Solvency and Financial Condition Report 2023

Zurich Life Assurance plc

Zurich Life Assurance plc

Contents

All amounts in the Solvency and Financial Condition Report, unless otherwise stated, are shown in Euros, rounded to the nearest hundred thousand 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.

Glossary of terms used in this report

ALM	Asset Liability Matching
ALMIC	Asset Liability Management and Investment Committee
BEL	Best Estimate Liability
Board	ZLAP Board of Directors
BAC	Board Audit Committee
BRC	Board Risk Committee
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investments Officer
CIFA	Critical or Important Functions or Activities
CRO	Chief Risk Officer
DORA	Digital Operational Resilience Act
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
FCR	Financial Condition Report (Swiss regulation)
FINMA	Swiss Financial Market Supervisory Authority
FoE	Freedom of Establishment
FoS	Freedom of Services
GAAP	Generally Accepted Accounting Principles
Group	Zurich Insurance Group of companies
HoAF	Head of Actuarial Function
IAS19	International Accounting Standard concerning employee benefits
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
INED	Independent Non-Executive Director
KRI	Key Risk Indicator
LTIP	Long Term Incentive Plans
MCR	Minimum Capital Requirement
ORC	Operational Risk Committee
ORSA	Own Risk and Solvency Assessment
OSN	Overall Solvency Needs
QRTs	Quantitative Reporting Templates
RACE	Risk and Control Engine
RCC	Risk and Control Committee
RCSA	Risk and Control Self-Assessment
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SST	Swiss Solvency Test
STIP	Short Term Incentive Plans
TRP	Total Risk Profiling
UWP	Unitised with-profits
Z-ECM	Zurich Economic Capital Model
ZHIL	Zurich Holding Ireland Limited
ZIC	Zurich Insurance Company Ltd
ZIG	Zurich Insurance Group of companies
ZLAP	Zurich Life Assurance plc
ZRR	Zurich Remuneration Rules
ZTSL	Zurich Trustee Services Ltd

Executive Summary

About Zurich Life Assurance plc

Zurich Life Assurance plc ('ZLAP' or 'the Company') is one of Ireland's most successful life insurance companies, offering a full range of Pension, Investment and Protection products.

We have been meeting our customers' needs in Ireland for over 40 years and we are committed to the provision of excellent customer service. Our investment team, based in Blackrock, Co. Dublin, is responsible for funds under management of approximately €34 billion (at 31/12/2023).

The Company's Solvency II Solvency Capital Requirement ('SCR') ratio (coverage of SCR by Own Funds) was 125% at 31/12/2023.

The Company is a part of the Zurich Insurance Group ('the Group'), a leading multi-line insurer serving people and businesses in more than 200 countries and territories. Founded 150 years ago, the Group is transforming insurance. In addition to providing insurance protection, the Group is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together', the Group aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil. The Group has about 60,000 employees and is headquartered in Zurich, Switzerland.

The Group manages its capital to maximize long-term shareholder value while ensuring customer needs are met, maintaining financial strength within its "AA" target range and meeting regulatory, solvency and rating agency requirements. In particular, the Group endeavours to manage its International Financial Reporting Standards ('IFRS') shareholders' equity to balance maximization of shareholder value and constraints imposed by its economic framework, rating agencies and regulators.

The Swiss Solvency Test ('SST') ratio of the Group as at January 1, 2024 stands at 233% (unaudited). ZIG will publish its Financial Condition Report at the end of April.

For more information, visit our website www.zurich.ie

Purpose

The purpose of the Solvency and Financial Condition Report ('SFCR') is to provide the reader with an understanding of the Company's:

A. Business and Performance;
B. System of Governance;
C. Risk Profile;
D. Valuation for Solvency purposes; and
E. Capital Management.

The main body of this report sets out detailed information, providing transparency to interested parties, including existing and potential customers, with respect to the above points. The Summary, set out below, draws out key points from the report and is intended for existing and potential customers, enabling them to make informed decisions when selecting Zurich Life Assurance plc as their provider of pension, life assurance, investment, savings, post retirement and protection products.

Business and Performance (Section A)

Business Overview

The Company has grown strongly since it was established in 1977. The principal activity of the Company is the writing of Life Assurance business in the Republic of Ireland. Our domestic business mix is typical of the Irish market, including unit-linked, guaranteed protection, unitised with-profit, annuity, group protection and reviewable protection. The Company primarily sells products via independent brokers and Employee Benefit Consultants.

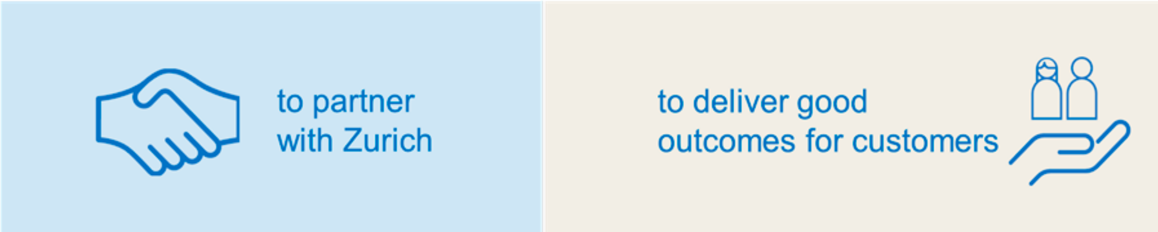
The Company also currently writes Life Assurance business in Germany under EU Freedom of Services provisions and previously wrote Life Assurance business in other European markets under EU Freedom of Services and Freedom of Establishment provisions. All territories are closed to new business with the exception of the Republic of Ireland and Germany, however top-ups and regular premiums continue to be accepted on existing policies.

Our ultimate holding company is Zurich Insurance Group Ltd which is incorporated in Switzerland.

Executive Summary (continued)

Business Strategy

Make it compelling for distributors



The Company has a Board-approved strategy in place which sets out the Company's objectives over a three-year period. Our strategic aspiration is to make it compelling for distributors to partner with Zurich to deliver good outcomes for customers. Our success to date has been based on our ability to understand and respond to the needs of our distribution partners and customers across all areas of our business (e.g. products, pricing, investment offering, technology and service).

Furthermore, we have identified 5 key areas of focus where we can differentiate ourselves from our competitors and take advantage of the identified opportunities in the market. These are:

- Relationships;
- Ease of doing business;
- Innovation;
- Agility; and
- Investment performance.

Performance
The Company adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this report have been restated for the effect of the adoption of IFRS 17.

Overall, the Company had a strong year in 2023 with underwriting performance continuing to be profitable.

The Company's overall underwriting performance in the financial statements was €53.9m for 2023. This is aligned with the underwriting performance of €54.4m in 2022.

The Company uses derivative programs to reduce the equity and currency risk exposures within the Solvency II Balance Sheet. For example, under Solvency II, the value of future fund-based fees on unit-linked funds is included in the liabilities and will be matched by the market value movement of the derivatives. However, the derivative programs increase in-year profit and loss volatility in the financial statements as there is a timing difference between the recognition of asset and liability movements which can create gains / losses in a particular year. The market value movement in the value of the derivative assets is recognised in the financial statements immediately but the corresponding change in future fund-based fee income is not recognised until fees are collected from the unit funds over many years into the future.

The derivative counterparty is another entity within the Zurich Group. The Company (loss)/profit before tax on the derivative programs was (€49.5m) in 2023 with an equal and opposite impact for the counterparty. (The (loss)/profit was €71.5m in 2022.) This impact is due to external equity and currency market movements in the relevant periods. The derivative programs are designed to hedge the economic exposure rather than being tailored to an in-year accounting impact as reported in the Financial Statements.

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was €3,619m in 2023 compared with -€3,556m in 2022. Investment income is dependent on the performance of the financial markets. Investment returns were generally positive in 2023 due to strong growth in equity market values and decreasing interest rates after seeing negative growth in investment markets during 2022. Investment income on policyholder unit linked assets is closely matched by a corresponding movement in policyholder unit linked liabilities.

Executive Summary (continued)

There were no material changes to the Company's business profile in 2023.

System of Governance (Section B)

ZLAP's board of directors ('the Board') is responsible for the governance and oversight of all aspects of the Company's business. The Board has established a number of board-level committees which support and report to the Board on specific matters. The Board submits an annual compliance statement to the CBI confirming the Company's compliance with relevant obligations including, for example, the Corporate Governance Requirements as set out by the Central Bank of Ireland ('CBI').

The Board has delegated broad executive powers to the Chief Executive Officer ('CEO') to manage and operate the Company's business on a day-to-day basis.

To support the Board and the CEO in dispensing their responsibilities, the Company has established a number of management committees which meet regularly to discuss and take action on and/or escalate matters as appropriate.

The Company employs a "three lines of defence" model in support of its system of governance. The second line consists of three control functions, Actuarial, Compliance and Risk Management who monitor and challenge the activities of the first line business units such as Finance, Customer Service and Product Development. The Actuarial function is responsible for providing certain assurances to the Board in relation to the Company's ability to meet its obligations to policyholders. The third line consists of the Internal Audit function which provides independent assurance to the Board on the adequacy and effectiveness of the risk management, internal control and governance processes.

The Company manages its business in accordance with a number of policies and strategies that underpin the Risk Management Framework. The Risk Management Framework considers all risks related to the Company's business, setting out processes which enable those risks to be identified, managed, monitored and mitigated appropriately. The key governing risk management documents are the Risk Management Policy, the Enterprise Risk Management Framework, the Risk Appetite Framework and Statement, and the Zurich Risk Policy. The Zurich Risk Policy consists of a suite of risk management processes and procedures that set out the Group's standards for effective risk management that are adopted by the Company as appropriate.

The Company's key risk management processes include the Own Risk and Solvency Assessment ('ORSA') which considers a holistic view of the risks faced by the Company on a forward-looking basis including an assessment of overall solvency needs, and the Risk and Control Self-Assessment ('RCSA') which enables the identification and control of operational risk in our everyday processes. Additionally, the Total Risk Profiling ('TRP') process is used to identify and monitor key strategic risks.

Risk Profile (Section C)

The Company manages a mix of risks typical to a life assurance company operating predominantly in Ireland. The key risks are Market, Underwriting, Credit, Expense, Lapse and Operational risks. The Company has frameworks in place to monitor and manage all of its material risks which are reflected in day-to-day activities. The risk management frameworks set requirements around the monitoring and measuring of risks, including sensitivity and scenario analysis as appropriate, as well as risk mitigation techniques and the governance around decision-making. Risks which are less quantifiable through sensitivity testing or other means, such as conduct risk for example, are included in these frameworks.

At an aggregate level the Company's risk profile is largely unchanged over 2023, though the Company continues to review and implement potential risk management initiatives. The Company also continues to enhance its management and oversight of sustainability risk.

The Company forecasts its financial position incorporating planned new business and other business initiatives for the duration of its business plan under both best estimate and adverse conditions at least annually. This inputs to the ongoing identification and understanding of the risks to the Company's ongoing financial strength and enables steps to be taken, as appropriate, to manage those risks. The Company has also set thresholds for important risk metrics, defined in the Risk Appetite Statement, which are monitored on a regular basis. Should the metrics approach or exceed the thresholds, appropriate actions are taken to manage the risk.

In addition to existing risks, the Company also identifies and tracks emerging risks in line with its Emerging Risk Policy. Emerging risks are identified and continue to be monitored and assessed on a regular basis.

Executive Summary (continued)

Valuation for Solvency Purposes (Section D)

The main differences between Solvency II and Irish GAAP valuations are driven by the economic valuations under Solvency II including the earlier recognition of profits and losses.

In addition to the valuation differences, there are a number of classification differences between Solvency II and Irish GAAP relating to differing accounting treatments under the regimes.

Solvency II Technical Provisions increased in 2023 due to positive fund growth and strong sales.

Changes in demographic assumptions, in particular mortality, morbidity and longevity assumptions and changes in unit cost assumptions also impacted SII Technical Provisions in 2023.

Capital Management (Section E)

Overview

Own Funds refers to the available financial resources, or excess of assets over liabilities, under the Solvency II regime. The Own Funds at 31/12/2023 were €1,011m (€948m at 31/12/2022), 100% of which were classified as Tier 1. The increase in the Own Funds in 2023 is mainly driven by the emergence of profits on existing business and the effect of positive economic conditions on the Company's future fund based fee income.

The SCR is a measure of the capital required to be held under the Solvency II regime and amounted to €810m at 31/12/2023 (€700m at 31/12/2022). The main driver of the increase in SCR was the positive investment performance in 2023 contributing to higher expected future profits on unit linked business, which in turn has resulted in higher Life Underwriting Risk and Market Risk. The main risk driving this increase is the risk that policies discontinue and therefore those higher expected future profits don't materialise.

The Solvency II SCR ratio (coverage of SCR by Own Funds) was 125% at 31/12/2023 (135% at 31/12/2022). The Central Bank of Ireland (CBI) requires life insurance companies to maintain solvency coverage of at least 100% of the SCR. There was no incidence of non-compliance with this requirement in 2023.

The Minimum Capital Requirement (MCR) is the minimum level of available financial resources required and amounted to €274m at 31/12/2023 (€237m at 31/12/2022). The Company's MCR coverage ratio was 369% (coverage of MCR by Own Funds) at 31/12/2023 (400% at 31/12/2022). There was no incidence of non-compliance with the MCR in 2023.

It is possible for companies to apply certain long-term guarantee measures such as the matching adjustment and the volatility adjustment when calculating liabilities. Similarly there are transitional measures which can apply for a period of years after the introduction of Solvency II. These measures require approval by the CBI. The Company is not presently using any such measures.

Zurich Group Capital Position

ZLAP is a company which is part of the Zurich Insurance Group. The Group pools risk, capital and liquidity centrally where appropriate.

The Group manages its capital to maximize long-term shareholder value while ensuring customer needs are met, maintaining financial strength within its "AA" target range and meeting regulatory, solvency and rating agency requirements. In particular, the Group endeavours to manage its International Financial Reporting Standards ('IFRS') shareholders' equity to balance maximization of shareholder value and constraints imposed by its economic framework, rating agencies and regulators.

The Swiss Solvency Test ('SST') ratio of the Group as at January 1, 2024 stands at 233% (unaudited). ZIG will publish its Financial Condition Report at the end of April.

Information on the SFCR

1. Requirements for the SFCR

Solvency II became effective on 1 January 2016 for all insurance companies and groups regulated in the European Union. One of the primary aims of Solvency II is to provide a more risk-based approach to calculating and monitoring the required levels of capital for insurance companies. It also introduced a requirement for insurance companies to produce a publicly available Solvency and Financial Condition Report to assist customers and other stakeholders in understanding the types of business written, how it is managed and the overall financial condition of the Company, including the amount of regulatory capital required by and available to the Company.

For insurance companies regulated by the CBI, the Solvency and Financial Condition Report is produced in accordance with Article 52 of the Statutory Instrument 485 of 2015, Articles 290 to 303 of the Commission delegated Regulation (EU) 2015/35 and the EIOPA guidelines on reporting and public disclosure (B05-15-109).

2. Note on auditability

In accordance with CBI regulation, sections of this report are subject to review by the statutory auditors, Ernst & Young ('EY'). The narrative sections in scope for review are the following:

- Assets
- Technical Provisions
- Other liabilities
- Alternative methods for valuation
- Solvency Capital Requirement and Minimum Capital Requirement
- Own funds
- Any other information (D.5 and E.6)

These sections relate to the following Quantitative Reporting Templates ('QRTs') which are included in the appendix:

- S.02.01.02
- S.12.01.02
- S.23.01.01
- S.25.01.21
- S.28.01.01

3. Note on materiality

Information to be disclosed is considered to be material if its omission or misstatement could influence the decision-making or the judgement of the users of the document, including the CBI.

4. Approval of the Solvency and Financial Condition Report

This report was reviewed and approved by the Board of Directors of Zurich Life Assurance plc on 21st March 2024.

A. Business and Performance

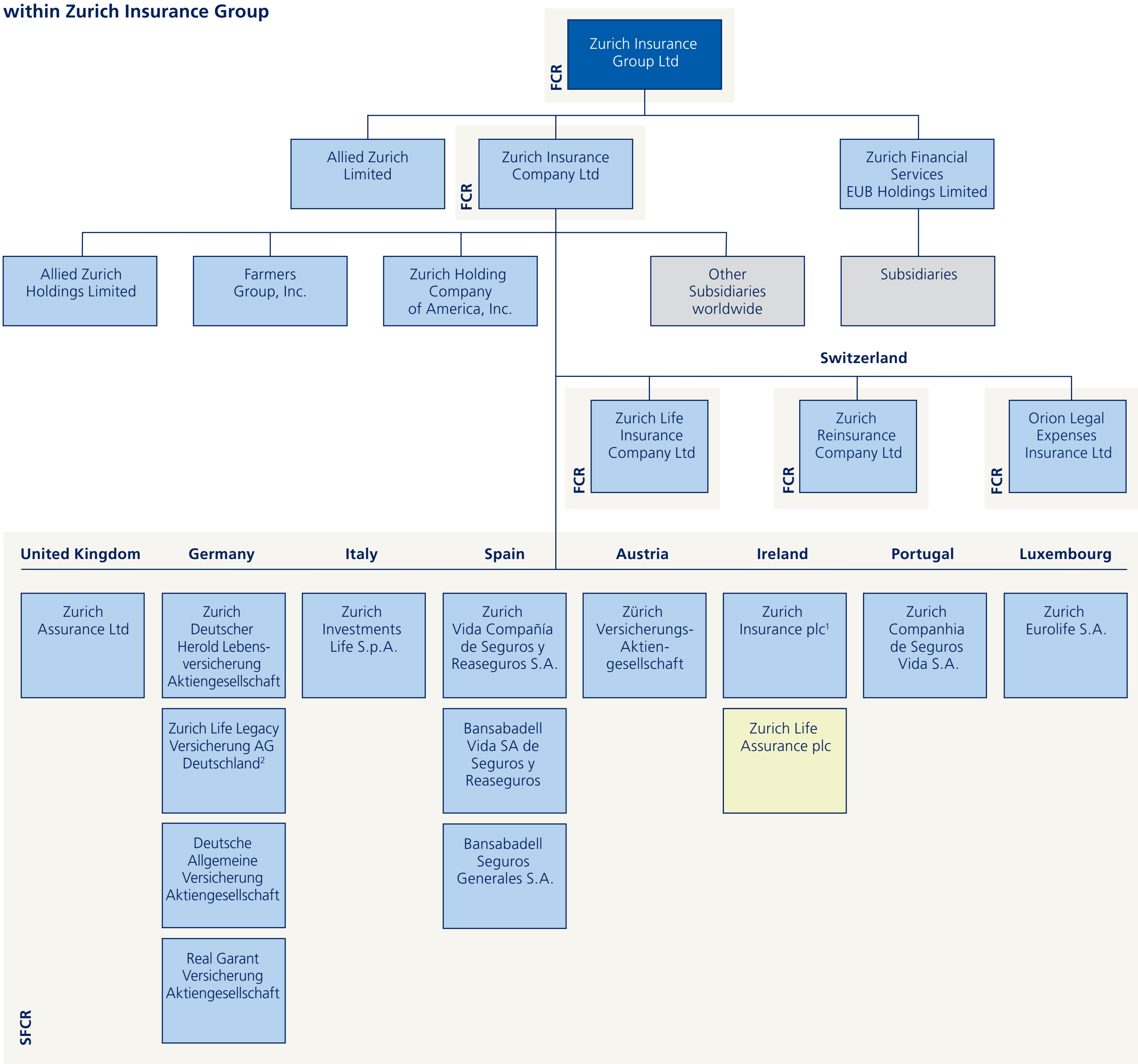
A.1 Business

Zurich Life Assurance plc (ZLAP's) business profile

Name, location and legal form of the undertaking or the natural persons that are direct and indirect holders of qualifying holdings in the undertaking, with a description of all subsidiaries	ZLAP is registered in Ireland under Company number 58098 as a public limited Company and has its registered office at Zurich House, Frascati Road, Blackrock, County Dublin, Ireland.
Name and contact details of the supervisory authority responsible for financial supervision and, where applicable, name and contact details of the group supervisor.	ZLAP is authorised and regulated by the Central Bank of Ireland ('CBI'), New Wapping Street, North Wall Quay, Dublin 1. Group supervision of Zurich Insurance Group Ltd and its subsidiaries is carried out by the Swiss Financial Market Supervisory Authority ('FINMA'), Laupenstrasse 27, CH-3003 Bern, Switzerland.
Name and contact details of the external auditor of the undertaking.	Ernst and Young, Chartered Accountants, Harcourt Centre, Harcourt Street, Dublin 2.
List of material related undertakings including the name, legal form, country, proportion of ownership interest held and, if different, proportion of voting rights held.	Zurich Trustee Services Limited ('ZTSL'), incorporated in Ireland: ZLAP has a 100% qualifying holding. Zurich Pension Trustees Ireland Limited, incorporated in Ireland: ZTSL and Zurich Insurance Europe each have a 50% qualifying holding. Zurich Ireland Master Trustee DAC ('ZIMT'), incorporated in Ireland: ZLAP has a 100% qualifying holding.
Description of the holders of qualifying holdings in the undertaking.	Direct: Zurich Holding Ireland Limited ('ZHIL'), incorporated in Ireland, has a 100% qualifying holding. Indirect: Zurich Insurance Company Ltd incorporated in Switzerland, has a 100% qualifying holding. Zurich Insurance Group Ltd incorporated in Switzerland, has a 100% qualifying holding.
Proportion of ownership interest held and, if different, the proportion of voting rights held.	ZHIL has a 100% shareholding and voting power in ZLAP.
Where the undertaking belongs to a group, details of the undertaking's position within the legal structure of the group.	ZHIL, which holds 100% in ZLAP, is 100% owned by Zurich Insurance Company Ltd. A simplified group structure is provided in Section B.1.
Undertaking's material lines of business and material geographical areas where it carries out business.	The Company is an authorised life insurance undertaking pursuant to the European Union (Insurance and Reinsurance) Regulations 2015. It is authorised to conduct life, pensions and annuity business, which are its core businesses in Ireland. The Company also currently writes Life Assurance business in Germany under EU Freedom of Services provisions and previously wrote Life Assurance business in other European markets under EU Freedom of Services and Freedom of Establishment provisions. All territories are closed to new business with the exception of the Republic of Ireland and Germany. Further information on other lines of business and geographical areas is provided in Section A.2
Any significant business or other events that have occurred with material impact on the undertaking.	ZLAP paid a dividend, totalling approximately €65m, to its shareholder ZHIL in December 2023.

A. Business activities (continued)

Chart 1: Public reporting on solvency and financial condition within Zurich Insurance Group



SFCR: Solvency and Financial Condition Report (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.

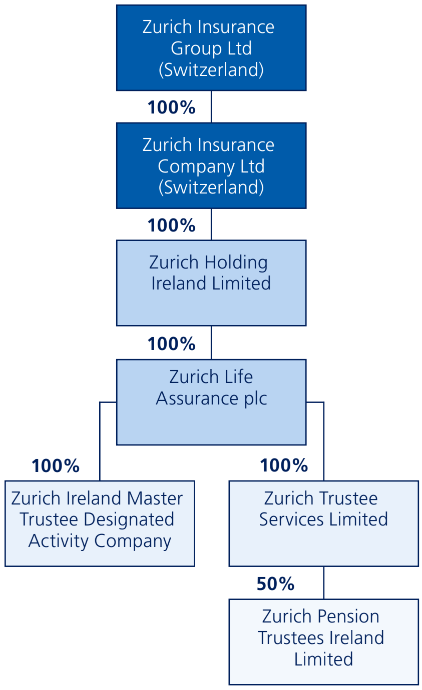
1 Effective January 2, 2024, the registered head office of Zurich Insurance plc (ZIP) was moved from Dublin, Ireland to Frankfurt, Germany by means of a cross-border conversion under the European Directive on cross-border conversions, mergers and divisions. While ZIP has converted to a German AG known 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)

Summary Group Structure

A summary group structure is provided below.

Summary Group Structure Zurich Life Assurance plc



Note that ZLAP has a 100% qualifying holding in Zurich Trustee Services Limited ('ZTSL'). ZTSL is incorporated in Ireland. ZTSL and Zurich Insurance Europe each have a 50% qualifying holding in Zurich Pension Trustees Ireland Limited ('ZPTIL'). ZPTIL is incorporated in Ireland.

ZLAP has a 100% qualifying holding in Zurich Ireland Master Trustee DAC ('ZIMT'). ZIMT is incorporated in Ireland.

A.2 Underwriting Performance

The Company adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this report have been restated for the effect of the adoption of IFRS 17.

Since the Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and those parts of the Companies Act 2014 applicable to Companies reporting under IFRS, the underwriting performance information given in this section is on that basis. The underwriting result in 2023 of €53.9m is consistent with the 2022 result of €54.4m.

Underwriting Performance by Solvency II Line of Business

The below table shows the 2023 underwriting performance by Solvency II line of business, with the prior year information shown directly below it for comparison:

2023 underwriting performance by Solvency II line of business

in EUR Millions, as of 31 December 2023	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Net Premiums Written	34.0	24.7	5,007.5	111.9	5,178.1
Net Claims Incurred	(6.9)	(176.5)	(2,144.9)	(49.8)	(2,378.1)
Net Changes in Technical Provisions	(6.5)	149.4	(6,238.0)	(33.6)	(6,128.7)
Investment Income	1.7	15.4	3,594.8	27.9	3,639.9
Total Expenses	(12.8)	(7.9)	(195.1)	(41.5)	(257.3)
Total Underwriting Performance	**9.5**	**5.1**	**24.3**	**14.9**	**53.9**

A. Business activities (continued)

2022 underwriting performance by Solvency II line of business

in EUR Millions, as of 31 December 2022	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Net Premiums Written	30.6	28.7	4,171.8	87.4	4,318.5
Net Claims Incurred	(7.3)	(151.5)	(1,924.1)	(48.7)	(2,131.6)
Net Changes in Technical Provisions	(2.3)	(24.7)	1,818.3	(3.6)	1,787.6
Investment Income	(1.9)	164.1	(3,853.7)	20.0	(3,671.4)
Total Expenses	(10.1)	(9.0)	(186.5)	(43.2)	(248.8)
Total Underwriting Performance	**9.0**	**7.5**	**25.9**	**11.9**	**54.4**

The Health Insurance Line of Business includes critical illness and income protection products. The Other Life Insurance category mainly consists of annuity and term protection policies. Underwriting profits on these business lines depend on mortality, morbidity and longevity experience. The Company uses a panel of highly-rated reinsurance providers to mitigate the impact of the risks associated with changes in demographic experience.

Insurance with profit participation is composed of any unit-linked policies where more than 50% of their investments are invested in ZLAP's Unitised With-Profits funds. The Index-Linked and Unit-Linked Insurance category is ZLAP's largest line of business and contains all other unit-linked policies. The Company's fee income on this business is generally taken as a percentage of the funds under management and will move in line with the value of those underlying funds.

There are some additional factors which impact across all of the Company's product lines such as persistency and expenses. Persistency levels can have a very significant impact on the value of the Company's business. To a large extent persistency experience is dependent on external drivers (e.g. level of discretionary income in the economy), but the Company can (and does) take action to ensure that it is in policyholders' interests to retain their Zurich policies for the duration of the original term. The overall level of expense incurred by the Company is largely under the control of management. Expense control receives significant focus both from local management and from the Zurich Group.

Key points to note in relation to the differences between the two periods are:

- All lines of business were profitable in both 2022 and 2023
- Total net premiums written were higher in 2023. ZLAP recorded a strong performance in domestic sales in 2023. The strong performance in sales in 2023 and the positive investment market returns in the unit-linked and index-linked funds were the main drivers of the increase in the total Technical Provisions.
- Profits on the Insurance with profits participation line of business were lower in 2023. We expect profits in this line of business to reduce over time as ZLAP's Unitised With Profits funds are closed to new business.
- Profits on the Health Insurance line of business benefitted from favourable morbidity experience in both periods.
- Overall profits on the Index linked and unit linked category were similar in both periods. The underwriting performance of the Italian portfolio, discussed in more detail below, is contained within this category in 2022 only. Its performance in 2022 was broadly offset by positives from in-year experience on the domestic component of this category in 2022 which did not recur in 2023. Excluding the performance of the Italian portfolio, profits on this category were higher in 2022.

Underwriting Performance by Country

The 2023 underwriting performance by material geographical area is detailed below, with the prior year information shown directly below it for comparison.

2023 underwriting performance by material geographical area

in EUR Millions, as of 31 December 2023	Ireland	Italy	Germany	Other	Total
Net Premiums Written	5,141.1	-	35.7	1.4	5,178.1
Net Claims Incurred	(2,372.7)	-	(1.8)	(3.6)	(2,378.1)
Net Changes in Technical Provisions	(6,115.8)	-	(12.3)	(0.5)	(6,128.7)
Investment Income	3,634.4	-	1.2	4.3	3,639.9
Total Expenses	(243.8)	-	(12.6)	(1.0)	(257.3)
Total Underwriting Performance	**43.1**	**-**	**10.2**	**0.6**	**53.9**

A. Business activities (continued)

2022 underwriting performance by material geographical area

in EUR Millions, as of 31 December 2022	Ireland	Italy	Germany	Other	Total
Net Premiums Written	4,272.3	8.7	35.9	1.6	4,318.5
Net Claims Incurred	(1,984.7)	(138.6)	(2.1)	(6.2)	(2,131.6)
Net Changes in Technical Provisions	1,454.3	334.2	(13.1)	12.2	1,787.6
Investment Income	(3,476.3)	(190.2)	1.1	(5.9)	(3,671.4)
Total Expenses	(212.0)	(23.7)	(12.2)	(0.9)	(248.8)
Total Underwriting Performance	**53.5**	**(9.6)**	**9.7**	**0.8**	**54.4**

The Company's domestic business mix is typical of the Irish market, including unit-linked, guaranteed protection, unitised with-profit, annuity, group protection and reviewable protection.

The Company sells a guaranteed term assurance product into Germany under the European Freedom of Services ('FoS') framework which is open to new business.

The Company previously sold a single premium unit-linked product and a regular premium unit-linked product with third party guarantees into the Italian market through the FoS framework. The Company launched similar products under the Freedom of Establishment ('FoE') framework through ZLAP's Italian Branch which was established in late 2009. During 2022, ZLAP closed the branch which it had operated in Italy and completed a transfer of business sold in Italy on both FoS and FoE frameworks to Zurich Investments Life SpA ("ZIL") (the life legal entity of the Zurich Group in Italy). This transaction reflected the Company's strategic plan to exit the Italian market where it has been closed to new business since September 2019.

The 'Other' category includes small books of Swedish and Spanish business which closed to new business prior to 2018. Top-ups and regular premiums continue on existing policies.

Key points to note in relation to the differences between the two periods are:

• Profits on the domestic business were lower in 2023. Profits on both Insurance with profits participation business and on index linked and unit linked business were lower in 2023, as noted above. Expenses in 2023 were higher with the underlying book of business also growing due to the strong performance in sales and the positive investment market returns in the unit-linked and index-linked funds in 2023.

• Prior year profits on the Italian business were impacted by the costs associated with the portfolio transfer which was completed in 2022. Therefore, there were no Italian cashflows in 2023.

• Profits on the German and other business are in line with prior year.

Reconciliation from the Solvency II Information

The reconciliation from the underwriting information above to the profit reported in the financial statements is as follows:

Reconciliation from the SII information

in EUR Millions, as of 31 December	2023	2022
Underwriting Performance above	53.9	54.4
Shareholder Investment Return	(49.4)	95.5
Profit on Ordinary Activities Before Tax	**4.5**	**149.9**

The -€49m of investment return for 2023 above relates to returns on shareholder assets.

The Company uses derivative programs to reduce the equity and currency risk exposures within the Solvency II Balance Sheet. For example, under Solvency II, the value of future fund-based fees on unit-linked funds is included in the liabilities and will be matched by the market value movement of the derivatives. However, the derivative programs increase in-year profit and loss volatility in the financial statements as there is a timing difference between the recognition of asset and liability movements which can create gains / losses in a particular year. The market value movement in the value of the derivative assets is recognised in the financial statements immediately but the corresponding change in future fund-based fee income is not recognised until fees are collected from the unit funds over many years into the future.

A. Business activities (continued)

The derivative counterparty is another entity within the Zurich Group. The Company (loss)/profit before tax on the derivative programs was (€49.5m) in 2023 with an equal and opposite impact for the counterparty. (The (loss)/profit was €71.5m in 2022). This is the main driver of the movement in Shareholder investment return between 2023 and 2022. This impact is due to external equity and currency market movements in the relevant periods. The derivative programs are designed to hedge the economic exposure rather than being tailored to an in-year accounting impact as reported in the Financial Statements

A.3 Investment Performance

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was €3,619m in 2023 compared with -€3,556m in 2022. Investment Income is dependent on the performance of the financial markets. In line with external investment market movements, investment returns were positive in 2023 and negative in 2022. Investment income on policyholder unit linked assets is closely matched by a corresponding movement in policyholder unit linked liabilities.

The investment income shown below includes both the return on shareholder assets and assets backing the policyholder liabilities.

Investment Income by Asset Class

in EUR Millions, as of 31 December	2023	2022
Equities	2,415.7	(1,932.5)
Bonds	324.7	(395.4)
Unit Trusts	801.2	(1,053.8)
Deposits	77.1	(174.7)
Total	**3,618.7**	**(3,556.4)**

The key points to note on the investment return are listed below:

Equities

The investment return on equities includes dividend income and capital gains/losses from equity market performance. In recent years, the global economic environment has featured high levels of volatility and uncertainty driven by a combination of factors including the COVID-19 pandemic, rising inflation and interest rates, concerns around oil and gas supplies caused by the Russia – Ukraine conflict and ongoing issues in global supply chains. Against this backdrop, 2022 saw an overall reduction in equity market values whereas 2023 saw positive overall trends in equity market values .

Bonds

The investment return on bonds includes coupon payments and capital gains/losses from bond market performance. Interest rates increased significantly during 2022 from the historic low / negative interest rate environment seen in previous years. The sharp rise in interest rates led to a reduction in the market value of bonds held during 2022. Interest rates decreased again in the latter stages of 2023 which led to an increase in the value of bonds.

Unit Trusts

Unit Trusts are mainly held by policyholders through unit-linked funds. The returns depend on the assets that the unit trust is invested in. The unit trusts in ZLAP's unit-linked funds are mainly invested in equities. Investment returns on Unit Trusts were aligned with the trend seen in equity markets being negative in 2022 and positive in 2023.

Deposits

Interest is paid on cash deposits, according to the rates decided by the accepting banks.

Investment management expenses of €19.0m in 2023 include interest payable and the indirect costs, including the relevant staff, accommodation and computer costs of acquiring and managing all types of investments.

Article 293 of the Commission delegated Regulation (EU) 2015/35 requires the Company to include information about any gains and losses recognised directly in equity. Unrealised gains of €157m on the Available for Sale Assets ('AFS') were recognised directly in the equity in the 2023 ZLAP financial statements. Interest rates decreased during 2023 which led to an increase in the market value of bonds held during 2022.

Article 293 of the Commission delegated Regulation (EU) 2015/35 also requires the Company to include information about any investments in securitisation. The Company held no securitised assets at 31/12/2023.

A.4 Performance of other activities

All material income and expenses (excluding tax) are included in the underwriting performance outlined in Section A.2.

A. Business activities (continued)

Guideline 2 of the EIOPA Guidelines on Reporting and Public Disclosure requires the Company to describe in general the leasing arrangements in relation to each material leasing arrangement. ZLAP has entered into certain property lease contracts in relation to buildings. These consist of three separate agreements where ZLAP is the lessee, only the Enterprise House / Zurich House lease is deemed material.

A.5 Any other Information

The Company adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this report have been restated for the effect of the adoption of IFRS 17. Pursuant to Article 293 of the Commission delegated Regulation (EU) 2015/35 no additional material information on ZLAP's business and performance has been identified.

B. System of Governance

B.1 General Information on the system of governance

The Board

ZLAP's board of directors ('the Board') is responsible for the governance and oversight of all aspects of ZLAP's business. The Board operates in accordance with clearly defined terms of reference.

The Terms of Reference of the Board provide that it will, amongst other matters:

- Direct and control ZLAP's business and set and oversee the strategy;
- Provide for the effective, prudent and ethical oversight of ZLAP;
- Set and oversee a robust and transparent organisational structure with effective communication and reporting channels;
- Set and oversee an effective internal control framework that includes well-functioning Risk Management, Actuarial, Compliance and Internal Audit functions as well as an appropriate financial reporting and accounting framework;
- Set and oversee policies on key areas such as: risk, reserving, compliance, internal audit, outsourcing, fitness and probity, business continuity, remuneration and board diversity;
- Set risk appetite and overall risk tolerance levels;
- Set and oversee the strategy for the management of material risks; and
- Review ZLAP's systems of internal controls.

Committees of the ZLAP Board

The Board has established the following committees which report directly to it:

The **Board Audit Committee** ('BAC') assists the Board in controlling, overseeing and coordinating internal and external audit activities and processes. It also monitors the financial reporting process and reviews the annual financial statements and regulatory filings, as well as overseeing the activities of the Compliance function and reviewing any key actuarial reports, including reports on the valuation of the Technical Provisions and any sensitivities therein.

The **Board Risk Committee** ('BRC') serves as a focal point for oversight of risk management. It reviews current exposures and makes recommendations to the Board on ZLAP's risk appetite and future risk strategy as well as overseeing the Risk Management function.

The **Nomination Committee** assists and supports the Board on matters relating to the composition and membership of the Board and senior appointments within the Company. It oversees succession planning and compliance with corporate governance requirements in relation to the composition and membership of the Board. The Nomination Committee monitors Board succession planning through a diversity lens including progress made on the strategy and action plans in place for diversity and inclusion.

The Board has elected not to establish a Remuneration Committee and instead relies on the Remuneration Committee which exists at Group level.

Executive Management and Management Committees

The Board has delegated broad executive powers to the CEO to manage and operate ZLAP's business.

The following key management committees have been established to assist and support the CEO and other senior management in fulfilling their responsibilities:

1. The **Management Committee** assists and supports the CEO in managing and overseeing all the business and operations of ZLAP.

2. The **Asset Liability Management and Investment Committee** ('ALMIC') assists and supports the CEO in managing and overseeing the investment of ZLAP's portfolio of investment assets in accordance with the investment strategy.

3. The **With-Profits Committee** considers reports from the Head of Actuarial Function on unitised with-profits funds and material unitised with-profits matters.

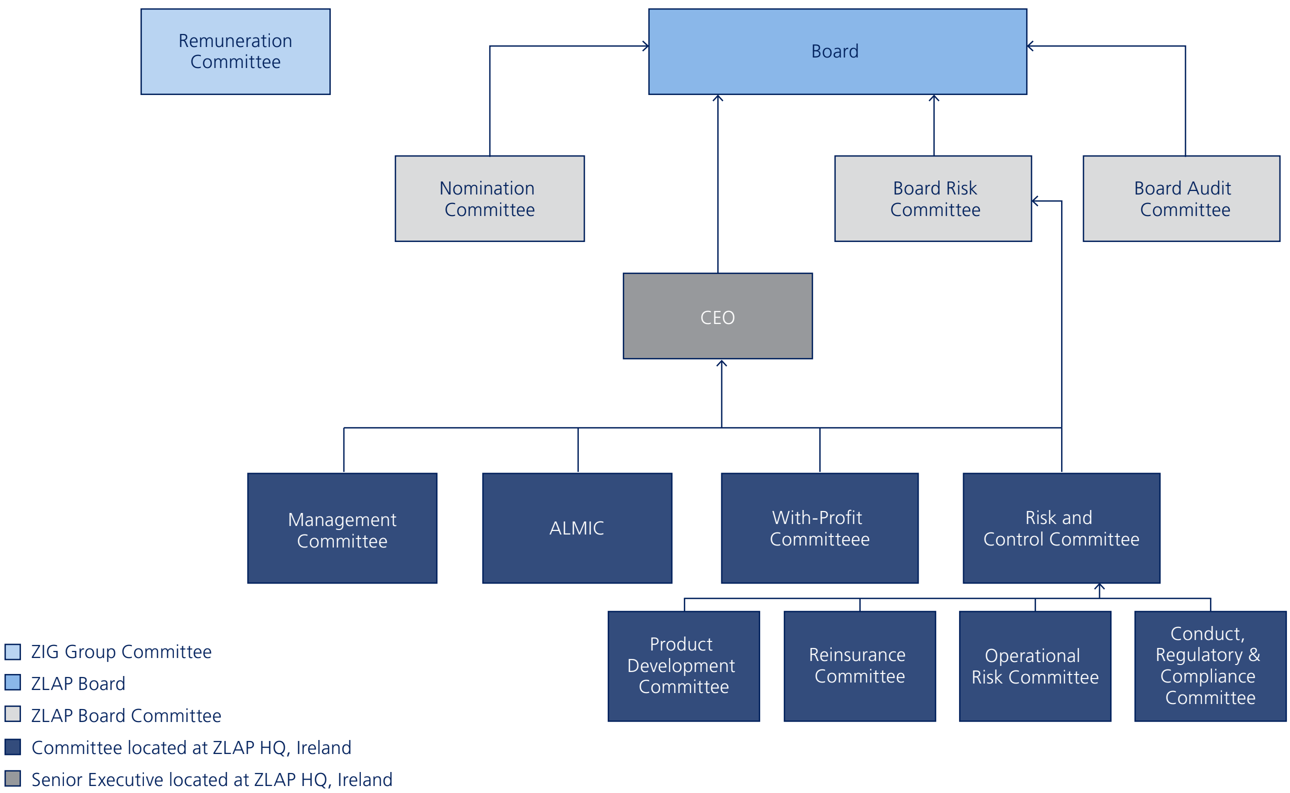
4. The **Risk and Control Committee** ('RCC') assists and supports the CEO and members of the Management Committee by providing an integrated assurance forum to manage, control, oversee and co-ordinate risk management, compliance and internal control activities.

ZLAP writes business in Germany on a Freedom of Services basis. ZLAP manages two small, closed books of business in Spain and Sweden.

B. System of Governance (continued)

The governance reporting structure is summarised in the chart below.

ZLAP Corporate Committee Structure



Key Functions

ZLAP's key functions are as follows:

- The Risk Management function, led by the Chief Risk Officer (CRO), is responsible for facilitating the implementation and effective operation of the ZLAP Enterprise Risk Management ('ERM') Framework, reporting on risk exposures and making recommendations to the Board on risk appetite and other risk management matters. Further information on the risk management system is contained in Section B.3 of this report.

- The Compliance function, led by the Chief Compliance Officer, is responsible for promoting an ethics-based culture, delivering compliance solutions and providing assurance. Among other things, the Compliance function advises the Board on compliance with laws and regulations, assesses the impact of changes in the external legal environment and assesses the adequacy of measures taken by ZLAP to prevent non-compliance. Further information on the Compliance function is contained in Section B.4 of this report.

- The Internal Audit function, led by the Legal Entity Head of Internal Audit, is responsible for providing independent and objective assurance to the Board, the BAC and the RCC on the adequacy and effectiveness of ZLAP's risk management, internal control and governance processes. Further information on the Internal Audit function is contained in Section B.5 of this report.

- The Actuarial function, led by the ZLAP Head of Actuarial Function, is responsible for carrying out the regulatory actuarial function activities of ZLAP including the provision of regular reports to the Board on Technical Provisions. Further information on the Actuarial function is contained in Section B.6 of this report.

Each of the Risk Management, Compliance and Actuarial functions reports to and has access to the Board independent of their own management reporting line and has the right to receive all relevant information and be appropriately resourced to perform their respective role(s).

B. System of Governance (continued)

ZLAP's Internal Audit function is provided by the Zurich Group Internal Audit function. An appropriate service level agreement requires that sufficient resources with appropriate capability and competence are provided to deliver the audits contained in ZLAP's approved annual internal audit plan. If the independence or objectivity of the Internal Audit function is impaired, this must be disclosed to the BAC and appropriate action taken.

The table below summarises the regularity with which each of these functions reports to the Board (and/or Board Committee).

Table:ZLAP Key Functions

Function name	Responsible role title	Report mechanism into Board
Risk Management Function	Chief Risk Officer	– Report to the Board Risk Committee (quarterly) – Report to the Board (periodically as required)
Compliance Function	Chief Compliance Officer	– Report to the Board Audit Committee (quarterly)
Internal Audit Function	Legal Entity Head of Internal Audit	– Report to the Board Audit Committee (quarterly)
Actuarial Function	Head of Actuarial Function	– Report to the Board as required (e.g. annual Actuarial Function report)

Overview of Remuneration and ZLAP's Remuneration Policy

The Board has determined that it is appropriate for ZLAP to rely on the Zurich Group Remuneration Committee rather than establish its own Remuneration Committee. The Board has adopted the Zurich Group Remuneration Rules ('ZRR') as ZLAP's remuneration policy without material deviation.

The ZRR establish a balanced and effectively managed remuneration system for employees which ensures competitive total remuneration opportunities for which the resulting awards are adjusted depending on the results achieved. The short and long-term incentive plans (STIP and LTIP) aim to align the remuneration architecture with the achievement of key financial objectives, the execution of the business strategy, the risk management framework and the operational plans. The ZLAP Board satisfies itself that the remuneration policy does not encourage excessive risk taking.

The variable remuneration is largely determined by the achievements against pre-defined financial measures which are aligned with the meeting of strategic objectives. For the most senior employees the remuneration architecture is structured in a way that puts more emphasis on the variable remuneration elements with a higher weighting, on average, towards the long-term.

For senior employees a proportion of their remuneration is deferred and is dependent on Company performance. The performance based target shares guaranteed under the LTIP only vest if certain performance criteria of the Zurich Group are met over a three year period.

Independent non-executive members of the Board receive fixed remuneration as an annual fee which is not subject to the achievement of any specific performance criteria. Board members and key function holders are, where relevant, members of their respective country pension schemes and all arrangements are subject to the standard rules of those schemes. For Board members and key function holders which are directly employed by the Company, there are no supplementary pension or early retirement arrangements in place. This is aligned with the position for other employees of the Company.

Material Transactions with Zurich Group companies during 2023

ZLAP have a number of existing reinsurance and derivative arrangements with other entities within the Zurich Group. There were reductions to the coverage of some of the existing derivative programs in 2023.

ZLAP paid a dividend, totalling approximately €65m, to its shareholder ZHIL in December 2023. ZLAP made two capital contributions totalling €4m to Zurich Ireland Master Trustee DAC ("ZIMT"), a wholly owned direct subsidiary of ZLAP, during 2023

Material changes in the system of governance

On 29 December 2023, key aspects of the CBI's Individual Accountability Framework ("IAF") came into operation. These include the Common Conduct Standards (applicable to certain individuals in all regulated firms) and the Additional Conduct Standards (applicable to senior executives in those firms). In addition, the IAF enhances the CBI's Fitness and Probity Regime. The Senior Executive Accountability Regime, another element of the IAF, will apply to ZLAP (as with other in-scope firms) generally from 1 July 2024 and to independent non-executive directors from 1 July 2025.

There were no other material changes to the System of Governance during 2023.

B. System of Governance (continued)

B.2 Fit and proper requirements

Insurance companies must be satisfied that people who perform certain roles comply with standards known as the Fitness and Probity Standards which are issued by the CBI. These standards have recently been enhanced by the IAF. As noted above, key aspects of the IAF came into operation on 29 December 2023. These include Common Conduct Standards (applicable to certain individuals in all regulated firms) and the Additional Conduct Standards (applicable to senior executives in those firms). The Senior Executive Accountability Regime, another element of the IAF, will apply to ZLAP (as with other in-scope firms) generally from 1 July 2024 and to independent non-executive directors from 1 July 2025.

The Fitness and Probity Standards apply to people who are likely to significantly influence the conduct of the business of ZLAP or who ensure its compliance with relevant obligations. They also apply to people who deal directly with customers, for example in an advisory capacity or with respect to claims and complaints.

The Fitness and Probity Standards require those performing these roles to be competent and capable, honest, ethical, act with integrity and be financially sound.

The Board has approved a policy and implemented controls to ensure that it meets these requirements. The Company will carry out checks in advance of a person being appointed to such a role to obtain:

- Evidence of compliance with certain minimum competency standards;
- Evidence of professional qualification(s);
- Evidence of Continuing Professional Development (where applicable);
- Record of interview and application;
- References;
- Record of previous experience; and
- Satisfactory checks in relation to Central Bank records, sanctions, directorships, judgements, bankruptcies.

A person will neither be appointed to a role nor be allowed to remain in a role unless ZLAP is satisfied with the checks carried out.

People who perform these roles are required to certify annually that they agree to abide by the Fitness and Probity Standards and that they will notify ZLAP of any material changes to the information previously provided. On an annual basis, the relevant checks are re-performed to ensure the individual continues to comply with the relevant standards.

B.3 Risk management system including the own risk and solvency assessment

Risk management in ZLAP

The taking of risk is inherent to the insurance industry, but such risk-taking should only be made in an informed and disciplined manner, within pre-determined risk appetite and tolerance levels, and in accordance with applicable Board-approved policies. To facilitate a structured approach to risk-taking, an ERM system is embedded in ZLAP's system of governance.

The ERM system is designed to support ZLAP's decision-making procedures by providing consistent, reliable and timely risk information, protecting ZLAP's capital and reputation from risks that exceed established risk tolerances. ZLAP's ERM system considers risks from both a top-down and bottom-up perspective. The ZLAP CRO is responsible for the implementation and effective operation of the ERM system across ZLAP. The CRO reports on risk matters to the CEO and senior management through the ORC and RCC and to the Board through the BRC and Board, as appropriate.

ZLAP has adopted a five pillar approach to Enterprise Risk Management:

- Risk Governance;
- Risk Culture;
- Risk Appetite Framework;
- Risk Identification and Risk Assessment; and
- Risk Monitoring and Risk Reporting.

Through this structured approach, ZLAP maintains an effective ERM system and adheres to the requirements of both the Corporate Governance Requirements in Ireland and the Solvency II regulations in respect of Risk Management.

B. System of Governance (continued)

Three lines of defence

A "three lines of defence" approach runs through ZLAP's risk governance structure, so that risks are clearly identified, owned and managed. The role of each of the three lines of defence in the Company's system of governance is summarised as follows:

• **First line:** Business management who take risks and are responsible for day-to-day risk management. First line management is responsible and accountable for the identification, assessment, management, monitoring and reporting of the individual risks that arise in their areas.

• **Second line:** Governance and control functions consisting of Risk Management, Compliance and Actuarial. They support the first line in managing and controlling specific types of risks. Second line functions are responsible for providing independent oversight and challenge in respect of first line activities.

• **Third line:** The Internal Audit function provides independent assurance regarding the effectiveness of the risk management, internal control and governance processes.

As part of the ERM system, the Risk Management function supports the Board in setting risk tolerance limits and evaluates breaches and potential breaches as part of the Risk Appetite Framework described below. The Risk Management function and other functions such as Compliance and Actuarial develop and operate methodologies to identify, manage and mitigate designated types of risk. The Risk Management function monitors overall risks, including specific risk types, and escalates through the system of governance any risk exposures that exceed ZLAP's risk tolerance. The ERM system is used extensively for decision-making across the business including strategy setting, business planning, product development, and capital management.

Risk Appetite Framework

ZLAP's Risk Appetite Framework enables the Company to manage its risks in a controlled manner. It sets out the means by which the Company monitors and manages its risks within parameters approved by the Board.

The Risk Appetite Statement reflects the Board's appetite for assuming risk exposures across the Company's risk profile. It sets out Key Risk Indicators ('KRIs') which measure risk exposures as well as limits within which the Company will maintain those exposures. The KRIs included in the Risk Appetite Statement are informed by both top-down processes, such as the ORSA, and bottom-up processes such as the RCSA.

Governing Policies

Alongside the Risk Appetite Framework, the Board has also approved the ZLAP Risk Management Policy and adopted the Zurich Group Risk Policy which set out principles and standards for Company-wide risk management. They specify ZLAP's risk tolerance, risk limits and authorities, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to senior management and the Board. The reporting requirements, as set out in these policies, is provided to Board and management level committees, as appropriate, on a regular basis.

The Own Risk and Solvency Assessment

The ORSA process is a key risk management tool for considering the ongoing suitability and sustainability of the Company's strategy in the context of its financial position and risk profile. This annual process provides the Board with both quantitative and qualitative assessments of risks to which the Company is exposed.

The Board is responsible for directing and overseeing the annual ORSA process, challenging the findings and recommendations, and reviewing and approving the ORSA policy and ORSA report. In 2023, the final version of the ORSA report was presented and approved at the December Board meeting. A full copy of this report was also submitted to the CBI.

Key elements of the ORSA process include:

• A scenario and sensitivity testing exercise to assess ZLAP's ability to withstand certain shocks while continuing to meet its policyholder obligations framed by its strategic objectives;

• An assessment of Overall Solvency Needs ('OSN'), taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the Company;

• An assessment of the significance with which the risk profile of the business deviates from the assumptions underlying the standard formula calculation; and

• Confirmation of compliance, on a continuous basis, with the regulatory capital requirements and with the requirements regarding Technical Provisions.

B. System of Governance (continued)

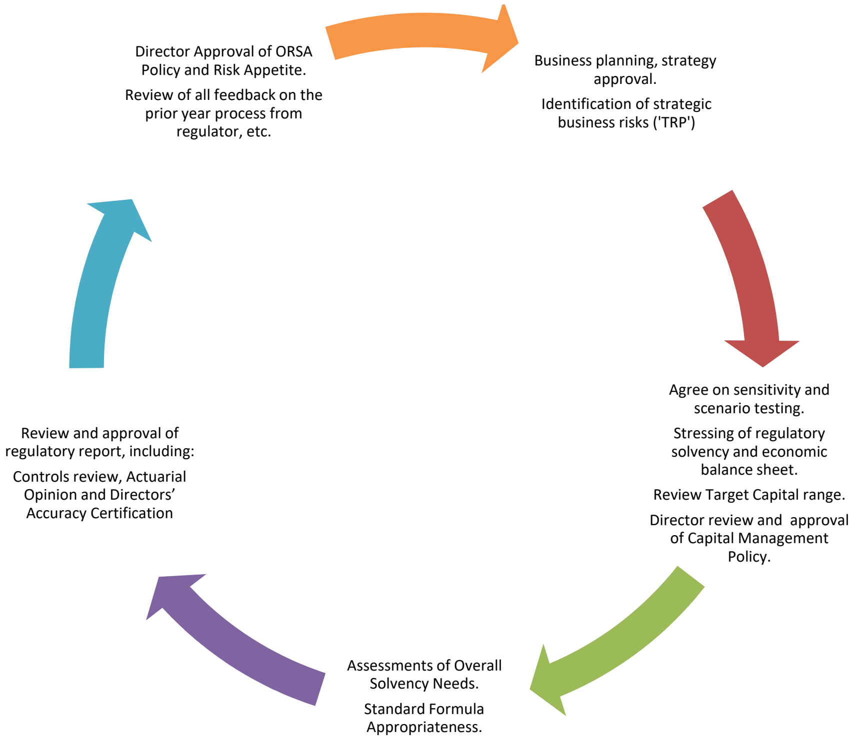
ZLAP's capital, in a Solvency II context, refers to the value of the assets held by the Company over and above those required primarily to meet a best estimate of its policyholder obligations, which is known as Own Funds. The regulatory view of capital, set out in legislation, prescribes how the Company should determine its required capital, the Solvency Capital Requirement ('SCR'), using a methodology known as the standard formula. The standard formula methodology is prescribed by the European Insurance and Occupational Pensions Authority ('EIOPA') and is intended to represent the risk profile of an average or typical (re)insurance undertaking. The Company validates the continued use of this methodology via the assessment of standard formula appropriateness, which is carried out annually.

ZLAP's OSN assessment relates to the Company's own view of its risk profile and related capital requirements, which recognises that, as a standardised methodology, the standard formula can't reflect the Company's risk profile perfectly. Through this process, a level of capital in excess of the regulatory requirement is determined which enables the Company to continue to meet regulatory requirements in adverse scenarios. In determining the OSN the Company engages in an exercise to consider the identification, quantification and management of material risks facing ZLAP, both immediately and over the period of the business plan. These material risks, and ZLAP's ability to withstand them, are considered through the use of adverse sensitivity and scenario testing quantified both immediately and over the period of the business plan.

Sensitivity testing involves assessing the impact of an adverse event or set of conditions related to one risk to which the Company is exposed, whereas scenario testing involves an adverse event or set of conditions related to two or more risks. Reverse stress testing, where the Company considers extreme risk events which threaten compliance with regulatory capital requirements, and qualitative risk assessments are also considered. Through the scenario and sensitivity testing exercise and the qualitative assessments, the ORSA provides the Board with a holistic view of the Company's resilience to adverse conditions such as reduced levels of new business or the materialisation of adverse macroeconomic conditions. This analysis inputs into the validation of the OSN and the Company's approach to capital management. Where appropriate, the Board may instruct further assessments to be carried out or actions to be taken should the ORSA bring to light any areas where such activities may benefit the Company.

The ORSA process is embedded within ZLAP's ERM framework. Processes within ZLAP such as the Company's capital management process align with the ORSA. The risk and capital assessments and conclusions arising from the ORSA are used within business decision-making processes, including the ongoing development of ZLAP's strategy, business planning, product development and capital management policy.

ZLAP's ORSA process is summarised in the following diagram:



Governance of the ORSA process is defined in ZLAP's ORSA Policy which is approved by the Board. This policy sets out the following:

- Roles and responsibilities within the ORSA process;

B. System of Governance (continued)

• Processes and procedures for conducting the ORSA, including the forward-looking assessment of own risks and solvency;

• Links with the overall Risk and Capital Management System; and

• Frequency and timeline of the ORSA report production.

The 2023 ORSA process concluded, amongst other things, that ZLAP's base case projection of capital, incorporating the strategy, is consistent with the Company's risk appetite capital adequacy levels and that the Company's regulatory capital remains appropriate relative to the risk profile.

Outside of the normal annual process, an out-of-cycle ORSA process may be triggered by events such as a material change in ZLAP's risk profile including major acquisitions or divestments, major shifts in product mix or major changes in the business, operating or external environment. No such out-of-cycle ORSA process was required during 2023.

B.4 Internal control system

ZLAP's internal control system consists of a number of elements. The purpose of these elements is to be complementary and thus foster a comprehensive and effective system overall. The elements are outlined below.

ZLAP adopts principles and tools used by the Zurich Group in relation to internal controls, with adaptation to local requirements. ZLAP's internal control system covers operational processes across all areas of the business as managed through the local RCSA framework and the Group Internal Controls Integrated Framework ('ICIF'). ZLAP's internal control system also include the Internal Controls over Financial Reporting ('ICFR') and Controls over Economic Capital and Solvency ('CECS') frameworks which are used to mitigate the risk of financial reporting errors.

Accountability for each control lies with management in ZLAP and delegation of responsibility follows a transparent approach subject to governance rules (e.g. control delegate must have sufficient knowledge to perform the control). The certification process, attesting to the implementation and effectiveness of controls, is managed via the Zurich Group's Risk and Control Engine ('RACE') tool.

The ZLAP Risk Management function supports other functional management in the implementation of the risk and control framework across ZLAP and provides challenge as to the effectiveness of the controls in place. The Risk Management function reports on the effectiveness of the internal control framework through ZLAP-wide monitoring of the certification process, controls testing and engaging with local teams when gaps or inconsistencies in the control environment are identified.

Risk & Control Identification – Bottom-up approach: The Company's bottom-up approach to risk management comprises its RCSA framework, the focus of which is the identification and assessment of the Company's risks and the corresponding controls. The aims of the framework are to have a clearly defined process in place for coordinating risk assessments with the first line of defence and to provide a mechanism for the identification, discussion, assessment, management and monitoring of existing/emerging risks and relevant controls, with challenge and support being provided by the Risk Management function in the second line.

The RCSA framework is supported by the following:

- An RCC-approved policy;
- A Risk Taxonomy to guide the identification and categorization of risk types;
- A "Risk Champions Forum" to foster engagement and two-way discussions between the first line and Risk Management;
- Quarterly attestation to risks and controls by the first line, with oversight and independent control testing by Risk Management;
- Implementation of action plans to remediate any issues arising; and
- Independent testing by second line on design and operating effectiveness of controls.

This suite of information is reported on RACE. An Operational Risk Profile report summarising the information on RACE is reported to the RCC, BRC and BAC on a quarterly basis.

Other elements: Other key elements of ZLAP's internal controls system include administrative and accounting procedures, appropriate reporting arrangements at all levels of the Company and an established Compliance function which is described below.

B. System of Governance (continued)

Compliance function

ZLAP's Compliance function is underpinned by a Compliance Policy and a Compliance Plan. The compliance policy defines the roles, responsibilities, and reporting duties of the Compliance function. The compliance plan sets out the planned activities of the compliance function taking into account all relevant areas of the activities of ZLAP and their exposure to compliance risk.

ZLAP's Compliance function enables and supports the business to comply with rules, regulations and internal requirements by providing policies and guidance, business advice, training and assurance of appropriate compliance controls within its mandate. The Compliance function also supports ZLAP's management in maintaining and promoting a culture of compliance and ethics consistent with Zurich Group's Code of Conduct.

Through a comprehensive program the Compliance function implements, embeds and monitors internal compliance with policies and guidance. As part of that program all employees receive regular training on compliance and ethics. Each year, all ZLAP employees confirm their understanding of and compliance with Zurich's Code of Conduct.

The ZLAP Chief Compliance Officer facilitates and supports ZLAP in complying with all applicable regulatory and other compliance requirements within the compliance remit. The Chief Compliance Officer is responsible for identifying, documenting, advising, communicating, monitoring and reporting compliance with regulatory requirements and/or changes in such requirements to the CEO, the BAC and the RCC.

B.5 Internal Audit function

The Internal Audit function for ZLAP is provided by the Zurich Group's Internal Audit function (Group Audit). The Legal Entity Head of Internal Audit for ZLAP is responsible for providing assurance to the Board and the BAC on the adequacy and effectiveness of the risk management, internal control and governance processes.

The Board has approved an Internal Audit policy which provides for the development of a risk-based audit plan, based on the full spectrum of business risks and any specific concerns raised by the BAC or other stakeholders. The BAC is responsible for approving the annual audit plan and any subsequent changes. The audit plan is executed 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').

Key issues observed by the Internal Audit function as part of their audit work are reported to the responsible management function, the CEO and the BAC.

The Internal Audit function has operational independence to carry out its tasks and to report to and advise the Board (via the BAC). To ensure independence, all Group Audit staff globally ultimately report through to the Group Chief Auditor and Group Audit maintains processes and controls to ensure its staff are independent and objective in all assignments. The Internal Audit Policy provides that if the independence or objectivity of the Internal Audit function is impaired, then details of the impairment will be disclosed in the audit report to the Board and appropriate action taken. Additionally, the Internal Audit function is quality-reviewed periodically (at least every five years) by an independent qualified body. This review was conducted most recently in 2021 and the results confirmed that Group Audit's practices conform to IIA standards.

B.6 Actuarial function

The ZLAP Head of Actuarial Function ('HoAF') is responsible for the Actuarial function and for the tasks carried out by that function under Solvency II and the requirements of the CBI's Domestic Actuarial Regime in Ireland. All Actuarial function staff report to the HoAF.

The high level responsibilities of the Actuarial function are:

- Co-ordination and validation of the calculation of Technical Provisions;
- Opining on ZLAP's underwriting policy, the adequacy of its reinsurance arrangements and the Company's ORSA;
- Contributing to the effective implementation of the risk management system; and
- Implementing any additional requirements under the CBI's Domestic Actuarial Regime.

As part of its key function role the Actuarial function provides independent and objective assurance to the Board and BRC. To this end the Actuarial function reports to the Board on its activities via a written report submitted at least annually, documenting the tasks performed, identifying any deficiencies where relevant and giving recommendations as to how they should be remedied.

The Actuarial function also provides assurance to the BAC in respect of the valuation of ZLAP's Technical Provisions.

B. System of Governance (continued)

B.7 Outsourcing

The Company can enter into new outsourcing arrangements where it has identified a material benefit in doing so and will review any proposed new outsourcing arrangements from commercial, regulatory, and customer perspectives. The benefits may include increased efficiencies and reduced costs, reduced risk exposure, and availing of specific expertise or new technology.

The Company seeks to ensure that any proposed new or amended outsourcing arrangement is considered in the context of the Board's appetite and preference towards operational risk and the potential impact on the quality of service to our customers. The Company has a Board approved outsourcing policy which sets out the risk management principles and requirements for managing outsourcing arrangements.

Key principles of the policy are that:

- Decisions to outsource are thoroughly reviewed and appropriately approved;
- Regulatory requirements, including those relating to critical or important functions or activities are met; and
- Capability, risk and control assessments are conducted prior to service commencement and providers are effectively monitored during the life of an arrangement.

The Board and senior management retain overall responsibility for outsourced activities.

Critical activities that have been outsourced by the Company are as follows:

ZLAP's Service Providers

Service Provider	Services Provided	Jurisdiction
Zurich Group	Internal Audit	Switzerland
Zurich Group	Management of IT Services, Support and Maintenance	Ireland & Switzerland
Zurich Group	Policy Administration Services for Swedish & Spanish propositions	Isle of Man
Zurich Group	Policy Administration Services for German propositions	Germany
External	Payroll application support and maintenance	Ireland
External	Printing, posting and document management services	Ireland
External	Policy Administration Services for German propositions	Ireland & Poland
External	Management of IT Infrastructure, Support and Maintenance	Ireland & Switzerland
External	Application Support and Maintenance for some applications	Ireland & Switzerland
External	Certain fund management services	Ireland
External	Application support and maintenance for an investment application	United Kingdom

B.8 Any other information

Assessment of system of governance

ZLAP reviews and, where appropriate, makes enhancements to its system of governance on an ongoing basis. During each calendar year, internal reviews are performed that consider the adequacy of individual components of the system of governance. The reviews take account of the nature, scale and complexity of the risks inherent in ZLAP's business. Updates are provided, as appropriate, to the Board or one of its Committees and typically involve feedback from the relevant management functions (including, where appropriate, the key functions). ZLAP is satisfied that its system of governance is adequate in relation to the nature, scale and complexity of the risks inherent in ZLAP's business.

C. Risk Profile

Risk Profile

Introduction – Risk Strategy and Appetite.

ZLAP's risk strategy represents its overall approach to accepting and managing risk. ZLAP targets an appropriate balance of risks in pursuit of its business plan objectives, whilst seeking to reduce or eliminate those risks which do not add value or align to the business plan.

As determined by our Risk Appetite Framework, which is aligned to the profile of business that the Company sells as an authorised Life Insurer, ZLAP has a preference for the below risk types. Such risks may be accepted in a controlled fashion as they can be sufficiently rewarded through profit generation or the efficient use of available assets:

- Market risk; and
- Life insurance underwriting (mortality, morbidity and longevity) risk.

Additional risks such as credit, expense, lapse, and operational risks are an unavoidable aspect of the Company's business model. ZLAP acknowledges that these risks cannot be eliminated completely in a cost-effective way, but can be tolerated and managed to acceptable levels using ERM techniques.

The Risk Appetite Framework provides a boundary to the types and level of risks accepted within ZLAP's business plan. The Risk Appetite Framework consists of three pillars. The three pillars and how each of them is articulated are set out in the table below.

ZLAP's Risk Appetite Framework

Capital & Liquidity	Sustainable Earnings	Reputation & Sustainability
Maintain capital and liquidity levels to meet obligations and regulatory / other requirements with a high degree of confidence.	Take sufficient (acceptable) risks to achieve target profits and cash generation in a sustainable fashion.	Protect reputation and brand through adequate governance and stakeholder consideration.

Overview of key risks

ZLAP manages a mix of risks typical to a life assurance company in Ireland. Its key risks include underwriting, market, credit (default), and operational risks. The Company's approach to managing each of these risks is set out in this section of the report.

The Company is also exposed to liquidity risk. While the potential for a liquidity risk event occurring is very low, should an event arise it would have a material impact on the Company's operations and its customers. The Company's approach to managing liquidity risk has also been set out.

The Company's approach to managing other material risks, as identified through the Company's risk identification and monitoring processes, has also been set out.

ZLAP's SCR at year end 2022 and 2023 is shown below, split by risk type. This is a breakdown of the capital that ZLAP needs to hold to cover its risks according to the regulatory requirements as determined by the standard formula methodology under Solvency II.

Solvency Capital Requirement split by risk type

in EUR millions, as of 31 December	2023	2022
Market Risk	397.8	319.1
Counterparty Default Risk	32.3	36.9
Life Underwriting Risk	573.5	484.6
Health Underwriting Risk	45.8	42.6
Diversification	(247.5)	(212.4)
Basic SCR	**801.9**	**670.7**
Operational Risk	42.5	40.3
Deferred Tax Adjustment	(34.8)	(10.6)
Total SCR	**809.6**	**700.4**

The table illustrates that the Company's regulatory capital requirement increased by €109m in 2023 to €809.6m. The main driver is the positive investment growth in 2023 which increased ZLAP's expected future profits on unit linked business. This is the main driver of the increase in Life and Market Risk.

C. Risk Profile (continued)

The Company may have direct exposure to equity and FX risk through its own asset holdings. However, the Company is also indirectly exposed to equity and FX risk via its unit-linked funds because the value of future fund-based fee income (management charges) is proportional to the value of the assets in the funds. ZLAP previously implemented derivative programmes in respect of US equity, European equity and $/€ FX exposure which continued into 2023.

C.1 Underwriting risk

Underwriting risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Key underwriting risks are described below:

- Mortality risk – Where actual claims experience resulting from the death of policyholders is higher than expected;
- Longevity risk – Where policyholders, annuitants in particular, live longer than expected;
- Morbidity risk – Where actual claims experience resulting from the ill-health of policyholders is higher than expected;
- Lapse risk – Where policies are discontinued or contributions are reduced at an unfavourable rate compared to that which is expected; and
- Expense risk – Where expenses incurred in acquiring and administering policies are higher than expected, which includes the impact of higher expense inflation relative to expectations.

Risk concentrations

Concentrations of underwriting risk can arise from a large individual exposure or from an exposure to a group of interconnected insured individuals. Concentrations of risk, if not managed appropriately, could have the potential to produce losses large enough to threaten the Company's business plan and, in severe events, its ongoing capacity to continue its operations. In relation to underwriting risks, concentrations could arise with respect to large aggregated life insurance and morbidity exposures, such as where the Company provides insurance to the employees of a large company, and exposure to individual policyholders with large insurance amounts or benefits. Management of underwriting risk concentrations is discussed in the risk mitigation techniques section below.

Analysis of underwriting risk sensitivities

Given the nature of its business, ZLAP's solvency position is based partly on a number of assumptions related to underwriting risks which reflect both historical experience as well as views on expected future developments. These assumptions reflect the Company's best estimate of future claims, lapses and expenses that will arise in relation to existing policies. When assessing its SCR the Company considers the quantitative impact should future experience deviate materially from the best estimate assumptions.

ZLAP also carries out sensitivity and scenario testing as part of the ORSA process (see Section B.3), which includes an assessment of underwriting risks. This enables management and the Board to better understand the Company's resilience to adverse outcomes in respect of underwriting risks, both now and into the future, which helps inform business planning as well as other decision-making processes.

A selection of individual sensitivities to the Company's solvency coverage ratio in respect of the underwriting risks discussed is set out in the table below, at 31/12/2023. The solvency coverage ratio is the ratio of the Company's total Own Funds to the regulatory SCR (the reported solvency coverage ratio at 31/12/2023 was 125% (see Section E for further details).

Underwriting Risk Sensitivities

Sensitivity	Coverage Impact
	%
5% increase in assured life Mortality	0%
5% increase in pensioner Longevity	-1%
5% increase in Morbidity	0%
A 10% increase in Lapses	+3%
A 10% increase in Renewal Expenses	-3%
A 0.25% increase in Expense Inflation per annum growth rate	-1%

A 10% increase in renewal expenses would cause a 3% reduction in the Company's solvency coverage. However, the Company places an emphasis on expense management, enabling this risk to be managed.

A 0.25% increase in future expected expense inflation per annum growth rate (relative to best estimate expectations) would cause a 1% reduction in the Company's solvency coverage. The Company's emphasis on expense management also contributes to the management of expense inflation risk.

C. Risk Profile (continued)

A 10% increase in future expected lapses results in an increase to the solvency coverage. The increase in lapses reduces both the SCR and the Company's available assets or Own Funds – as the reduction in the SCR is proportionately more than the reduction in the Own Funds, the overall impact is an increase in the solvency coverage of 3%.

ZLAP uses reinsurance to reduce its exposure to adverse trends in longevity, mortality and morbidity. As a result, adverse experience relative to best estimate assumptions does not have a significant impact on the Company's solvency coverage position.

Given ZLAP's robust current and best estimate of future solvency coverage levels, adverse changes to future experience at the levels tested by the sensitivities would not represent a material threat to ZLAP's financial strength. However, the Company continues to monitor these and larger sensitivities or combinations of sensitivities through the ORSA and other processes.

The COVID-19 pandemic highlighted the potential for underwriting risks, mortality and morbidity risks in particular, to materialise. While there was no significant increase in life or critical illness claims following the emergence of COVID-19, the pandemic was an example of the uncertainty that is inherent in predicting future claims experience and the importance of the risk mitigation techniques which are described below. It is highlighted that there have been no significant lasting impacts on ZLAP's claim experience as a consequence of the pandemic.

The risk of future adverse mortality and morbidity experience impacting the Company, potentially as a result of climate change, was considered in the 2023 ORSA analysis.

Risk mitigation techniques

Reinsurance is the means by which an insurance company transfers (some, or all) of its insurance risk exposures to a third party (a reinsurance company) in return for an agreed payment. ZLAP has a Board-approved Reinsurance Policy appropriate to the Company's overall risk profile which governs its reinsurance arrangements. The Reinsurance Policy is subject to annual review and the Company regularly reviews the risks covered by its reinsurance arrangements. A high proportion of ZLAP's mortality, morbidity and longevity risks are transferred to reinsurers. In the event that a reinsurer fails to meet its obligations in relation to the business covered by the reinsurance agreement, ZLAP would still be required to meet the full cost of claims. This is discussed further in Section C.3.

In addition, ZLAP applies robust new business underwriting standards which enables the Company to better understand the risks that it is accepting and, in some instances, to decline business where the risks are considered to be unacceptable. ZLAP applies local underwriting and claims policies and procedures that are consistent with the local and Zurich Risk Policy and regulatory requirements. The Company monitors longevity, mortality, and morbidity experience to enable the identification of any emerging trends in a timely manner.

Measures to manage lapse risk include identifying lapse trends, aligning customer service with customer expectations and structuring contracts in an appropriate manner.

Measures to manage expense and expense inflation risk include ongoing monitoring and analysis and seeking appropriate expense efficiencies through process improvements.

Concentration risks are managed in line with ZLAP's Concentration Risk and Underwriting Risk Policies. This includes the use of underwriting limits, catastrophe reinsurance, retention limits per individual life insured (with amounts above these limits being reinsured) and the setting of aggregate Risk Appetite limits at a portfolio level.

C.2 Market risk

Market risk is the risk of loss associated with assets and liabilities where their value or cash flow depends on financial markets. Key elements of market risk for the Company include:

- Equity risk;
- Interest rate risk;
- Credit spread risk; and
- Foreign exchange risk.

Equity risk is the risk of price fluctuations on equity markets affecting the Company's earnings, capital, solvency or liquidity position. While ZLAP may hold equities directly, the majority of the Company's exposure to equity risk emerges from other sources. ZLAP receives a fee income on unit-linked business which is proportional to the value of the assets under management across its fund range. Therefore, the Company's fee income will reduce if the value of the equities in those funds falls.

C. Risk Profile (continued)

Interest rate risk is the risk of changes in interest rates affecting the Company's earnings, capital, solvency or liquidity position. ZLAP is exposed to interest rate risk due to investments, typically bond assets, held in respect of expected future policyholder claims, unit-linked-fund values, employee benefit plans and loans and receivables. The Company engages in an asset-liability matching ('ALM') process to manage the interest rate risk which arises in respect of the present value of expected future policyholder claims.

Credit spread risk is the risk of changes in the level or volatility of credit spreads for a constant credit rating and the impact this can have on the value of assets and liabilities. Credit migration risk, the risk that a change in a counterparty's credit rating may also influence the level or volatility of credit spreads, is an associated risk. ZLAP is exposed to credit spread risk primarily through bond assets held in respect of its ALM process and the Company's employee benefit plans.

Foreign exchange risk is the risk of changes in foreign exchange rates affecting the Company's earnings, capital, solvency or liquidity position. Similar to equity risk, ZLAP's primary currency exposure relates to fee income from unit-linked funds where policyholder assets are invested in non-Euro denominated assets.

Risk concentrations

In respect of market risk, concentrations may arise in relation to exposures from individual issuers of equities and bonds (both Euro and non-Euro assets) as well as through large exposures to single asset classes or exposures by industrial or geographic sector. The management of concentrations is discussed in the risk mitigation techniques section below.

Analysis of market risk sensitivities

ZLAP's profitability and solvency coverage depend on a number of market risk factors. ZLAP carries out sensitivity and scenario testing as part of the ORSA process (see Section B.3) which includes sensitivity testing of market risks such as equity risk and interest rate risk. This enables management and the Board to better understand the Company's resilience to adverse outcomes in respect of market risks, both now and into the future, which helps inform business planning as well as other decision-making processes.

A selection of individual sensitivities to the Company's solvency coverage ratio in respect of the market risks discussed are set out in the table below, at 31/12/2023:

Market Risk Sensitivities

Sensitivity	Coverage Impact
	%
A 0.5% increase in Interest Rates	+2%
A 0.5% decrease in Interest Rates	-2%
A 10% increase in Equity Values	-7%
A 10% decrease in Equity Values	+8%
A 0.5% increase in Bond Spreads	-8%
A 0.5% decrease in Bond Spreads	+9%
A 25% decrease in FX exchange rates	+7%

Extreme but plausible sensitivity and scenario testing in respect of these risks are considered by the Company through the ORSA and the OSN process when assessing and determining required levels of capital. The Company also monitors the outcome of market risk sensitivities on a regular basis.

Sensitivity and scenario testing exercises enable the Company to understand the potential impacts of a range of market risk events and aiding its readiness to take appropriate steps to protect its capital position and policyholder interests.

Risk mitigation techniques

ZLAP manages its market risk through its Investment Strategy and Investment Risk Policy which are both approved by the Board. The ALMIC (see Section B.1) monitors investment risks and adherence to Investment Guidelines which have been designed to manage these risks within acceptable limits. The guidelines are consistent with those detailed in the Zurich Risk Policy and are reviewed on a regular basis.

ZLAP's in-house investment and actuarial teams work together to ensure that the characteristics of the Company's investment holdings match those of the underlying policyholder liability profiles. The asset and liability profiles are regularly reviewed, enabling management to take any steps necessary to rebalance the asset profile in a timely manner.

C. Risk Profile (continued)

ZLAP continues to implement derivative programmes to reduce its exposure to equity and FX risks. The extent to which these derivative programmes are deployed by the Company can be increased or decreased as appropriate following a defined review and approval process.

Another use of derivatives is an embedded interest rate risk hedging programme designed to mitigate the risks associated with contractual benefit options on a block of the Company's in-force business, the present value of which is linked to current interest rates.

ZLAP invests its assets in accordance with the 'Prudent Person Principle' as set out in Solvency II legislation. Aligned to this principle, ZLAP must only invest in assets and financial instruments whose risks the Company can properly identify, measure, monitor, manage, control and report, and appropriately account for in the assessment of its OSN. The Company must also ensure that its portfolio of assets is of sufficient quality and security and that the Company's liquidity needs have been accounted for as part of the asset selection process.

In relation to sustainability risk, ZLAP continues to maintain its key Responsible Investment principles as part of its Environmental Social and Governance ('ESG') integration strategy across all its investments. This approach is supported by Zurich Group's commitment to the UN Principles for Responsible Investment.

Concentrations of market risks are managed in line with ZLAP's Concentration Risk Policy and Investment Guidelines. Concentration risk management in respect of market risk includes the following:

- The ALMIC meets quarterly and monitors investment risks and oversees adherence to Investment Guidelines which have been designed to manage these risks within acceptable limits (these guidelines are monitored by the Company's Investment Back Office). The guidelines are consistent with those detailed in the Zurich Risk Policy and are reviewed on a regular basis;
- Trading limits and delegated authorities of individual dealers are agreed by the Chief Investment Officer ('CIO') and the Chief Financial Officer ('CFO'); and
- The Company also maintains a range of collateral arrangements (monitored by the Investment Back Office and overseen by the ALMIC).

C.3 Credit risk

Credit risk is the risk of loss arising from counterparties failing to fulfil their financial obligations or where there is an increased likelihood that they will fail to do so in the future. ZLAP's exposure to credit risk is mainly derived from assets such as bonds, bank holdings and derivatives, as well as balance sheet assets which have arisen as a result of its reinsurance arrangements.. ZLAP has limited credit exposure with respect to operational payments due, such as those from policyholders, intermediaries and other insurance companies.

ZLAP does not seek credit risk exposure in the same way as it seeks underwriting and market risk exposure. Credit risk arises out of operational necessity, such as the exposure to banks that hold cash on the Company's behalf, or as a result of risk transfer or reduction, such as exposure to reinsurance counterparties following the transfer of underwriting risk.

Risk concentrations

Concentrations of credit risk may arise in relation to the types of exposures outlined above.

The management of concentrations is discussed in the "Risk mitigation techniques" section below.

Risk mitigation techniques

The Company cannot avoid credit risk due to operational necessity. In some instances the Company accepts and manages credit risk which arises as a result of other risk management practices such as reinsurance. ZLAP's objective in managing credit risk exposures is to maintain the exposures that arise within parameters that appropriately reflect the Company's strategic objectives and Risk Appetite Framework. Sources of credit risk are assessed and monitored, and there are policies to manage the specific risks which arise. To assess counterparty credit risk, ZLAP uses ratings assigned by external rating agencies, qualified third parties such as asset managers, and internal rating assessments.

ZLAP maintains a Concentration Risk Policy as well as other guidelines and exposure limits which sets out the Company's standards when considering the associated risks. The following techniques are employed to manage credit risk concentrations across the Company:

- Credit risk is monitored by the ALMIC which receives updates on the credit quality of the Company's material (non-reinsurance) counterparties;
- Strict asset quality and diversification guidelines have been established for counterparties;

C. Risk Profile (continued)

- The Company engages with a panel of approved reinsurance counterparties and the Reinsurance Policy sets out exposure limits per reinsurer linked to credit rating;
- Amounts owed by reinsurers in respect of claims incurred are monitored regularly in line with agreed timelines;
- Ring-fenced fund arrangements are in place with the Company's custodians to secure its assets in the event that the custodian bank fails;
- The Company places cash deposits with a range of banks, limiting the exposure to any individual counterparty;
- Collateral arrangements are maintained in respect of third party Over the Counter derivative exposures; and
- Credit risk guidelines have been established in line with ZLAP's Risk Management Policy (supplemented by Zurich Risk Policy) and are managed in close cooperation with Group Investment Management and Group Risk Management.

Analysis of credit risk sensitivities

While sensitivity and scenario testing is useful in the assessment of credit risk, this risk type can be more appropriately assessed through qualitative analysis of the processes in place to manage this risk. The failure of a highly rated counterparty is considered to be a remote possibility and, as well as this, the interconnectedness of large reinsurance and banking institutions for example, can mean that a potential credit risk event is difficult to predict and assess using quantitative means. Having considered the potential scenarios that may arise and the Company's use of highly-rated counterparties, ZLAP is satisfied that the Company has appropriate recovery actions identified which can be implemented should such a scenario arise.

C.4 Liquidity risk

Liquidity risk is the risk that ZLAP 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. Liquidity risk could materialise where there is a mismatch in timing or amount between incoming and outgoing cashflows.

The Company seeks to minimise liquidity risk and engages in regular monitoring and risk management processes which enable it to meet its obligations as they fall due.

Risk concentrations

The Company's derivative programmes could result in a liquidity demand, therefore the derivative positions are closely monitored and appropriate triggers are in place to ensure timely action is taken. The Company does not have any other material concentrations of liquidity risk.

Risk mitigation techniques

ZLAP's Liquidity Policy sets out the framework for managing liquidity risk which includes:

- The Company aims to hold the assets underlying its unit-linked liabilities enabling claims on unit-linked polices to be met as they arise;
- Where the assets underlying the unit-linked funds are themselves illiquid, policy terms and conditions allow the Company to defer claims for a period while assets are sold to generate cash. This ability to defer claims protects those policyholders who remain invested into the future;
- Non-unit liabilities are generally cashflow-matched with highly rated bonds which can be sold quickly to generate cash in most market conditions; and
- Assets in excess of those which match policyholder liabilities are mainly invested in liquid, highly rated bonds and deposits with highly rated banks.

As well as having risk mitigation techniques in place to manage liquidity risk, the fee income from the existing portfolio of unit-linked funds provides a regular amount of cash to the Company which can be invested in appropriate assets or used to meet cash outflow.

Analysis of liquidity risk sensitivities

The ALMIC considers the appropriateness of the Company's current and projected liquid asset position. To enable the ALMIC to perform this review, an exercise to project the liquidity position over the duration of the business plan under a number of credible adverse scenarios is carried out annually. The 2023 exercise highlighted the resilience of the Company's liquidity positions in the face of the adverse scenarios which were assessed.

In addition to the ALMIC's review, ZLAP's monthly Liquidity Forum monitors the short term (1 month) and medium term (3 months) liquidity needs of the business. The current liquidity position is also monitored through the Company's risk appetite reporting.

As with credit risk, the Company's exposure to liquidity risk also benefits from qualitative analysis where potential sources of risk are considered.

C. Risk Profile (continued)

Expected profit included in future premiums

Solvency II regulations require the Company to provide the value of its Expected Profit Included in Future Premiums ('EPIFP'). The EPIFP reflects the amount of profit that the Company expects to generate from future premiums that are anticipated by the Company. At 31/12/2023, the Company's EPIFP was €66.2m.

C.5 Operational risk

Operational risk is the risk of a financial loss or gain, adverse reputational, legal or regulatory impact resulting from inadequate or failed internal processes, people, systems or from external events.

Specific types of operational risk, e.g. information security risk, are considered later in Section C.

Risk concentrations

The potential for concentrations of operational risks arises principally from exposures to key service providers who perform critical or important functions or activities ('CIFAs'). Key person dependency may also be considered a form of concentration risk. Certain members of staff may be regarded as high value assets and their departure or absence could result in loss of strategic and technical capabilities. As is the case with most financial services companies, the Company is also reliant on IT systems and concentrations may occur as all staff use common IT infrastructure.

Risk mitigation techniques

The Company's control frameworks (as described in Section B.4) are a key component in mitigating operational risks. Guidelines for assessing, mitigating and monitoring operational risk are set out in the Zurich Risk Policy and the Board approved ZLAP Operational Risk Management Policy.

Proactive operational risk management activities include:

- Oversight of control effectiveness in the ORC, RCC, BRC and BAC;
- Information security and cyber-security practices and reviews;
- Oversight teams engaged in monitoring the work of third party service providers;
- Monitoring quality and operational performance indicators on a regular basis;
- Appropriate research of market conditions and regulatory requirements before launching new products;
- Maintaining, testing and reviewing business continuity and disaster recovery plans;
- An annual risk-based schedule of internal audits; and
- Staff awareness campaigns on matters including business continuity, oversight of third parties, information security and risk management.

In particular, with regard to managing concentrations:

- The Company manages its third party concentration risks through its Outsourcing Framework as described in Section B.7; and
- The Company manages its key person dependency risk through succession planning, individual development plans and annual objective setting for staff, and a comprehensive training framework for all employees.

The Company has progressed a workstream intended to meet the guidelines set out by the CBI in its Cross Industry Guidance on Operational Resilience and to enhance its overall operational resilience. An Operational Resilience Framework ('the Framework') setting out the Company's approach in this space was approved by the Board in February 2023. The Framework is expected to contribute to improved resilience in relation to outsourced services and arrangements, where there is a third-party dependency in the provision of Critical and Important Business Services ('CIBS').

The Digital Operational Resilience Act ('DORA') was published in December 2022 and will apply in full from January 2025. ZLAP is taking action to meet these requirements in line with the regulatory deadline and will leverage from Group resources where appropriate.

Analysis of operational risk sensitivities

Sensitivity and scenario testing is carried out as part of the ORSA process which includes stress testing of operational risks and the potential consequences that may arise as a result. Key areas of operational risk are also assessed qualitatively through the ORSA process.

C. Risk Profile (continued)

C.6 Other material risks

This section summarises the material risks to which the Company is exposed to, providing additional detail in respect of material risks which may relate to those risks covered previously (e.g. information security risk as a component of operational risk). These risks have been identified through the Company's risk identification and monitoring processes which include activities such as strategic reviews, control environment assessments and emerging risk assessments. Specific processes include the ORSA and RCSA processes which were described in Section B.

Strategic risk

The Company's strategy is the long term plan which enables it to achieve its business objectives. Strategic risk is the risk that unexpected events result in the Company's objectives not being achieved or materially delayed or that inappropriate objectives lead to missed business opportunities.

ZLAP has a defined and Board-approved strategy and set of objectives which it is pursuing.

Given the unavoidable nature of risks to the Company's strategic objectives, a number of mitigating measures have been put in place. Risk management processes are embedded within the Company's strategic development and review processes. As part of regular risk assessment processes, the Board and senior management assess key strategic risks for the Company as a whole, including emerging risks, and their strategic implications. In particular, ZLAP's annual TRP exercise is a strategic risk assessment. The TRP guides the identification, measurement and management of risks that threaten the achievement of ZLAP's strategic objectives.

The Company continuously evaluates the sustainability of its strategy over the business planning period. A key objective of the ORSA process is to assess the robustness of the Company's strategy in the event that adverse risk events materialise. The ORSA also assesses the appropriateness of the strategy in relation to the Board's appetite for risk. Within the ORSA, quantitative scenario and stress testing is carried out to determine the sensitivity of strategic objectives to adverse developments across a range of risks. Qualitative assessments are also used to determine whether other sources of risk, which are less suited to quantitative analysis, may have the potential to adversely impact the Company's strategic objectives.

Conduct risk

Conduct risk is the risk of financial loss or other adverse consequences that arises from conducting business in a way that treats customers unfairly or results in harm to customers. Positive customer-facing conduct is fundamentally linked to the Company's strategy and is of particular importance as customers will want to engage with a Company that they trust to provide them or their beneficiaries with protection over a long period of time. Acts or omissions by ZLAP or any of its employees that are not in the interest of its customer base could damage the Company's reputation, and that of the wider Zurich Group, leading to a loss of trust among its customers, existing and potential, as well as other stakeholders.

In order to manage its conduct risk, the Company maintains a Conduct Risk Framework which emphasises delivery of fair outcomes that have the interests of customers at heart. The approach ensures that the customer perspective is considered across all areas of the business, both pre-sale and post-sale. The Company's Conduct, Regulatory and Compliance Committee deals with, amongst other things, the review and recommendation of the Conduct Risk Framework and quarterly reporting on conduct risk matters.

Conduct and related reputational risks are monitored on a regular basis with regular reporting of conduct risk metrics to management and the Board. The Company also monitors external developments in relation to conduct risk which provide insights into the potential for loss associated with adverse conduct risk management. Quantitatively, the ORSA also assesses scenarios involving reducing levels of new business and high levels of lapses which could be the result of a reputational risk event materialising.

Intra-Group Dependency risk

Intra-Group dependency risk is the risk of loss and/or disruption resulting from Zurich Group as a whole or a company within the Group encountering financial difficulties, or from the failure of a Group company to provide key contracted services to ZLAP. The Company will typically have credit exposures to Group counterparties relating to risk transfers or other financial arrangements. Further, ZLAP's ability to meet its strategic objectives may be hindered in the event that the Group is experiencing material financial stress. A number of the outsourced services set out in Section B.7 are provided by companies within the Group.

C. Risk Profile (continued)

In order to mitigate this risk, ZLAP employs a comprehensive Risk Management Framework which is applicable to overseeing Intra-Group dependency risk in relation to, amongst other matters, project governance, operational resilience, IT risk standards and outsourcing. This oversight is supported by regular risk assessment and a well-embedded control framework. ZLAP monitors the requirements in respect of each critical intra-Group outsourced service through a dashboard maintained by the Business Resilience and Outsourcing Oversight Manager. Requirements for such services include appropriate contractual clauses, service level agreements and in-scope services being subject to appropriate business resilience and disaster recovery testing. In relation to financial exposures in particular, the Company also considers intra-Group dependencies through its pre-emptive recovery planning exercise which is carried out at least annually and approved by the Board.

ZLAP monitors its exposure to Group counterparties at both an individual and aggregated level. This includes detailed regular monitoring of financial exposures arising from Group entities, while noting the Group's strong level of financial resilience (AA/stable rated by Standard and Poors at year-end 2023). Monitoring of metrics in relation to service providers enables management to note and take action on any deteriorating trend in service quality. Considering the Company's reliance on service providers within the Group as a whole also allows management to assess the overall reliance that the Company places on those providers.

Sustainability Risk

Sustainability risks arise from events or conditions related to material environmental, social or governance ('ESG') topics or trends, which may adversely impact the achievement of the Company's business strategy or targets. As well as having an impact on macroeconomic factors, sustainability factors could impact the Company and its strategy through the emergence of physical risk, regulatory change and/or changing customer behaviours.

The Company, and the Group, have already taken steps to manage this risk, particularly in the area of responsible investment management. As an investment manager, the Company is conscious of the need to ensure that it invests policyholder and shareholder funds responsibly. As a global group, Zurich is committed to Responsible Investment and is a signatory to the UN Principles for Responsible Investing. The Group considers that responsible investment is all about 'doing well and doing good'. The Company shares this outlook and participates in Group-wide practices in relation to responsible investment.

The Zurich Group has set a number of targets to reduce its carbon footprint over the coming years, which includes targets to reduce the carbon intensity of its operations and its investment portfolios to net-zero by 2030 and 2050 respectively. The Company will play an active role in ensuring that it manages its shareholder portfolio in line with Group requirements.

Emerging risks

Emerging risks are typically either:

- Existing risks, whose characteristics have the potential to adversely change unexpectedly and / or with a high degree of uncertainty; or
- New risks driven by either internal change in the business or from a range of external factors including macro-economic, political, social or regulatory.

Emerging risks and associated major trends are typically those which could affect the Company over the next five years and beyond. Some emerging risks may take shape more quickly, but their characteristics may still be too uncertain to allow for specific analysis or mitigation at this point in time.

If the Company is ill-prepared for changes to the business environment, this may lead to losses or missed opportunities. Current examples of emerging risks relate to evolving customer expectations and the impact of Artificial Intelligence .

To reduce adverse impacts and better anticipate future developments in the business environment, the Company maintains an Emerging Risk Policy. In line with the policy, ZLAP monitors emerging risks through an identification and assessment linked to its TRP and RCSA processes known as the Emerging Risk Radar. These are medium/longer term risks, as well as risks that may take shape more quickly but are still too uncertain to allow for specific analysis or mitigation at the point of assessment.

Emerging risks, reported through ZLAP's Emerging Risk Radar and Log, are a standing agenda item on the RCC and BRC agenda.

C. Risk Profile (continued)

The probability and potential impact of emerging risks can, by the nature of the risk, be difficult to measure in a quantitative manner. The potential impact of emerging risks can be sized in some instances, for example the potential impact of an emerging trend in mortality improvements rates can be determined by applying an extreme but plausible stress to current mortality assumptions. This analysis allows the Company to understand the possible impacts should a severe and adverse trend emerge.

Geopolitical risk

Geopolitical risk is the risk of loss arising from the political or social policies adopted by governments or other influential groups or as a result of the uncertainty that they create. At the time of writing, geopolitical tensions continue to impact the wider economy via ongoing wars and threats to global trade and supply chains, exacerbating existing problems such as social polarisation and cyber risk. Key elections across the globe in 2024 are also likely to influence the geopolitical and economic environment in the years to come. These tensions and risks to trade can lead to higher levels of investment market volatility and uncertainty, which can result in slower economic growth and reduced customer confidence to invest.

Similar to emerging risks, ZLAP monitors the direct and indirect impacts that geopolitical risks may have on its operations in order to understand the risks it may face and take appropriate mitigating actions.

The potential impact of geopolitical risks is assessed both qualitatively and quantitatively through sensitivity and scenario analysis. A qualitative assessment will focus on the likely evolution of the risk and how that might impact both the Company's operations and its strategic objectives. Again, owing to the uncertainty, a quantitative assessment will be guided by a qualitative assessment and may consider a range of potential outcomes. These assessments will focus on the potential impact on financial markets and what change in customer behaviours this might lead to.

Staff pension scheme risks

ZLAP participates in the Zurich Ireland Staff Pension Scheme alongside other Zurich entities based in Ireland. Elements of the pension scheme carry defined benefit liabilities which guarantee members a minimum benefit amount on retirement. The pension scheme holds a portfolio of assets which are invested to meet the cost of those guarantees. However, if the value of the assets is assessed to be less than the expected cost of the guaranteed benefits this may result in one or both of increased annual contributions from ZLAP or one-off large contributions to reduce the excess of the liability cost over the asset value. Key risks in respect of the pension scheme are those relating to longevity risk, market exposures (primarily equity, interest rate and inflation risks) and credit risk.

The Company takes a number of measures to mitigate the potential risk of increased Zurich Ireland Staff Pension Scheme costs. The pension scheme is managed by pension trustees, in accordance with the trust deed. In line with local market practices, the scheme is treated as a ring-fenced fund for regulatory solvency calculation purposes. Any pension scheme deficit, calculated on an IAS19 basis, is also recognised as a Company liability in regulatory solvency capital calculations. In addition, the Zurich Ireland Staff Pension Scheme maintains a register of scheme risks which are considered by trustees on a quarterly basis. The trustees review risk ratings and consider mitigating actions as appropriate with input from ZLAP management as appropriate.

Information security risk

A specific type of operational sub-risk exists with respect to cyber-attacks and the protection of customer data. Cyber risk relates to the possibility of unauthorised access or disclosure of customer data and disruption or financial/reputational loss arising from vulnerabilities being exploited in ZLAP's control environment around interconnected IT systems. Cyber risk can arise from a variety of sources, including systems operated by third parties who provide services to ZLAP.

The Company operates strong preventative and detective controls around monitoring and remediation of cyber threats through the activities of its Information Security function and its due diligence and oversight of third-party suppliers, with regular reporting to the BRC, RCC and ORC. ZLAP's IT department maintains an information security dashboard which is presented at the quarterly risk committees. Periodic risk assessments in respect of information security risks are also undertaken.

In managing its exposure to cyber risk, ZLAP also leverages expertise within the Group such as the Cyber Fusion Centre and participates in Group initiatives aimed at coordinating and strengthening the management of this risk.

Digitalisation is a key enabler of the Company's strategy, and a strong digital offering is important in appealing to customers and brokers. There is a risk that the Company fails to adequately enhance its digital capacity, with potential consequences including an increase in complaints, breaches, and an adverse impact on the customer experience. The Company has implemented a range of mitigating actions to prevent this risk from materialising.

D. Valuation for Solvency Purposes

D.1 Assets
Valuation for solvency purposes

Asset Classes

in EUR millions, as of 31 December	Mark to Market	Mark to Model	Other valuation	Solvency II Value	Solvency II Value
	2023	2023	2023	2023	2022
Property, plant & equipment held for own use	-	-	63.1	63.1	66.7
Participations	-	-	9.2	9.2	5.0
Equities	389.9	-	-	389.9	401.7
Bonds	2,171.0	-	-	2,171.0	2,097.3
Derivatives	-	168.9	-	168.9	260.8
Deposits other than cash equivalents	363.0	-	-	363.0	425.6
Assets held for index-linked and unit-linked contracts	30,963.7	-	-	30,963.7	24,689.6
Loans and mortgages	-	-	0.3	0.3	0.3
Reinsurance recoverables	-	197.6	-	197.6	163.1
Insurance & intermediaries receivables	-	-	31.5	31.5	27.5
Reinsurance receivables	-	-	41.5	41.5	41.6
Receivables (trade, not insurance)	-	-	30.8	30.8	25.5
Cash and cash equivalents	-	-	194.3	194.3	283.9
Any other assets, not elsewhere shown	-	-	171.0	171.0	166.4
Pension benefit surplus	-	-	30.7	30.7	22.4
Total Assets	**33,887.6**	**366.5**	**572.5**	**34,826.6**	**28,677.5**

The asset valuation methodologies applied for solvency purposes are as follows:

Assets valued using mark to market methods:
The fair value of instruments traded in active markets is based on quoted prices provided by third party data providers as at the valuation date. In certain cases prices are provided using other valuation techniques, but where all significant valuation inputs are based on observable market data these assets are considered as mark to market.

Assets valued using mark to model methods:
The mark to model valuation approach relates to pricing techniques where at least one of the significant inputs is not based on observable market data and applies to the valuation of the following ZLAP assets:

1. Reinsurance Recoverables
Future cash flows associated with reinsurance obligations are projected using the Company's main financial projection system and discounted back to the reporting date using the prescribed EIOPA Solvency II risk free swap curve.

2. Derivatives
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the Balance Sheet. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Assets valued using other methods:
The majority of items that are disclosed under the "other valuation" heading are items that are recorded at their nominal amount, adjusted for the probability of default of the counterparty. The 'nominal value' is the face-value of the asset.

1. Participations (Subsidiaries): Equity method accounting.
2. Loans and mortgages: Carried at nominal value.
3. Insurance, reinsurance & intermediaries receivables: Assets are recorded at fair value, which is their nominal amount adjusted for the probability of default of the counterparty.
4. Cash and Cash Equivalents: Carried at nominal value.
5. Receivables/any other assets not elsewhere shown: Assets are recorded at fair value, which is their nominal amount adjusted for the probability of default of the counterparty.
6. Property, plant and equipment held for own use: Included at fair value. Fair value includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.
7. IFRS 16 Leases: The Company has recognised Right of Use Assets and Lease Liabilities for its relevant property leases in line with IFRS 16. The Right of Use Assets are depreciated on a straight line basis over the remaining life of the lease agreement and the Lease Liability is amortised using an effective interest rate method. These valuations are in line with those completed under Irish GAAP.

D. Valuation for Solvency Purposes (continued)

8. Pension benefit surplus: ZLAP operates a defined benefit pension scheme which is open to new members. The pension scheme valuation is based on appropriate International Accounting Standards ('IAS 19'). The full value of the surplus (assets minus liabilities) is included in the liability line "Pension benefit surplus". There is no valuation difference between Solvency II and the financial statements.
The liabilities represent the present value of all projected cash flows discounted using the appropriate discount rate as per IAS 19. These future cash flows include future projected pension payments to currently retired members, deferred members and active members of the scheme. The defined benefit plan assets are a combination of bonds, equities and cash. A breakdown of the assets is included below:

Defined Benefit Plan Asset

in EUR millions, as of 31 December 2023	Market Value	Proportion
Equities	84.1	29%
Bonds	204.5	70%
Cash and deposits	2.3	1%
Total assets	**290.9**	

Comparison to Financial Statements

The following table sets out the differences between the valuation of assets for ZLAP under Solvency II and the valuation of assets in the ZLAP financial statements.

Asset Classes

in EUR millions, as of 31 December 2023	Solvency II	Financial Statements	Reported Difference
	2023	2023	
Deferred origination costs	-	339.4	(339.4)
Intangible assets	-	6.8	(6.8)
Deferred tax assets	-	23.7	(23.7)
Pension Benefit Surplus	30.7	30.7	-
Property, plant & equipment held for own use	63.1	70.2	(7.1)
Holdings in related undertakings, including participations	9.2	9.2	-
Equities	389.9	389.9	-
Bonds	2,171.0	2,171.0	-
Deposits other than cash equivalents	363.0	363.0	-
Investment Funds	0.0	0.0	
Derivatives	168.9	168.9	-
Assets held for index-linked and unit-linked contracts	30,963.7	30,963.7	-
Loans and mortgages	0.3	0.3	-
Reinsurance Recoverables	197.6	264.2	(66.6)
Insurance and intermediaries receivables	31.5	31.5	-
Reinsurance receivables	41.5	41.5	-
Receivables (trade, not insurance)	30.8	30.8	-
Cash and cash equivalents	194.3	194.3	-
Any other assets, not elsewhere shown	171.0	171.0	-
Total assets	**34,826.6**	**35,270.3**	**(443.7)**

The level of details included in the above table reflects the detail required in the quantitative reporting template S.02.01.b. Differences between the Solvency II values and the financial statements arise due to methodology differences:

1. "Deferred origination costs" is an intangible asset in the financial statements and has no equivalent under Solvency II. Costs that vary with and are directly related to the acquisition of new and renewal investment business, including for example commissions, are deferred and subsequently amortised over a defined period.

2. "Intangible" assets, such as software, are an accounting concept. They can be recognised under Solvency II only when they can be sold separately and a valuation can be derived from a quoted market price, in an active market, for the same or a similar asset.

3. Deferred taxes under Solvency II are calculated based on the difference between the Solvency II values ascribed to assets and liabilities and the values ascribed to the same assets and liabilities for tax purposes. This difference is multiplied by the undertaking's tax rate. The timing of the recognition of profit over the lifetime of business differs between Solvency II and the financial statements due to differences in methodology. This results in a tax difference arising as shown in the "Deferred tax assets" line of the above table.

D. Valuation for Solvency Purposes (continued)

4. Property, plant & equipment held for own use: The market value for leasehold improvements in the Solvency II balance sheet is nil, as it is assumed that the improvements will revert to the lessor at the expiration date. This is consistent with the fair value requirements of Article 75 of the SII Directive.

5. Reinsurance Assets: In the financial statements and under Solvency II, liabilities have been stated gross of reinsurance with a reinsurance asset shown in respect of the value of the ceded business. The calculation of the reinsurance asset differs between the financial statements and Solvency II in line with the difference in the liability calculation outlined in Section D.2.

D.2 Technical Provisions

Technical Provisions overview

The table below shows the regulatory Technical Provisions at 31/12/2023 by line of business, with the same information at 31/12/2023 shown below it for comparison:

2023 Technical provisions by line of business

in EUR millions, as of 31 December 2023	Technical Provisions calculated as a whole	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,354.5	(25.3)	11.0	-
Index-linked and unit-linked insurance	30,971.1	(669.1)	251.1	(33.8)
Other life insurance	71.0	755.9	6.9	(67.7)
Health insurance	12.3	138.9	20.0	(96.1)
Total	**32,409.0**	**200.4**	**289.0**	**(197.6)**

2022 Technical provisions by line of business

in EUR millions, as of 31 December 2022	Technical Provisions calculated as a whole	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,434.2	(28.1)	11.8	-
Index-linked and unit-linked insurance	24,741.4	(504.1)	204.0	(33.5)
Other life insurance	71.3	676.5	6.3	(41.5)
Health insurance	11.5	130.7	18.1	(88.1)
Total	**26,258.4**	**275.1**	**240.2**	**(163.1)**

Technical Provisions as a whole methodology:

Under Solvency II regulations, certain Technical Provisions can be calculated "as a whole" instead of best estimate plus Risk Margin when the future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable. The technical provisions for ZLAP's unit reserve qualifies to be calculated as a whole (calculated by multiplying units held by valuation price). The value of these liabilities is based on the market price of the underlying financial instruments.

Best Estimate Liability ('BEL') methodology:

The BEL for non-profit (conventional and unit-linked) and unitised with-profits business is calculated on an individual policy basis using a deterministic valuation approach and best estimate assumptions. Under this approach, the BEL is derived by:

- Projecting the expected (non-unit related) liability cash-flows for each future year using best-estimate deterministic assumptions;
- Discounting each of these cash-flows back to the valuation date using the relevant Solvency II risk-free rate of return; and
- Summing the resultant discounted cash-flows.

The value of options and guarantees attached to Unitised With-Profits business is calculated using a stochastic approach, based on 1,000 economic scenarios. Within this stochastic model, the economic simulations are generated from a market-consistent risk-neutral model and the best estimate non-economic assumptions are applied deterministically. Under this approach, the BEL is derived by:

- Projecting the liability cash-flows arising within the unitised with-profits fund using realistic deterministic non-economic assumptions for each year in the future under a wide range of market consistent economic scenarios;
- Discounting each of these cash-flows back to the valuation date to determine the liability value across all simulations; and then
- Taking the average across all of the stochastic scenarios.

D. Valuation for Solvency Purposes (continued)

Risk Margin methodology:
The Risk Margin is calculated as per the prescribed Solvency II cost-of-capital approach. This requires the SCR to be calculated for each year in the future. ZLAP's approach to projecting the SCR is to use appropriate risk factors in order to project the individual components of the SCR. These risk factors are taken from ZLAP's financial projection model which projects cash-flows using best-estimate assumptions. Any hedgeable market or counterparty risk is excluded from the SCR projections.

Assumptions

The assumptions used in the calculation of the Technical Provisions can be classified into three distinct groups: demographic, economic and future management actions.

The demographic assumptions used in all financial reporting measures, including the calculation of Technical Provisions, are reviewed annually by the Actuarial Function and submitted to the Board for approval. In cases where ZLAP has sufficient experience data to produce a credible basis, the standard approach is to use actual experience to set assumptions. In cases where ZLAP does not yet have sufficient experience data to derive a credible basis, the approach will necessarily vary with the nature of the assumption being set. In such cases, ZLAP's own experience data may be supplemented by any or all of the following:

- Industry experience studies and standard table publications;
- Data sourced from reinsurance providers; and
- Experience and industry knowledge from other areas of the Zurich Group.

The annual review of assumptions took place in Q3 2023. Mortality, morbidity, longevity and persistency assumptions were updated as part of this review.

Economic assumptions are updated at each quarterly reporting period. Expense unit costs are reviewed in detail once per annum and are increased in line with expense inflation on a quarterly basis. The main economic assumptions relevant for the calculation of ZLAP's Technical Provisions are:

1. **Term Structure of Risk-Free Interest Rates** – This is provided by EIOPA (the EIOPA Risk-Free Swap Curve).
2. **Expense unit costs** – The unit costs are based on a set of best estimate expenses for the next calendar year and adjusted for any expenses which are not expected to recur in the long term. The investigation also provides a split of expenses between initial and renewal, and between direct and overhead.
3. **Expense inflation** – This is determined quarterly by using market observable data on inflation.

Under the Solvency II regime, companies are permitted to include the impact of future management actions in the calculation of the Technical Provisions provided these assumptions meet the criteria set out in Article 23 of the Solvency II Delegated Acts. Management actions are subject to annual approval by the Board.

Indication of the level of uncertainty

The Technical Provisions are calculated within controlled systems and subject to multiple reviews to ensure they are accurate. Procedures and processes are in place to identify any potential issues or errors in the calculation.

One example of estimates in the Technical Provisions is the set of assumptions underlying the calculation of the Technical Provisions outlined above. These assumptions are reviewed annually and are subject to several review points before approval by the Board. An exercise to analyse the expected sensitivity of the Technical Provisions to changes in various assumptions is also performed and ensures that the impact of changes is well understood. The results of this sensitivity analysis were discussed in Section C.

Reconciliation to Financial Statements

The Company adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this report have been restated for the effect of the adoption of IFRS 17.

The following table sets out the differences between the valuation of liabilities for ZLAP under Solvency II and the valuation of liabilities in the ZLAP financial statements. The information is shown for both 31/12/2023 and for the prior year, 31/12/2022, for comparison.

D. Valuation for Solvency Purposes (continued)

2023 Reconciliation to Financial Statements

in EUR millions, as of 31 December 2023	Gross Financial Statements	Gross SII TPs	Difference
Insurance with Profit Participation	1,355.5	1,340.2	15.4
Index-linked and unit-linked insurance	31,140.2	30,553.1	587.2
Other life insurance	1,117.5	833.8	283.7
Health insurance	191.5	171.2	20.3
Total	**33,804.8**	**32,898.3**	**906.5**

2022 Reconciliation to Financial Statements

in EUR millions, as of 31 December 2022	Gross Financial Statements	Gross SII TPs	Difference
Insurance with Profit Participation	1,429.8	1,418.0	11.8
Index-linked and unit-linked insurance	24,896.6	24,441.3	455.3
Other life insurance	1,049.2	754.1	295.1
Health insurance	175.7	160.4	15.3
Total	**27,551.2**	**26,773.7**	**777.5**

The main differences between the Solvency II and Financial Statements liabilities are described below. Note that the liability valuation for the Financial Statements differs based on whether the business is classified as insurance or investment. The Other life insurance and Health insurance categories shown above contain insurance classified business only. Both of the other two categories shown above will have both investment and insurance classified business included.

Risk Margin versus Risk Adjustment

Solvency II Technical Provisions include a Risk Margin. The Risk Margin is the difference between the best estimate of the liabilities, and the amount that undertakings would be expected to require in order to take on and meet the insurance obligations. The Risk Margin has been allocated across all four Solvency II lines of business in proportion to the Solvency II BEL. There is no Risk Margin requirement in the liabilities in the financial statements. However, a Risk Adjustment is included on Insurance Policies in the financial statements. The Risk Adjustment is similar to the Risk Margin but only applies to insurance classified business i.e. non-linked and with-profits business.

IFRS 9 Investment Classified Policies (mainly allocated to the Index and Unit-linked line of business)

Under Solvency II, the discounted value of all future cash flows (within the contract boundary) is included. Typically, the future cash flows will reflect future expected profits so that the inclusion of the future cash flows reduces the BEL below the value of the units held by policyholders. The value of future cash flows is not included in the financial statements for investment business.

IFRS 17 Insurance Classified Policies

Under Solvency II, all future cash flows are projected on a best estimate basis and discounted to the reporting date using the EIOPA Solvency II risk-free swap curve. In the financial statements, the Technical Provisions for insurance products are also calculated based on projected future cash flows discounted using a risk-free yield curve. However, a Contractual Service Margin (CSM) which represents future profits on insurance business at the time it is sold is also included in the Technical Provisions. The CSM amortises over the lifetime of the contracts.

Matching Adjustment

The Company does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

Volatility Adjustment

The Company does not use the volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

Transitional risk free interest rate-term structure

The Company does not apply the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

Transitional deduction

The Company does not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D. Valuation for Solvency Purposes (continued)

Recoverables from reinsurance contracts and special purpose vehicles

ZLAP has a number of reinsurance arrangements with reinsurance providers that are both internal and external to the Zurich Group. These cover individual and group mortality, morbidity, longevity and unit-linked risks. The reinsurance recoverables in respect of the reinsurance arrangements in place within ZLAP are calculated on an individual policy basis (or individual group basis for group business) using the same deterministic valuation approach and best estimate assumptions that were used to calculate the gross best estimate liability. Under this approach, the Reinsurance Recoverables are derived by:

– Projecting the expected reinsurance cash-flows for each future year using best-estimate deterministic assumptions;
– Discounting each of these cash-flows back to the valuation date using EIOPA's Solvency II risk-free swap curve; and
– Summing the resultant discounted cash flows.

There are no special purpose vehicles within ZLAP.

D.3 Other liabilities

Valuation for solvency purposes

The following table provides a summary of the items making up the "Other Liabilities" figure as shown in the Quantitative Report Template S.02.01.b at 31/12/2023, with the previous year's figures at 31/12/2022 shown below for comparison. Full details of the differences between the financial statements and Solvency II are also included:

2023 Other Liabilities

in EUR millions, as of 31 December 2023	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	352.0	352.0	-
Pension benefit obligations	(0.0)	(0.0)	-
Deferred tax liabilities	34.8	0.0	34.8
Derivatives	24.4	24.4	-
Debts owed to credit institutions	0.0	0.0	-
Financial liabilities other than debts owed to credit institutions	62.7	62.7	-
Insurance & intermediaries payables	128.6	128.6	-
Reinsurance payables	33.2	33.2	-
Payables (trade, not insurance)	220.8	220.8	-
Any other liabilities, not elsewhere shown	60.5	40.8	19.7
Total	**916.9**	**862.5**	**54.5**

2022 Other Liabilities

in EUR millions, as of 31 December 2022	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	325.0	325.0	-
Pension benefit obligations	-	-	-
Deferred tax liabilities	10.6	6.6	4.0
Derivatives	19.1	19.1	-
Debts owed to credit institutions	0.0	0.0	-
Financial liabilities other than debts owed to credit institutions	65.5	65.5	-
Insurance & intermediaries payables	101.5	101.5	-
Reinsurance payables	35.3	35.3	-
Payables (trade, not insurance)	345.1	345.1	-
Any other liabilities, not elsewhere shown	53.5	68.8	(15.5)
Total	**955.7**	**966.7**	**(11.5)**

D. Valuation for Solvency Purposes (continued)

The main details of the valuation of these items for solvency purposes are:

Provisions other than Technical Provisions: The main item included is outstanding claims (i.e. policies where we have been notified of a claim but the payment is not settled). The full value of the amount being paid out is included. There is no valuation difference between Solvency II and the financial statements.

Deferred tax liabilities: Deferred taxes under Solvency II are calculated based on the difference between the Solvency II values ascribed to assets and liabilities and the values ascribed to the same assets and liabilities for tax purposes. This difference is multiplied by the undertaking's tax rate. The timing of the recognition of profit over the lifetime of business differs between Solvency II and the financial statements due to differences in methodology. This results in a tax difference arising as shown in the "Deferred tax liability" line of the above table.

Derivatives: Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the balance sheet. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. There is no valuation difference between Solvency II and the financial statements.

Debts owed to credit institutions: The main item included here is uncashed cheques. The full face value of the cheques issued is included. There is no valuation difference between Solvency II and the financial statements.

Financial liabilities other than debts owed to credit institutions: The main item included here is lease liabilities. These are valued under the new IFRS 16 principles in line with what has been described in the Property, Plant and Equipment held for own use section included in D.1 Assets.

Insurance & intermediaries payables: The main items included are payments to policyholders (i.e. policies where we have been notified of an encashment but the payment is not yet settled) and agents and intermediaries (i.e. commission). The full value of the amount being paid is included. There is no valuation difference between Solvency II and the financial statements.

Reinsurance payables: The main items included are Reinsurance premiums owed but not yet paid to reinsurance counterparties. The full value of the amount which will be paid is included. There is no valuation difference between Solvency II and the financial statements.

Payables (trade, not insurance): The main items included are tax deducted at source but not yet due to revenue (including payroll tax and exit tax) where the full value of the obligation to revenue is included and collateral obligations from derivative trading which are marked to market. There is no valuation difference between Solvency II and the financial statements.

Any other liabilities, not elsewhere shown: The main items included under Solvency II are expenses and VAT incurred but not yet settled where the full value of the expense due to be paid is included. The difference between Solvency II and the financial statements is due to the Deferred Origination Fees. These are intangible liabilities in the financial statements which facilitate the recognition of investment origination fees over the life-time of the contracts to which those fees relate. Solvency II methodology recognises these fees as they are incurred.

D.4 Alternative methods for valuation

Mark to Model Valuation Approach

ZLAP values all assets and liabilities at market value where possible. However, the future cash flows associated with insurance obligations cannot be determined on the basis of the market price of financial instruments. The value of Technical Provisions associated with these future cash flows will therefore be calculated as the sum of the Best Estimate Liability plus Risk Margin using "Mark to Model" techniques. Details on the mark to model valuation approach underlying the calculation of the Best Estimate Liability and the Risk Margin (including the justification for the appropriateness of the valuation approach adopted and information on the assumptions underlying the calculation), are provided in Section D.2 of this document. Assets valued under the Mark to Model Approach were discussed in Section D.1.

D.5 Any other information

Going concern

The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue ('the period of assessment') and have prepared the financial statements on a going concern basis.

D. Valuation for Solvency Purposes (continued)

In making this assessment the directors have considered the following:

a) the Company's capital position and the surplus over its required solvency capital ratio and minimum capital ratio;

b) the resilience of the Company's solvency surplus;

c) the Company's level of reinsurance;

d) the Company's business plan;

e) the Company's liquidity position;

As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On that basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

No additional material information on the valuation of assets and liabilities has been identified.

E. Capital Management

E.1 Own funds

Objectives of Capital Management

Own Funds refers to the available financial resources, or excess of assets over liabilities in the Solvency II Balance Sheet. Under the Solvency II regime, the CBI requires ZLAP to hold Own Funds in excess of 100% of the SCR. For ZLAP, the SCR is calculated in accordance with the Solvency II Standard Formula. The SCR is based on a mixture of formula driven calculations and stress tests calibrated to a 1 in 200 year probability level. In the event that the level of Own Funds is less than 100% of SCR (or trending towards that level in the next three months) then the ZLAP Board must approve a remediation plan for submission to the CBI, within two months of the date of the breach.

Also calculated under Solvency II is the Minimum Capital Requirement ('MCR'). This is a lower benchmark than the SCR. In the event that Own Funds is less than the MCR it is likely that the CBI would then intervene in the running of the Company.

The Company maintains an efficient capital structure consistent with the regulatory and market requirements of its business. The objective of Own Funds management is to maintain, at all times, sufficient Own Funds to cover the SCR and MCR with an appropriate buffer. The Company's approach to developing the Business Plan is focused on understanding the best-estimate of profit expected to emerge in each of the following 3 years.

Structure of the Own Funds

The table below shows the structure of the Solvency II Own Funds at 31/12/2023 and 31/12/2022.

Structure of the Own Funds

in EUR millions, as of 31 December	2023	2022
Ordinary share capital (gross of own shares)	17.7	17.7
Share premium account related to ordinary share capital	341.2	341.2
Reconciliation reserve	652.5	589.2
Total Own Funds	**1,011.4**	**948.1**

There have been no changes to the ordinary share capital or share premium account during 2023. The ordinary share capital and share premium arising is not subordinated and has no restricted duration.

The reconciliation reserve equals the excess of assets over liabilities less other basic Own Fund items, as at the reporting date. This reconciliation reserve mainly consists of the expected future profits included in the Technical Provisions and any past profits that have not been transferred as dividends to Zurich Insurance Group. The reconciliation reserve therefore can be sensitive to experience variances and will be subject to the risk sensitivities discussed in Section C.

The reconciliation reserve has increased by €63m in 2023. The increase is mainly due to the emergence of profits on existing business and positive economic conditions, offset by the payment of a dividend, totaling approximately €65m, to its shareholder ZHIL in December 2023.

The Company's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted Own Funds as per Article 69 (a) of the Delegated Regulation. The Own Funds splits into the various tiers at 31/12/2023 and 31/12/2022 is shown below:

Structure of the Own Funds

in EUR millions, as of 31 December	2023	2022
Tier 1 – unrestricted	1,011.4	948.1
Tier 1 – restricted	–	–
Tier 2	–	–
Tier 3	–	–
Total	**1,011.4**	**948.1**

The Company has no tier 1 restricted Own Funds (per Article 80 of the Delegated Regulations), no tier 2 Own Funds (per Article 72 of the Delegated Regulations) and no tier 3 Own Funds (per Article 76 of the Delegated Regulations).

The Company does not expect to have any tier 1 restricted Own Funds, tier 2 Own Funds or tier 3 Own Funds over the course of its current business planning horizon, from 2024 to 2026.

All Own Funds are available to meet the SCR and MCR at 31/12/2023 and at the prior reporting period, 31/12/2022, for comparison:

E. Capital Management (continued)

2023 Structure of the Own Funds

in EUR millions, as of 31 December 2023	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	1,011.4	1,011.4
Total available own funds to meet the MCR	1,011.4	1,011.4

2022 Structure of the Own Funds

in EUR millions, as of 31 December 2022	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	948.1	948.1
Total available own funds to meet the MCR	948.1	948.1

Reconciliation to Financial Statements

The Company adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this report have been restated for the effect of the adoption of IFRS 17.

The following table illustrates the differences between equity as shown in the financial statements and the excess of assets over liabilities as calculated for solvency purposes:

Reconciliation to Financial Statements

in EUR millions, as of 31 December	2023	2022
Solvency II Own Funds	1,011.4	948.1
SII Technical Provisions to Financial Statements Reserves	(906.5)	(777.5)
Reinsurance Differences	66.6	84.6
SII Deferred Tax to Financial Statements Deferred Tax	58.5	43.8
Deferrals of Acquisition Income & Expenses	359.1	321.4
Other Intangible Assets	6.8	7.5
Property, plant & equipment held for own use	7.1	8.1
Financial Statements Equity	603.0	636.0

Solvency II Own Funds are calculated in line with the Solvency II Directive and associated guidance. Financial Statements Equity is calculated in line with International Financial Reporting Standards as adopted by the European Union and those parts of the Companies Act 2014 applicable to Companies reporting under IFRS.

The main items giving rise to the difference between the financial statements Equity and Solvency II Own Funds are:

- **Reserving:** Financial statement reserve calculations include Contractual Service Margin (CSM) on insurance policies and do not include the future cashflows on investment business. Under Solvency II, the Technical Provisions include the discounted value of all future cash flows within the contract boundaries. Solvency II Technical Provisions include a Risk Margin. The main reserving differences are discussed further in Section D.2.
- **Reinsurance:** This is due to the reserving differences and is discussed in Section D.1.
- **Tax:** Tax assets and liabilities under each measure reflect the timing of the recognition of profits and will therefore necessarily differ due to the other items listed here.
- **Deferrals of Acquisition Income and Expenses:** Methodology for the financial statements requires upfront costs and fees to be recognised over the lifetime of the policy which results in the creation of assets in respect of deferred origination costs and a liability in respect of deferred origination fees. Solvency II methodology recognises these costs and fees as they are incurred.
- **Other Intangible Assets:** Intangible assets are a financial statements accounting concept. They can be recognised under Solvency II only when they can be sold separately and a valuation can be derived from a quoted market price, in an active market, for the same or a similar intangible asset.

Deferred Tax Assets

The company has no deferred tax asset on the Solvency II balance sheet as at 31/12/2023, and therefore no net deferred tax assets are available as basic own-fund items classified as Tier 3 in accordance with Article 7 six 6(a)(iii).

Further analysis of own funds

None of the Company's Own Funds are subject to transitional arrangements and the Company has no ancillary Own Funds. No deductions are applied to Own Funds and there are no material restrictions affecting their availability and transferability.

E. Capital Management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR and MCR

The SCR is a measure of the capital required to be held under the Solvency II regime. The MCR is the minimum level of available financial resources required. The following table shows the SCR and MCR at 31/12/2023 and at 31/12/2022:

SCR and MCR

in EUR millions, as of 31 December	2023	2022
Solvency Capital Requirement	809.6	700.4
Minimum Capital Requirement	273.8	237.1

SCR split by risk module or category

ZLAP uses the Standard Formula to calculate the SCR. The table below shows the SCR at 31/12/2023 and at 31/12/2022 split by risk module:

SCR split by risk module or category

in EUR millions, as of 31 December	2023	2022
Market risk	397.8	319.1
Counterparty default risk	32.3	36.9
Life underwriting risk	573.5	484.6
Health underwriting risk	45.8	42.6
Diversification	(247.5)	(212.4)
Basic Solvency Capital Requirement	**801.9**	**670.7**
Operational risk	42.5	40.3
Loss-absorbing capacity of deferred taxes	(34.8)	(10.6)
Solvency Capital Requirement	**809.6**	**700.4**

Specific disclosures regarding the SCR

ZLAP does not use a simplified calculation for any risk-module or sub-module in the SCR. No undertaking-specific parameters or capital add-ons are used in the calculation.

Minimum Capital Requirement Inputs

The MCR is based on a percentage of the Technical Provisions, where the percentage depends on the Line of Business of the Technical Provisions. The MCR Cap and Floor are percentages of the SCR. The absolute minimum that the MCR can be equal to is €4.0m.

Minimum Capital Requirement Inputs

in EUR millions, as of 31 December	2023	2022
Linear MCR	273.8	237.1
SCR	809.6	700.4
MCR Cap	364.3	315.2
MCR Floor	202.4	175.1
Combined MCR	273.8	237.1
Absolute Floor of MCR	4.0	3.7
MCR	**273.8**	**237.1**

Material Changes in SCR and MCR

The SCR increased by €109m in 2023 to €809.6m. The main driver is the positive investment growth in 2023 which increased ZLAP's expected future profits on unit linked business. This is the main driver of the increase in Life and Market Risk.

Loss absorbing capacity of deferred tax

The Loss Absorbing Capacity of Deferred Taxes ('LACDT') is equal to the change in value of deferred taxes that would result from a loss equal to the Basic SCR plus Operational Risk. ZLAP has a Solvency II Deferred Tax Policy which outlines the methods and assumptions for LACDT in the SCR Calculation. ZLAP's approach is to limit the LACDT to the base Deferred Tax Liability in the Solvency II Balance Sheet. The LACDT increased solvency coverage by 5.14% at 31/12/2023. Within the LACDT, ZLAP do not attempt to justify transiting to a Deferred Tax Asset which would only have value if sufficient future profits emerged after suffering the instantaneous stress.

E. Capital Management (continued)

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

ZLAP is not using the duration based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the standard formula and any internal model used

ZLAP uses the Standard Formula to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Throughout 2023, ZLAP was compliant with the MCR and SCR.

E.6 Any other information

Financial strength of the Zurich Group

ZLAP is a company which is part of the Zurich Insurance Group. The Group pools risk, capital and liquidity centrally where appropriate.

The Group manages its capital to maximize long-term shareholder value while ensuring customer needs are met, maintaining financial strength within its “AA” target range and meeting regulatory, solvency and rating agency requirements. In particular, the Group endeavours to manage its International Financial Reporting Standards (‘IFRS’) shareholders’ equity to balance maximization of shareholder value and constraints imposed by its economic framework, rating agencies and regulators.

The Swiss Solvency Test (‘SST’) ratio of the Group as at January 1, 2024 stands at 233% (unaudited). ZIG will publish its Financial Condition Report at the end of April.

The Group discloses more information on its risk and capital management in its risk review, an integral part of Zurich Insurance Group’s annual report available on www.zurich.com.

Appendix

S.02.01.02

Balance Sheet, Assets

in EUR thousands, as of December 31

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	–
Deferred tax assets	R0040	–
Pension benefit surplus	R0050	30,715
Property, plant & equipment held for own use	R0060	63,087
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,102,071
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	9,203
Equities	R0100	389,913
Equities — listed	R0110	389,913
Equities — unlisted	R0120	–
Bonds	R0130	2,170,971
Government Bonds	R0140	2,170,971
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	5
Derivatives	R0190	168,940
Deposits other than cash equivalents	R0200	363,040
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	30,963,721
Loans and mortgages	R0230	298
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	–
Other loans and mortgages	R0260	298
Reinsurance recoverables from:	R0270	197,598
Non-life and health similar to non-life	R0280	–
Non-life excluding health	R0290	–
Health similar to non-life	R0300	–
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	163,792
Health similar to life	R0320	96,075
Life excluding health and index-linked and unit-linked	R0330	67,717
Life index-linked and unit-linked	R0340	33,806
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	31,475
Reinsurance receivables	R0370	41,540
Receivables (trade, not insurance)	R0380	30,802
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	194,286
Any other assets, not elsewhere shown	R0420	171,049
Total assets	**R0500**	**34,826,642**

Appendix (continued)

S.02.01.02

Balance Sheet, Liabilities

in EUR thousands, as of December 31		Solvency II value
		C0010
Liabilities		
Technical provisions — non-life	R0510	–
Technical provisions — non-life (excluding health)	R0520	–
TP calculated as a whole	R0530	–
Best Estimate	R0540	–
Risk margin	R0550	–
Technical provisions — health (similar to non-life)	R0560	–
TP calculated as a whole	R0570	–
Best Estimate	R0580	–
Risk margin	R0590	–
Technical provisions — life (excluding index-linked and unit-linked)	R0600	2,345,235
Technical provisions — health (similar to life)	R0610	171,242
TP calculated as a whole	R0620	12,338
Best Estimate	R0630	138,924
Risk margin	R0640	19,980
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	2,173,993
TP calculated as a whole	R0660	1,425,520
Best Estimate	R0670	730,605
Risk margin	R0680	17,867
Technical provisions — index-linked and unit-linked	R0690	30,553,064
TP calculated as a whole	R0700	30,971,105
Best Estimate	R0710	(669,145)
Risk margin	R0720	251,103
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	351,959
Pension benefit obligations	R0760	–
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	34,757
Derivatives	R0790	24,375
Debts owed to credit institutions	R0800	–
Financial liabilities other than debts owed to credit institutions	R0810	62,716
Insurance & intermediaries payables	R0820	128,589
Reinsurance payables	R0830	33,226
Payables (trade, not insurance)	R0840	220,787
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	60,524
Total liabilities	**R0900**	**33,815,232**
Excess of assets over liabilities	**R1000**	**1,011,410**

Appendix (continued)

Appendix (continued)

S.04.05.21

Home country: Non-life insurance and reinsurance obligations

in EUR thousands, as of December 31

Premiums written (gross)
Gross Written Premium (direct)
Gross Written Premium (proportional reinsurance)
Gross Written Premium (non-proportional reinsurance)
Premiums earned (gross)
Gross Earned Premium (direct)
Gross Earned Premium (proportional reinsurance)
Gross Earned Premium (non-proportional reinsurance)
Claims incurred (gross)
Claims incurred (direct)
Claims incurred (proportional reinsurance)
Claims incurred (non-proportional reinsurance)
Expenses incurred (gross)
Gross Expenses Incurred (direct)
Gross Expenses Incurred (proportional reinsurance)
Gross Expenses Incurred (non-proportional reinsurance)

S.04.05.21

Home country: Life insurance and reinsurance obligations

in EUR thousands, as of December 31

Gross Written Premium
Gross Earned Premium
Claims incurred
Gross Expenses Incurred

Appendix (continued)

	Country	R0010	IT	DE	SE	ES	
		Home country	Top 5 countries: non-life				
		C0010	C0020	C0020	C0020	C0020	C0020
R0020		–	–	–	–	–	–
R0021		–	–	–	–	–	–
R0022		–	–	–	–	–	–
R0030		–	–	–	–	–	–
R0031		–	–	–	–	–	–
R0032		–	–	–	–	–	–
R0040		–	–	–	–	–	–
R0041		–	–	–	–	–	–
R0042		–	–	–	–	–	–
R0050		–	–	–	–	–	–
R0051		–	–	–	–	–	–
R0052		–	–	–	–	–	–

	Country	R1010	IT	DE	SE	ES	
		Home country	Top 5 countries: Life				
		C0030	C0040	C0040	C0040	C0040	C0040
R1020		5,302,556	–	54,440	1,089	277	
R1030		5,301,209	–	54,440	1,089	277	
R1040		2,523,771	–	19,227	2,796	776	
R1050		243,788	165	12,579	794	–	

Appendix (continued)

S.05.01.02

Premiums, claims and expenses by line of business, Life

in EUR thousands, as of December 31

Premiums written	
Gross	R1410
Reinsurers' share	R1420
Net	R1500
Premiums earned	
Gross	R1510
Reinsurers' share	R1520
Net	R1600
Claims incurred	
Gross	R1610
Reinsurers' share	R1620
Net	R1700
Expenses incurred	R1900
Balance – other technical expenses/income	R2510
Total technical expenses	**R2600**
Total amount of surrenders	R2700

Appendix (continued)

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	64,516	24,688	5,007,659	261,499	–	–	–	–	5,358,362
	30,518	28	148	149,581	–	–	–	–	180,275
	33,999	24,660	5,007,511	111,917	–	–	–	–	5,178,086
	64,142	24,688	5,007,659	260,525	–	–	–	–	5,357,014
	30,247	28	148	149,004	–	–	–	–	179,427
	33,896	24,660	5,007,511	111,521	–	–	–	–	5,177,587
	27,153	176,351	2,144,933	198,132	–	–	–	–	2,546,569
	20,281	(156)	15	148,327	–	–	–	–	168,466
	6,872	176,508	2,144,919	49,805	–	–	–	–	2,378,103
	12,763	7,901	195,148	41,514	–	–	–	–	257,326
									–
									257,326
	547	148,074	1,509,225	4,764	–	–	–	–	1,662,610

Appendix (continued)

S.12.01.02

Life and Health SLT Technical Provisions

in EUR thousands, as of December 31

Technical provisions calculated as a whole	R0010
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020
Technical provisions calculated as a sum of BE and RM	
Best Estimate	
Gross Best Estimate	R0030
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090
Risk Margin	R0100
Technical provisions – total	**R0200**

S.12.01.02

Life and Health SLT Technical Provisions

in EUR thousands, as of December 31

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole
Technical provisions calculated as a sum of BE and RM
Best Estimate
Gross Best Estimate
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total
Risk Margin
Technical provisions – total

Appendix (continued)

	Index-linked and unit-linked insurance			Other life insurance					
Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
1,354,485	30,971,105			71,035			–	–	32,396,626
–	33,806			–			–	–	33,806
(25,324)		(668,876)	(269)		734,244	21,685	–	–	61,461
–		–	–		2,482	65,235	–	–	67,717
(25,324)		(668,876)	(269)		731,762	(43,549)	–	–	(6,256)
11,014	251,103			6,853			–	–	268,970
1,340,176	**30,553,064**	**–**	**–**	**833,817**	**–**	**–**	**–**	**–**	**32,727,057**

	Health insurance (direct business)					
		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	C0160	C0170	C0180	C0190	C0200	C0210
R0010	12,338			–	–	12,338
R0020	–			–	–	–
R0030		95,685	43,239	–	–	138,924
R0080		54,850	41,224	–	–	96,075
R0090		40,835	2,015	–	–	42,849
R0100	19,980			–	–	19,980
R0200	**171,242**	**–**	**–**	**–**	**–**	**171,242**

Appendix (continued)

S.22.01.21

Impact of long term guarantees and transitional measures

in EUR thousands, as of December 31		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010		–	–	–	–
Basic own funds	R0020		–	–	–	–
Eligible own funds to meet SCR	R0050	–	–	–	–	–
SCR	R0090		–	–	–	–
Eligible own funds to meet MCR	R0100		–	–	–	–
Minimum Capital Requirement	**R0110**		**–**	**–**	**–**	**–**

Appendix (continued)

S.23.01.01

Own funds

in EUR thousands, as of December 31		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	17,688	17,688		–	
Share premium account related to ordinary share capital	R0030	341,192	341,192		–	
Iinitial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Surplus funds	R0070	–	–			
Preference shares	R0090	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Reconciliation reserve	R0130	652,530	652,530			
Subordinated liabilities	R0140	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	–				–
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–				
Deductions						
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after deductions	**R0290**	**1,011,410**	**1,011,410**	**–**	**–**	**–**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310	–			–	
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	**R0400**	**–**	**–**	**–**	**–**	**–**

Appendix (continued)

S.23.01.01

Own funds

in EUR thousands, as of December 31		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,011,410	1,011,410	–	–	–
Total available own funds to meet the MCR	R0510	1,011,410	1,011,410	–	–	
Total eligible own funds to meet the SCR	R0540	1,011,410	1,011,410	–	–	–
Total eligible own funds to meet the MCR	R0550	1,011,410	1,011,410	–	–	
SCR	R0580	809,585				
MCR	R0600	273,754				
Ratio of Eligible own funds to SCR	R0620	125%				
Ratio of Eligible own funds to MCR	R0640	369%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,011,410
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	358,880
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–
Reconciliation reserve	R0760	652,530
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	66,218
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	–
Total Expected profits included in future premiums (EPIFP)	R0790	66,218

Appendix (continued)

S.25.01.21

Solvency Capital Requirement – for undertakings on Standard Formula

in EUR thousands, as of December 31		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	397,753		No
Counterparty default risk	R0020	32,253		
Life underwriting risk	R0030	573,507	No	No
Health underwriting risk	R0040	45,821	No	No
Non-life underwriting risk	R0050	–	No	No
Diversification	R0060	(247,480)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	R0100	801,853		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	42,490
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	(34,757)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	809,585
Capital add-on already set	R0210	–
of which, capital add-ons already set – Article 37 (1) Type a	R0211	–
of which, capital add-ons already set – Article 37 (1) Type b	R0212	–
of which, capital add-ons already set – Article 37 (1) Type c	R0213	–
of which, capital add-ons already set – Article 37 (1) Type d	R0214	–
Solvency capital requirement	R0220	809,585
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	759,657
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	49,928
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate		Yes/No
		C0109
Approach based on average tax rate	R0590	No

Calculation of loss absorbing capacity of deferred taxes		LAC DT
		C0130
LAC DT	R0640	(34,757)
LAC DT justified by reversion of deferred tax liabilities	R0650	(34,757)
LAC DT justified by reference to probable future taxable economic profit	R0660	–
LAC DT justified by carry back, current year	R0670	–
LAC DT justified by carry back, future years	R0680	–
Maximum LAC DT	R0690	(104,432)

Appendix (continued)

S.28.01.01

Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

in EUR thousands, as of December 31		C0010	
MCR(NL) Result	R0010	–	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	–	–
Income protection insurance and proportional reinsurance	R0030	–	–
Workers' compensation insurance and proportional reinsurance	R0040	–	–
Motor vehicle liability insurance and proportional reinsurance	R0050	–	–
Other motor insurance and proportional reinsurance	R0060	–	–
Marine, aviation and transport insurance and proportional reinsurance	R0070	–	–
Fire and other damage to property insurance and proportional reinsurance	R0080	–	–
General liability insurance and proportional reinsurance	R0090	–	–
Credit and suretyship insurance and proportional reinsurance	R0100	–	–
Legal expenses insurance and proportional reinsurance	R0110	–	–
Assistance and proportional reinsurance	R0120	–	–
Miscellaneous financial loss insurance and proportional reinsurance	R0130	–	–
Non-proportional health reinsurance	R0140	–	–
Non-proportional casualty reinsurance	R0150	–	–
Non-proportional marine, aviation and transport reinsurance	R0160	–	–
Non-proportional property reinsurance	R0170	–	–

S.28.01.01

Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

in EUR thousands, as of December 31		C0040	
MCR(L) Result	R0200	273,754	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	1,124,478	
Obligations with profit participation – future discretionary benefits	R0220	204,683	
Index-linked and unit-linked insurance obligations	R0230	30,268,155	
Other life (re)insurance and health (re)insurance obligations	R0240	814,435	
Total capital at risk for all life (re)insurance obligations	R0250		19,730,853
		C0070	
Linear MCR	R0300	273,754	
SCR	R0310	809,585	
MCR cap	R0320	364,313	
MCR floor	R0330	202,396	
Combined MCR	R0340	273,754	
Absolute floor of the MCR	R0350	4,000	
		C0070	
Minimum Capital Requirement	R0400	273,754	

Zurich Life Assurance plc
Zurich House
Frascati Road, Blackrock
Co. Dublin, Ireland

www.zurich.ie