relatively short period.

## E. Valuation (continued)

### E.2.2 Market-consistent value of liabilities

#### Best-estimate of insurance liabilities

For the calculation of the best-estimate values of the insurance liabilities, ZRe is using common actuarial practices as they are defined in the ZRP.

The reserves cover expected future losses, loss adjustment and policy administration expenses as well as underwriting profits for contracts in force. ZRe recognizes unearned premium reserves (UPR) upon start of the coverage period. 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 commissions, sales and distribution management, underwriting, risk engineering, and marketing costs) are excluded. Further, claims settlements costs are not included in administration expenses as such costs are typically part of future losses. Similarly, amortization of DAC and intangible assets is not included because DAC and intangible assets are set to zero in MCBS.

#### Best estimates of loss reserves

Reserves for losses under Swiss local statutory accounting principles represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Such reserves are not discounted, except reserves for claims with payment patterns that are fixed and reasonably determinable. Reserves are held at best estimate including recoverable for salvage and subrogation, supplemented by a regulatory equalization provision

In order to derive a market-consistent value, best estimate loss reserves are discounted using a risk-free rate whereby the cash-flow pattern (i.e., timing of the estimated future cash flows) is adequately considered. In cases where the reserves are already presented on a discounted basis under Swiss local statutory accounting principles, the discounting is reversed and re-performed using the risk-free rate.

#### Other reserves (e.g., unearned premium reserves)

Under IFRS and Swiss local statutory accounting principles, ZRe recognizes unearned premium reserves (UPR) upon start of the coverage period. Typically, this includes one year of premiums invoiced (i.e., also for multi-year policies generally only the first year premium is recognized and not the entire contractual future premium volume due in future reporting periods). The valuation for Swiss local statutory accounting principles is the same.

The MCBS value for UPR reflects the discounted costs of insurance. Costs of insurance includes expected future loss reserves (including loss adjustment expenses) and administration expenses that can arise from the unexpired risk.

#### Reinsurers' share of best-estimate of insurance liabilities

Ceded/retroceded reinsurance balances

For SST MCBS, the calculation of the best estimate for reinsurance assets and insurance liabilities is performed on a gross basis (i.e., no offsetting of assets with liabilities). The MCBS valuation is based on the actuarial discounted best estimate of future cash flows, considering the 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.

#### Evolution since December 31, 2022

The best estimate insurance liabilities increased by CHF 3,193.4 million from CHF 1,164.1 million as of December 31, 2022, to CHF 4,357.5 million as of December 31, 2023. The reinsurers' share of best estimate of insurance liabilities increased by CHF 3,170.2 million from CHF 675.5 million as of December 31, 2022, to CHF 3,845.6 million as of December 31, 2023.

## 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 26.4 million, an increase of USD 5.9 million compared to prior year. The increase is driven by a model change regarding the reserve losses granularity, and by the increase in dynamic model (DDMM) scaling factor.

### Market-consistent value of other liabilities

Under Swiss local statutory accounting principles, non-technical provisions include provisions for disputable claims and unrealized foreign exchange gains that were not included in the company's income statements. As of December 31, 2023, there are no such provisions on ZRe's balance sheet.

Interest-bearing liabilities are held as collateral funding for the Canadian business and are all due in less than five years.

Liabilities from insurance business are valued at Swiss local statutory carrying value as the balances are expected to be subject to only insignificant risk of changes in value and settled within a relatively short time frame (generally, within three months and under no circumstances exceeding twelve months).

The market-consistent value of other liabilities is generally determined using Swiss local statutory carrying value in accordance with the overarching valuation principles outlined in section E.1. In 2023, intragroup balances related to the Group's internal cash pooling facility were CHF 24.7 million and in 2022 CHF 14.0 million.

Derivatives financial instruments are measured at fair value under both Swiss local statutory accounting principles and MCBS.

### E.2.3 Other information

In 2023, ZRe uses risk-free yield curves allowed by FINMA for the currencies EUR, GBP, USD and CHF and swap rates for all other currencies according to paragraph 47 of FINMA Circular 2017/3.



## F. Capital management

### Objectives of capital management

ZRe's capital management and planning approach is embedded in the overall Group's capital management policy. The policy is defined to maximize long-term shareholder value by optimizing capital allocation while managing the balance sheet in accordance with regulatory and solvency requirements. This includes the management and monitoring of local statutory capital adequacy.

As a legal entity, ZRe is obliged to plan the development of its regulatory solvency position as part of its business plans, considering planned dividends and cash remittances to ZIC, including possible risks to its ability to pay these amounts. The capital planning horizon is set in line with the overall Group planning cycle.

ZRe must monitor that it remains within the solvency and capital requirement targets set in accordance with ZRe's risk appetite statement and ensure adherence to local laws and applicable regulatory requirements. In particular, ZRe must ensure compliance with regulatory capital reporting standards.

ZRe is subject to FINMA's SST and tied assets regulations. Both are considered when planning capital or cash repatriations to the Group. Internal target ratios and/or thresholds are considered when assessing and defining the potential to repatriate cash or capital to the Group.

Tied asset requirements are calculated and tracked according to FINMA guidelines and their development is analyzed on a monthly basis. ZRe's Board will be informed whenever any transaction will cause ZRe's tied assets ratio to fall below defined thresholds.

The valuation of ZRe's shareholder's equity follows the Swiss local statutory accounting principles described in Chapter E-Valuation.

The following table shows the composition of ZRe's shareholder's equity as of December 31, 2023, before appropriation of available earnings:

Shareholder's equity	in CHF millions, as of December 31		
	2022	2023	Change
Share capital	12	12	–
Capital contribution reserve:			
<i>Beginning of year</i>	576	551	(25)
<i>Dividend paid</i>	(25)	(43)	(18)
Capital contribution reserve, end of year	551	508	(43)
Retained earnings:			
<i>Beginning of year</i>	55	87	32
<i>Net income after taxes</i>	32	(17)	(49)
Retained earnings, end of year	87	70	(17)
<b>Total shareholder's equity</b>	<b>649</b>	<b>590</b>	<b>(60)</b>

There have been no changes in ZRe's shareholder's equity other than the ordinary dividend payment and the net income after taxes in 2023.

## F. Capital management (continued)

### Appropriation of available earnings and capital contribution reserve

The available earnings for 2023 originate as follows:

in CHF	available earnings
Proposed appropriation of available earnings and capital contribution reserve	
As of January 1, 2023	86,846,380
Net income after taxes	(16,677,722)
<b>Available earnings as of December 31, 2023</b>	<b>70,168,658</b>
Appropriation of available earnings	
As of January 1, 2024	70,168,658
<b>Balance carried forward</b>	<b>70,168,658</b>
Appropriation of capital contribution reserve	
As of January 1, 2024	507,807,652
Dividend payment out of capital contribution reserve	(420,000,000)
Balance carried forward	87,807,652

On April 19, 2024, the Board proposed and the Annual General Meeting resolved to appropriate the available earnings and to carry forward available earnings of CHF 70,168,658 as set out in the table above.

Further, the Board proposed and the Annual General Meeting resolved to appropriate a part of the capital contribution reserve and to pay a dividend of CHF 420,000,000 from the capital contribution reserve as set out in the table above.

### Regulatory capital adequacy

ZRe manages its capital so that it meets local regulatory capital requirements at all times.

### Comparison between SST market-consistent net values and Swiss statutory net assets

The market-consistent value of assets minus BEL and MVM and other liabilities of CHF 583.2 million is slightly lower than Swiss local statutory total shareholder's equity of CHF 589.7 million. The most important drivers are: Net deferred acquisition costs (CHF 81.9 million), equalization provisions (10.7 million) and intangible assets related to renewal rights (CHF 9.1 million) – all have zero value for MCBS. Furthermore, the discount of best estimates of net provisions for insurance liabilities (CHF 120.3 million) under MCBS, the market value margin (CHF 20.2 million) as well as different asset valuation basis need to be considered.

## G. Solvency

### Swiss Solvency Test

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 or RBC. The risk-bearing capital consist of net assets (core capital) and Tier 2 risk-absorbing capital instruments as outlined further below.
- A view of the impact of the potential risks inherent to the regulated business – referred to as target capital and defined as the 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). This 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 requirements.

ZRe is part of the Zurich Insurance Group which maintains a strong capital position. As of December 31, 2023, the rating of ZIC was 'AA/Stable' by S&P Global Ratings.

In 2020, ZRe concluded its internal model approval process ("IMAP") with FINMA and has received approval for the internal model. The model used is in accordance with the FINMA supervisory letter of March 3, 2023, stipulating the model to be used for the SST 2024 run.

For the calculation of the SST ratio as of January 1, 2024, ZRe uses the approved internal model. SST target capital, being prospective, fully reflects the inclusion of the UK portfolio assumed on January 1, 2023 and the US WAQS portfolio effective November 1, 2023. ZRe's net retained share out of this transaction is 1%.

ZRe's SST ratio stands at 148 percent as of January 1, 2024. It decreased by 407 percentage points, mainly because of ZRe's dividend of CHF 420 million (pages 4 and 26) compared to the SST ratio as of January 1, 2023 (555 percent). As of January 1, 2024, ZRe's risk-bearing capital and target capital were USD 193.8 million (USD 637.6 million on January 1, 2023) and USD 130.8 million (USD 131.6 million on January 1, 2023), respectively.

In the table below, the presentation as of January 1, 2023, was restated to reflect the 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 1, 2023	Adjustments previous year	January 1, 2024	Change
<b>Derivation of risk-bearing capital</b>					
	Assets	2,697.8		6,982.3	4,284.5
	Liabilities	(2,013.7)	(20.5)	(6,289.7)	(4,276.0)
	Deductions (proposed dividends)	(46.5)		(498.7)	(452.2)
	<b>Core capital</b>	<b>637.6</b>		<b>193.8</b>	<b>(443.7)</b>
	Supplementary capital (eligible subordinated debt)	–		–	–
	<b>Risk-bearing capital</b>	<b>637.6</b>		<b>193.8</b>	<b>(443.7)</b>
<b>Derivation of target capital</b>					
	Insurance risk	109.9		122.0	12.0
	Market risk	45.8		47.8	2.0
	Diversification effects	(23.8)		(25.8)	(2.1)
	Credit risk <sup>1</sup>	11.7		10.6	(1.1)
	Market value margin and other effects on target capital <sup>2</sup>	(12.1)	(20.5)	(23.8)	(11.8)
	<b>Target capital</b>	<b>131.6</b>		<b>130.8</b>	<b>(0.9)</b>
<b>SST ratio</b>					
	<b>SST ratio<sup>3</sup></b>	<b>555%</b>		<b>148%</b>	<b>(407%)</b>

<sup>1</sup> Credit risk includes investment credit risk, reinsurance and receivables credit risk

<sup>2</sup> MVM is not included in the current period value. MVM is USD 26.4m as of January 1, 2024, and USD 20.5m as of January 1, 2023. 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.

<sup>3</sup> SST ratio is defined in the Swiss Insurance Supervision Ordinance as a ratio of risk-bearing capital to target capital

## G. Solvency (continued)

Risk margin and other effects on target capital includes:

- Risk margin: The risk margin methodology follows the cost of capital approach. It reflects the cost of all future capital requirements needed to support the current insurance portfolio in case the company stops writing any new business and goes into a run-off. These future capital requirements are discounted consistently with the MCBS liabilities.
- Credit risk associated with affiliate transactions: ZRe's largest counterparty is ZIC, the parent company of ZRe. The remote risk of ZIC's default is therefore incorporated into ZRe's target capital.
- Diversification between credit risk and other risk types.
- Expected P&C result: The SST framework allows for recognition of the economic profit (expected property and casualty results) a company expects in one year's time.

Solvency – Insurance risk	in USD millions	January 1,	Adjustments	January 1,	Change
		2023	previous year	2024	
<a href="#">Insurance risk derivation of target capital</a>					
	Premium and reserve risk (including UPR risk)	100.0		112.4	12.4
	Nat cat	34.5		35.3	0.8
	Business risk	–		–	–
	Diversification	(24.5)		(25.7)	(1.2)
	<b>Total of insurance risk target capital</b>	<b>109.9</b>		<b>122.0</b>	<b>12.0</b>

ZRe's largest component of the target capital is premium and reserve risk. Reserve risk arises due to adverse changes in reserve development resulting from fluctuations in the timing and amount of claims settlement. Premium risk assesses the risk that the losses related to new business earned over one-year reporting period are higher than expected. The natural catastrophe (nat cat) risk exposure is modelled separately from premium risk and remains stable within ZRe also given that ZRe retains business that is net of inuring nat cat reinsurance protections.

Solvency – Market risk	in USD millions	January 1,	Adjustments	January 1,	Change
		2023	previous year	2024	
<a href="#">Market risk derivation of target capital</a>					
	Equity risk	0.0		0.0	(0.0)
	Interest rate risk	28.5		22.3	(6.1)
	Exchange rate risk	43.5		49.1	5.6
	Credit spread risk	11.3		11.1	(0.2)
	Other	17.2		15.6	(1.6)
	Diversification	(48.4)		(46.5)	2.0
	<b>Total of market risk target capital (including investment credit risk)</b>	<b>52.0</b>		<b>51.7</b>	<b>(0.4)</b>
	thereof:				
	Market risk (excluding credit risk)	45.8		47.8	2.0
	Investment credit risk	9.7		10.0	0.2

Market risk is the second-largest contributor to ZRe's target capital. It measures interest rate mismatches between assets and liabilities, fixed income risk, corporate rate spread risk and foreign exchange risk. Credit default risk of the investment assets is shown under the sub-section investment credit risk.

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## Appendix 1: Quantitative templates

### Performance

in CHF millions, for the years ended December 31

		Total		Direct Swiss business							
				Personal Accident		Motor		Property		Financial Lines	
		2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
1	Gross written premiums and policy fees	1,125	4,216	-	-	-	-	-	-	-	-
2	Premiums ceded to reinsurers	(594)	(3,578)	-	-	-	-	-	-	-	-
3	Net written premiums and policy fees (1 + 2)	530	638	-	-	-	-	-	-	-	-
4	Change in reserves for unearned premiums, gross	(49)	(928)	-	-	-	-	-	-	-	-
5	Change in reserves for unearned premiums, ceded	41	908	-	-	-	-	-	-	-	-
6	Net earned premiums and policy fees (3 + 4 + 5)	522	618	-	-	-	-	-	-	-	-
7	Other income	1	4	-	-	-	-	-	-	-	-
<b>8</b>	<b>Total technical income (6 + 7)</b>	<b>524</b>	<b>622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9	Claims paid, annuities and loss adjustment expenses, gross	(346)	1,264	-	-	-	-	-	-	-	-
10	Claims paid, annuities and loss adjustment expenses, ceded	133	(1,486)	-	-	-	-	-	-	-	-
11	Change in insurance reserves, gross	(83)	(3,201)	-	-	-	-	-	-	-	-
12	Change in insurance reserves, ceded	66	3,110	-	-	-	-	-	-	-	-
13	Change in actuarial provisions for unit-linked contracts	-	-	-	-	-	-	-	-	-	-
<b>14</b>	<b>Insurance benefits and losses, net of reinsurance (9 + 10 + 11 + 12 + 13)</b>	<b>(231)</b>	<b>(313)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
15	Underwriting & policy acquisition costs, gross	(350)	(1,045)	-	-	-	-	-	-	-	-
16	Underwriting & policy acquisition costs, ceded	102	760	-	-	-	-	-	-	-	-
17	Underwriting & policy acquisition costs, net of reinsurance (15 + 16)	(248)	(285)	-	-	-	-	-	-	-	-
18	Administrative and other expense	(9)	(46)	-	-	-	-	-	-	-	-
<b>19</b>	<b>Total technical expense (14 + 17 + 18) (non-life insurance only)</b>	<b>(487)</b>	<b>(645)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
20	Investment income	13	22	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21	Investment expenses	(5)	(2)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>22</b>	<b>Net investment result (20 + 21)</b>	<b>7</b>	<b>20</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
23	Net investment result on unit-linked investments	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24	Other financial income	7	25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25	Other financial expense	-	(9)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>26</b>	<b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	<b>51</b>	<b>13</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
27	Interest expense on debt and other interest expense	(10)	(29)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28	Other income	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29	Other expense	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30	Extraordinary income/expense	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>31</b>	<b>Net income before taxes (26 + 27 + 28 + 29 + 30)</b>	<b>41</b>	<b>(16)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
32	Direct tax expense	(9)	(1)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>33</b>	<b>Net income after taxes (31 + 32)</b>	<b>32</b>	<b>(17)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

Line items 7, 18: LoB allocated according to GWP



## Appendix 1: Quantitative templates (continued)

### Market conform Balance Sheet

in CHF millions, as of December 31

	2022	Adjustments previous period	2023
<b>Market conform value of investments</b>			
Real estate	–	–	–
Shareholdings	0	–	0
Fixed-income securities	592	–	797
Loans	53	–	41
Mortgages	–	–	–
Equities	–	–	–
Other investments	–	–	–
Collective investment schemes	–	–	–
Alternative investments	–	–	–
Other capital investments	–	–	–
<b>Total investments</b>	<b>645</b>	<b>–</b>	<b>839</b>
Receivables from derivative financial instruments	1	–	1
Deposits made under assumed reinsurance contracts	177	–	164
<b>Reinsurers' share of best estimate for insurance liabilities</b>	<b>675</b>	<b>–</b>	<b>3,846</b>
Direct insurance: life insurance business (excluding ALV)	–	–	–
Direct insurance: non-life insurance business	17	–	19
Direct insurance: health insurance business	–	–	–
Direct insurance: other business	–	–	–
Outward reinsurance: life insurance business (excluding ALV)	–	–	–
Outward reinsurance: non-life insurance business	659	–	3,827
Outward reinsurance: health insurance business	–	–	–
Outward reinsurance: other business	–	–	–
<b>Market conform value of other assets</b>			
Cash and cash equivalents	817	–	705
Receivables from insurance business	164	–	252
Other receivables	0	–	13
Other assets	–	–	–
Unpaid share capital	–	–	–
Accrued assets	14	–	60
<b>Total other assets</b>	<b>1,850</b>	<b>–</b>	<b>5,041</b>
<b>Total market conform value of assets</b>	<b>2,495</b>	<b>–</b>	<b>5,880</b>
<b>Best estimate liabilities (BEL)</b>			
<b>Best estimate of insurance liabilities</b>	<b>1,164</b>	<b>–</b>	<b>4,357</b>
Direct insurance: life insurance business (excluding ALV)	–	–	–
Direct insurance: non-life insurance business	45	–	52
Direct insurance: health insurance business	–	–	–
Direct insurance: other business	–	–	–
Outward reinsurance: life insurance business (excluding ALV)	–	–	–
Outward reinsurance: non-life insurance business	1,119	–	4,306
Outward reinsurance: health insurance business	–	–	–
Outward reinsurance: other business	–	–	–
<b>Market value margin</b>	<b>–</b>	<b>19</b>	<b>22</b>
<b>Market conform value of other liabilities</b>			
Non-technical provisions	–	–	–
Interest-bearing liabilities similar to debt capital	427	–	562
Liabilities from derivative financial instruments	1	–	1
Deposits retained on ceded reinsurance	97	–	80
Liabilities from insurance business	144	–	207
Other liabilities	29	–	67
<b>Total BEL plus market conform value of other liabilities</b>	<b>1,862</b>	<b>19</b>	<b>5,297</b>
<b>Market conform value of assets minus total from BEL plus market conform value of other liabilities</b>	<b>633</b>	<b>(19)</b>	<b>583</b>



## Appendix 1: Quantitative templates (continued)

Solvency	in USD millions	January 1, 2023	Adjustments previous year	January 1, 2024	Change
<b>Derivation of risk-bearing capital</b>					
	Assets	2,697.8		6,982.3	4,284.5
	Liabilities	(2,013.7)	(20.5)	(6,289.7)	(4,276.0)
	Deductions (proposed dividends)	(46.5)		(498.7)	(452.2)
	<b>Core capital</b>	<b>637.6</b>		<b>193.8</b>	<b>(443.7)</b>
	Supplementary capital (eligible subordinated debt)	–		–	–
	<b>Risk-bearing capital</b>	<b>637.6</b>		<b>193.8</b>	<b>(443.7)</b>
<b>Derivation of target capital</b>					
	Underwriting risk	109.9		122.0	12.0
	Market risk	45.8		47.8	2.0
	Diversification effects	(23.8)		(25.8)	(2.1)
	Credit risk	11.7		10.6	(1.1)
	Market value margin and other effects on target capital	(12.1)	(20.5)	(23.8)	(11.8)
	<b>Target capital</b>	<b>131.6</b>		<b>130.8</b>	<b>(0.9)</b>
<b>SST ratio</b>					
	<b>SST ratio</b>	<b>555%</b>		<b>148%</b>	<b>(407%)</b>

## Appendix 2: Report of the statutory auditor on the ZRe financial statements

The Financial Condition Report is not audited.

The financial statements of Zurich Reinsurance Company Ltd, which comprise the income statement, balance sheet and notes to the financial statements for the year ended December 31, 2023, are audited. Please refer to the report of the auditor in the Zurich Reinsurance Company Ltd Annual Report 2023, page 15–17.

<https://www.zurich.com/en/investor-relations/results-and-reports/other-statutory-filings>

## Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Reinsurance Company Ltd. Forward-looking statements include statements regarding the Zurich Reinsurance Company Ltd's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Zurich Reinsurance Company Ltd's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Reinsurance Company Ltd to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Reinsurance Company Ltd on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by Zurich Reinsurance Company Ltd and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of Zurich Reinsurance Company Ltd or potentially exposing Zurich Reinsurance Company Ltd to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Reinsurance Company Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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