Solvency and Financial Condition Report 2020

Zurich Life Assurance plc

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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
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
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
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 €26.9 billion (at 31/12/2020).

The Company's Solvency II Solvency Capital Requirement ('SCR') ratio (coverage of SCR by Own Funds) was 131% at 31/12/2020.

The Company is a part of the Zurich Insurance Group ('the Group'), a leading multi-line insurer that serves its customers in global and local markets. With about 53,000 employees, it provides a wide range of property and casualty and life insurance products and services in more than 215 countries and territories. The Group's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

The Group manages its capital to maximize long-term shareholder value while 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, 2021 stands at 182% (unaudited). ZIG will publish its Financial Condition Report at the end of April.

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

Global Pandemic COVID-19

Since the end of 2019, the COVID-19 pandemic has developed rapidly with far-reaching impacts across the insurance industry and the global economy overall. COVID-19 has potential implications for risks in the short, medium and long-term; through increased morbidity and mortality potentially arising from the virus, the impact of lockdown measures on operational risks across the business and the potential economic and investment market impacts. The Company has responded well to these risks, with a clear focus on managing the impacts on our customers and on our people. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions.

Executive Summary (continued)

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 and protection products.

Business and Performance (Section A)

Business Overview
The Company has grown strongly since it was established in 1977. Our domestic business mix is typical of the Irish market, including unit-linked, guaranteed protection, unitised with-profit, annuity, group protection and reviewable protection.

We also write life assurance business in various European markets under EU Freedom of Services and Freedom of Establishment provisions, primarily investments and term protection in Italy and Germany respectively.

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

Business Strategy

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 meet customer needs. 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.

Executive Summary (continued)

Performance
Overall, the Company had a strong year in 2020 with underwriting performance continuing to be profitable despite the challenges of the COVID-19 pandemic.

The Company's overall underwriting performance in the financial statements was €60.8m for 2020. This is an increase of €1.9m from the underwriting performance of €58.9m in 2019. Underwriting performance on ZLAP's Italian Branch book of business, which closed to new business in 2019, increased from €1.5m to €13.5m. The underwriting performance for all other territories reduced in 2020 primarily due to the transfer of the ZLAP UK International Portfolio Bond ('UK IPB') book of business, which had been closed to new business since 2017.

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was €1,535m in 2020 compared with €3,198m in 2019. Investment income is dependent on the performance of the financial markets. Investment returns were positive over the full year 2020 with equity markets growing, albeit not as strongly as in 2019. Investment income on policyholder unit linked assets is closely matched by a corresponding movement in policyholder unit linked liabilities.

There were no material changes to the Company's business profile in 2020.

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 submits an annual compliance statement to the CBI confirming the Company's compliance with relevant obligations including, for example, the Corporate Governance Code.

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 CEO in dispensing their responsibilities, the Company has established a number of committees – these committees meet regularly to discuss and 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, marketing 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 framework, internal control system and other elements of the system of governance.

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 Company's 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.

Our 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, our Total Risk Profiling ('TRP') process is used to identify and monitor key strategic risks.

Executive Summary (continued)

Risk Profile (Section C)

The Company manages a mix of risks typical to a life assurance company operating in Ireland.

Our key risks are Market, Underwriting, Credit and Operational risks. We have frameworks in place to monitor and manage all material risks. The frameworks set requirements around the monitoring and measuring of risks, including sensitivity and scenario analysis as required, as well as risk mitigation techniques and the governance around decision making in respect of appropriate risk management. Risks which are less quantifiable through stress testing or other means such as conduct risk are included in these frameworks. At an aggregate level the Company's risk profile is largely unchanged over 2020, though the Company continues to review and implement potential risk management initiatives which, in 2020, resulted in a reduction in the Company's exposure to longevity risk. The Company has also increased its oversight of sustainability risk throughout 2020 and it was considered in the ORSA analysis as well as other risk management activities.

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 enables the Company to identify risks to its ongoing financial strength and to take any steps necessary to reduce or remove those risks. The Company has also set thresholds for important risk metrics, defined in the Risk Appetite Statement, which are monitored on a more regular basis. Should the metrics approach or exceed the thresholds, appropriate actions will be taken to manage the risk.

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

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 2020 due to high new business volumes and positive fund growth.

Changes in demographic assumptions, in particular mortality and longevity assumptions and changes in unit cost assumptions also impacted SII Technical Provisions in 2020.

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 31/12/2020 were €851m (€763m at 31/12/2019), 100% of which were classified as Tier 1. The increase in the Own Funds in 2020 is mainly driven by the effect of positive economic conditions on the Company's future fund based fee income and a capital contribution, totalling approximately €40m, from its shareholder, Zurich Holdings Ireland Limited ('ZHIL'), in April 2020.

The SCR is a measure of the capital required to be held under the Solvency II regime and amounted to €650m at 31/12/2020 (€592m at 31/12/2019). The main driver of the increase in SCR was the strong performance of equity markets in 2020 contributing to higher expected future profits on unit linked business, which in turn has resulted in higher Life Underwriting Risk and higher Market Risk.

The Solvency II SCR ratio (coverage of SCR by Own Funds) was 131% at 31/12/2020 (129% at 31/12/2019). The Central Bank of Ireland ('CBI') requires life offices to maintain solvency coverage of at least 100% of the SCR. There was no incidence of non-compliance with this requirement in 2020.

The Minimum Capital Requirement ('MCR') is the minimum level of available financial resources required and amounted to €229m at 31/12/2020 (€219m at 31/12/2019). The Company's MCR coverage ratio was 372% (coverage of MCR by Own Funds) at 31/12/2020 (349% at 31/12/2019). There was no incidence of non-compliance with the MCR in 2020.

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.

Executive Summary (continued)

Zurich Group Capital Position

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

The Group manages its capital to maximize long-term shareholder value while 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, 2021 stands at 182% (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, PricewaterhouseCoopers. 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 31st March 2021.

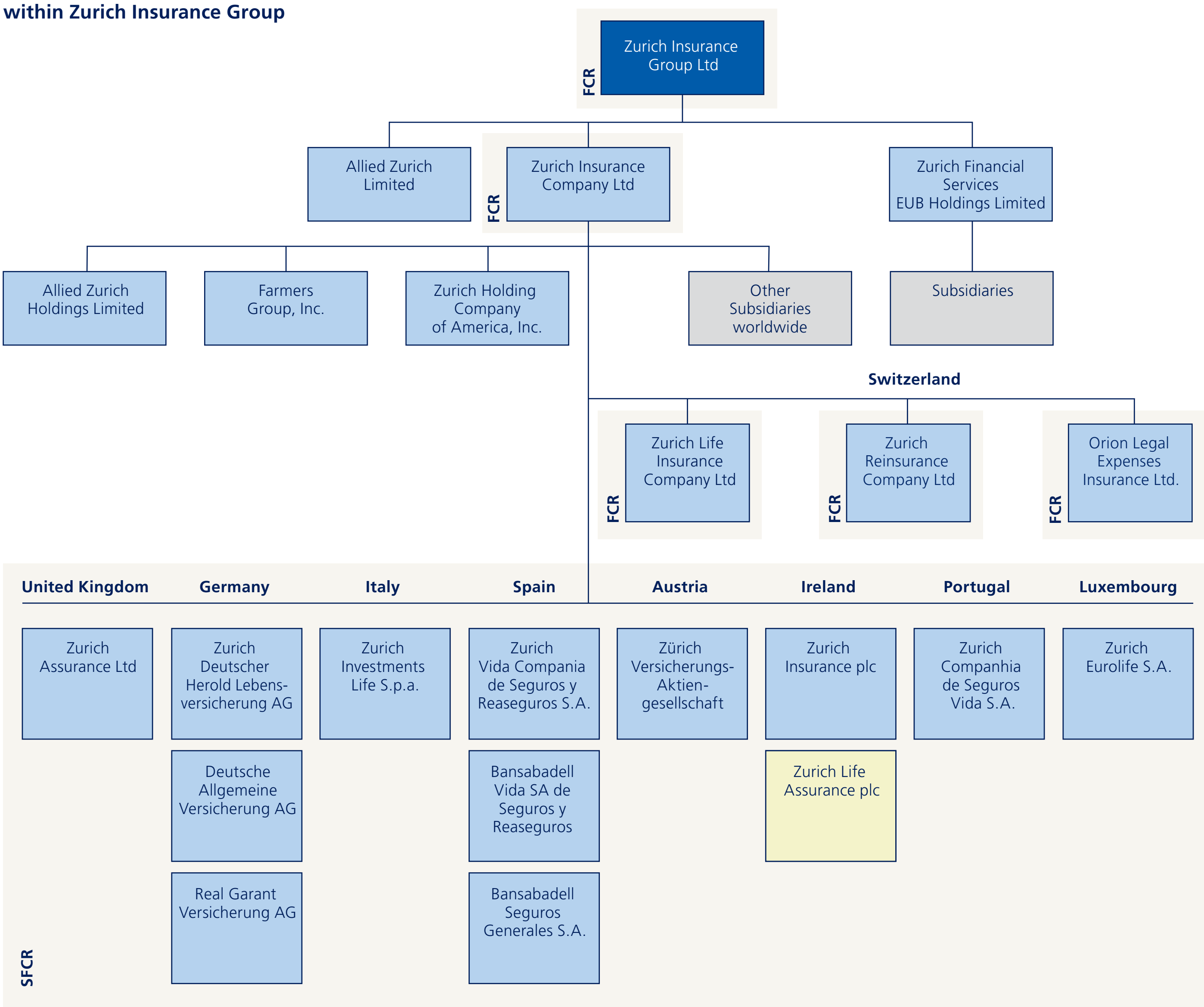
A. Business and Performance

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. ZLAP has a regulated branch in Italy ('Italian Branch').
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	PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, One Spencer Dock, North Wall Quay, Dublin 1.
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 Trustee Ireland Limited, incorporated in Ireland: ZTSL and Zurich Insurance plc each have a 50% 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. ZLAP sells life insurance business in Germany on a Freedom of Services basis. ZLAP's Italian Branch sold savings business in Italy on a Freedom of Establishment basis up until 2019. In the past, we have also sold savings business into the United Kingdom on a Freedom of Services basis, however this business was transferred to an external party in 2020. 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 received a capital contribution, totalling approximately €40m, from its shareholder, ZHIL in April 2020.

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

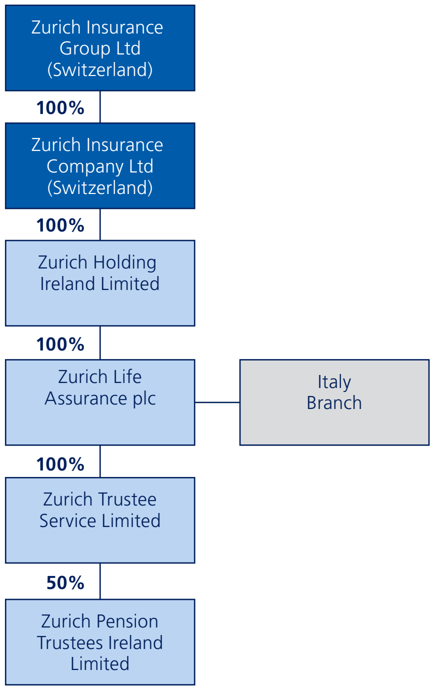
Note: The purpose of the chart above is to provide a simplified overview of the Group's major subsidiaries (as reported at December 31, 2020), with special focus on the public reporting of their solvency and financial condition. Please note that this is a simplified representation showing entities that 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.

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 plc each have a 50% qualifying holding in Zurich Pension Trustees Ireland Limited ('ZPTIL'). ZPTIL is incorporated in Ireland.

A. Business activities (continued)

A.2 Underwriting Performance

Since the Company prepares its financial statements in accordance with the FRS 101 accounting standard, the underwriting performance information given in this section is on that basis. Underwriting performance improved from €58.9m in 2019 to €60.8m in 2020 mainly driven by the increase in underwriting performance of the Italian Branch, offset by the transfer of the ZLAP UK International Portfolio Bond ('UK IPB') book of business. All policies written into the UK under Freedom of Services were transferred to a third party on the 30th November 2020 under the requirements of Section 36(1) of the Irish Insurance Act 1989 (as amended). The UK IPB book of business had been closed to new business since 2017. Underwriting performance on the Italian Branch had been impacted in 2019 by a prudent decision to write off a tax receivable asset of €9.8m pending the outcome of a decision in the Italian Regional Tax Courts to the treatment of VAT on intra-group charges. The positive resolution of this VAT issue with Italian Revenue resulted in a one-off impact of +€9.8m in 2020.

Underwriting Performance by Solvency II Line of Business

The below table shows the 2020 underwriting performance by Solvency II line of business, with the prior year information shown directly below it for comparison:

2020 Underwriting Performance by SII Line of Business

in EUR Millions, as of 31 December 2020	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Net Premiums Written	28.4	39.4	2,938.6	125.4	3,131.7
Net Claims Incurred	(7.9)	(159.3)	(2,255.6)	(86.6)	(2,509.4)
Net Change in Technical Provisions	(5.6)	156.8	(2,015.2)	12.0	(1,852.1)
Investment Income	0.8	(15.6)	1,543.0	29.4	1,557.6
Total Expenses	(8.8)	(10.2)	(204.1)	(43.9)	(267.1)
Total Underwriting Performance	**6.8**	**11.0**	**6.7**	**36.3**	**60.8**

2019 Underwriting Performance by SII Line of Business

in EUR Millions, as of 31 December 2019	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Net Premiums Written	22.8	181.0	2,986.3	132.9	3,322.9
Net Claims Incurred	(6.8)	(187.9)	(2,416.9)	(91.7)	(2,703.3)
Net Change in Technical Provisions	(7.3)	(25.6)	(3,512.8)	3.9	(3,541.8)
Investment Income	1.9	53.1	3,167.3	35.4	3,257.7
Total Expenses	(8.4)	(12.5)	(209.1)	(46.5)	(276.6)
Total Underwriting Performance	**2.1**	**8.1**	**14.7**	**34.0**	**58.9**

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 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.

A. Business activities (continued)

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

- Total net premiums written were only marginally lower in 2020 despite the challenging environment presented by the COVID-19 pandemic. ZLAP had achieved a record level of domestic sales in 2019. 2020 sales on unit linked business were in line with 2019 sales in the Health Insurance category were higher in 2020.
- Profits on the Health Insurance category were higher in 2020 than in the prior year. 2019 profits had been impacted by a €4.5m increase in technical provisions on the income protection portfolio. This increase was due to a one off impact on technical provisions from a change in demographic assumptions.
- Profits on the Index-linked and unit-linked insurance category were lower in 2020. Profits on the domestic portfolio within this category were adversely impacted by investment market performance in the first half of the year, which was negatively impacted by the COVID-19 pandemic, reducing fund-based fee income. The underwriting performance of the Italian portfolio and the impacts of the UK IPB portfolio transfer, both discussed above, are also contained within this category.
- Underwriting profits on the Other Life line of business were marginally higher in 2020.

Underwriting Performance by Country

The 2020 underwriting performance by material geographical area is detailed below, with the prior year information shown directly below it for comparison.

2020 Underwriting Performance by material geographical area

in EUR Millions, as of 31 December 2020	Ireland	Italy	Germany	Other	Total
Net Premiums Written	3,055.9	38.7	34.6	2.4	3,131.7
Net Claims Incurred	(1,737.0)	(713.5)	(1.4)	(57.5)	(2,509.4)
Net Change in Technical Provisions	(2,567.1)	637.3	(1.7)	79.4	(1,852.1)
Investment Income	1,473.0	95.7	–	(11.0)	1,557.6
Total Expenses	(185.9)	(44.7)	(11.6)	(24.9)	(267.1)
Total Underwriting Performance	**38.9**	**13.5**	**20.0**	**(11.6)**	**60.8**

2019 Underwriting Performance by material geographical area

in EUR Millions, as of 31 December 2019	Ireland	Italy	Germany	Other	Total
Net Premiums Written	3,193.7	93.1	32.6	3.5	3,322.9
Net Claims Incurred	(1,687.3)	(977.4)	(1.8)	(36.9)	(2,703.3)
Net Change in Technical Provisions	(4,048.3)	545.0	(1.3)	(37.2)	(3,541.8)
Investment Income	2,754.5	428.1	–	75.1	3,257.7
Total Expenses	(175.1)	(87.3)	(10.1)	(4.1)	(276.6)
Total Underwriting Performance	**37.5**	**1.5**	**19.5**	**0.4**	**58.9**

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.

Since 2006, the Company has sold products into European markets under the European Freedom of Services ('FoS') framework. The Company sells a guaranteed term assurance product into Germany which is open to new business. The Company also 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 which are now closed to new business. The Company launched similar products under the Freedom of Establishment ('FoE') framework through ZLAP's Italian Branch which was established in late 2009. ZLAP's Italian Branch closed to new business in 2019.

The 'Other' category includes small books of Swedish, Spanish and UK business which closed to new business prior to 2018 . All policies written into the UK under Freedom of Services were transferred to a third party on the 30th November 2020 under the requirements of Section 36(1) of the Irish Insurance Act 1989 (as amended).

A. Business activities (continued)

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

- Profits on the Italian portfolio were impacted in 2019 by a prudent decision to write off a tax receivable asset of €9.8m pending the outcome of a decision in the Italian Regional Tax Courts to the treatment of VAT on intra-group charges. The positive resolution of this VAT issue with Italian Revenue resulted in a one-off impact of +€9.8m in 2020.
- Profits on the Other line of business were impacted by the costs associated with the portfolio transfer of the UK IPB business.

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	2020	2019
Underwriting Performance above	60.8	58.9
Shareholder Investment Return	(32.6)	(72.7)
Profit on Ordinary Activities Before Tax	**28.3**	**(13.9)**

The -€32.6m of investment return for 2020 above relates to returns on shareholder assets.

The Company implemented a derivative program in 2018 to reduce its exposure to market risk on future fund based fee income. The derivative program is designed to reduce the volatility within the Solvency II Balance Sheet. 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 program increases profit and loss volatility in the financial statements as the change in the market value of derivatives is recognised in the financial statements but the corresponding change in future fund based fee income is not recognised until fees are collected from the unit funds.

The Company (loss)/profit after taxation on the derivative program was (€21.8m) due to equity and €/$ market movements in 2020. (The (loss)/profit was (€64.7m) in 2019.) This is the main driver of the movement in Shareholder investment return between 2019 and 2020.

A.3 Investment Performance

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was €1,535m in 2020 compared with €3,198m in 2019. Investment Income is dependent on the performance of the financial markets. Investment returns were positive in both 2020 and 2019. The growth in 2020 was positive overall despite the volatility introduced into the markets by the COVID-19 pandemic. 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	2020	2019
Equities	1,214.9	1,586.9
Bonds	115.1	242.0
Unit Trusts	226.8	1,373.3
Deposits	(21.9)	(4.1)
Total	**1,534.9**	**3,198.1**

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. 2020 saw strong overall growth in equity markets despite the volatility introduced into the markets by the COVID-19 pandemic.

A. Business activities (continued)

Bonds

The investment return on bonds includes coupon payments and capital gains/losses from bond market performance. Investment returns on bonds continue to be impacted by the ongoing low/negative interest rate environment.

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 again positive in 2020 mainly due to the growth in the equity markets.

Deposits

Interest is paid on cash deposits. The negative interest rate environment has impacted the returns on deposits.

Investment management expenses of €16.6m in 2020 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 €106m on the Available for Sale Assets ('AFS') were recognised directly in the equity in the 2020 ZLAP financial statements.

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 31/12/2020.

A.4 Performance of other activities

Other technical income in the financial statements of €259.4m comprises mainly fees for policy administration and asset management services arising from unit-linked contracts and investment & insurance contracts with discretionary participation features. This decreased from €273.5m in 2019, mainly driven by a reduction in the Italian Branch book of business, which closed to new business in 2019.. These fees are a component of total underwriting performance and are reflected in the relevant total underwriting performance tables above.

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 six separate agreements where ZLAP is the lessee, only the Enterprise House lease is deemed material and three leases will end in 2021.

A.5 Any other Information

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. Amongst other matters, the Board:

- Approves the corporate objectives and sets the strategy to achieve them;
- Ensures that the organisation conducts its affairs in an ethical, legal and responsible manner;
- Sets and oversees a robust and transparent organisational structure with effective communication and reporting channels;
- Sets and oversees 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;
- Determines policies on key areas such as: risk, reserving, compliance, internal audit, outsourcing, fitness and probity, business continuity, accounting, staff appointment and remuneration, health and safety and board diversity;
- Sets risk appetite and overall risk tolerance levels;
- Monitors and assesses compliance with ZLAP's policies and principles; and
- Reviews the effectiveness of ZLAP's systems of internal control.

ZLAP discontinued the role of Head of Life and Pensions in June 2020 when the holder of this role was appointed as CEO. The previous CEO resigned as an Executive Director and was subsequently re-appointed as a Non-Executive Director. ZLAP also appointed three new Independent Non-Executive Directors while two Non-Executive Directors resigned from the Board.

Committees of the ZLAP Board

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

The **Audit Committee** assists the Board in controlling, overseeing and coordinating ZLAP's internal and external audit activities and processes. It monitors the financial reporting process and reviews the annual financial statements and regulatory filings, as well as overseeing the activities of the Compliance function.

The **Board Risk Committee** 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. Amongst other things, it makes recommendations to the Board on the appointment of new Board members and other senior roles in the Company and oversees succession planning and compliance with corporate governance requirements in relation to the composition and membership of the Board. The Nomination Committee also plays an active role in diversity and inclusion, including setting targets for Board diversity, monitoring Board succession planning through a diversity lens and monitoring progress made on the strategy and action plans in place for diversity and inclusion (which is also a topic considered by the Board of directors).

The Board has determined that it is appropriate for ZLAP to rely on the Zurich Group Remuneration Committee for support and recommendations in relation to remuneration rather than establish its own Remuneration Committee

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 ZLAP's business and operations. The Cross Border Management Committee ('CBMC'), which previously existed as a stand-alone committee to assist the CEO to develop strategic, financial and operating plans in relation to ZLAP's Cross-Border business (including FoS business) and the business of the Italian Branch, was integrated into the business of the Management Committee during 2020.

B. System of Governance (continued)

2. The **Asset Liability Management and Investment Committee** ('ALMIC') assists 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 the report of the Head of Actuarial Function on unitised with-profits dividends to be added to policyholders' investment accounts and material unitised with-profits matters.

4. The **Risk and Control Committee** ('RCC') assists 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.

5. The **Operational Risk Committee** ('ORC') assists the CEO and Chief Risk Officer ('CRO') in managing and overseeing ZLAP's operational risk management and internal control activities. The ORC is chaired by the Chief Operating Officer ('COO').

6. The **Reinsurance Committee** ('RIC') assists with the development, management, governance and oversight of ZLAP's reinsurance arrangements.

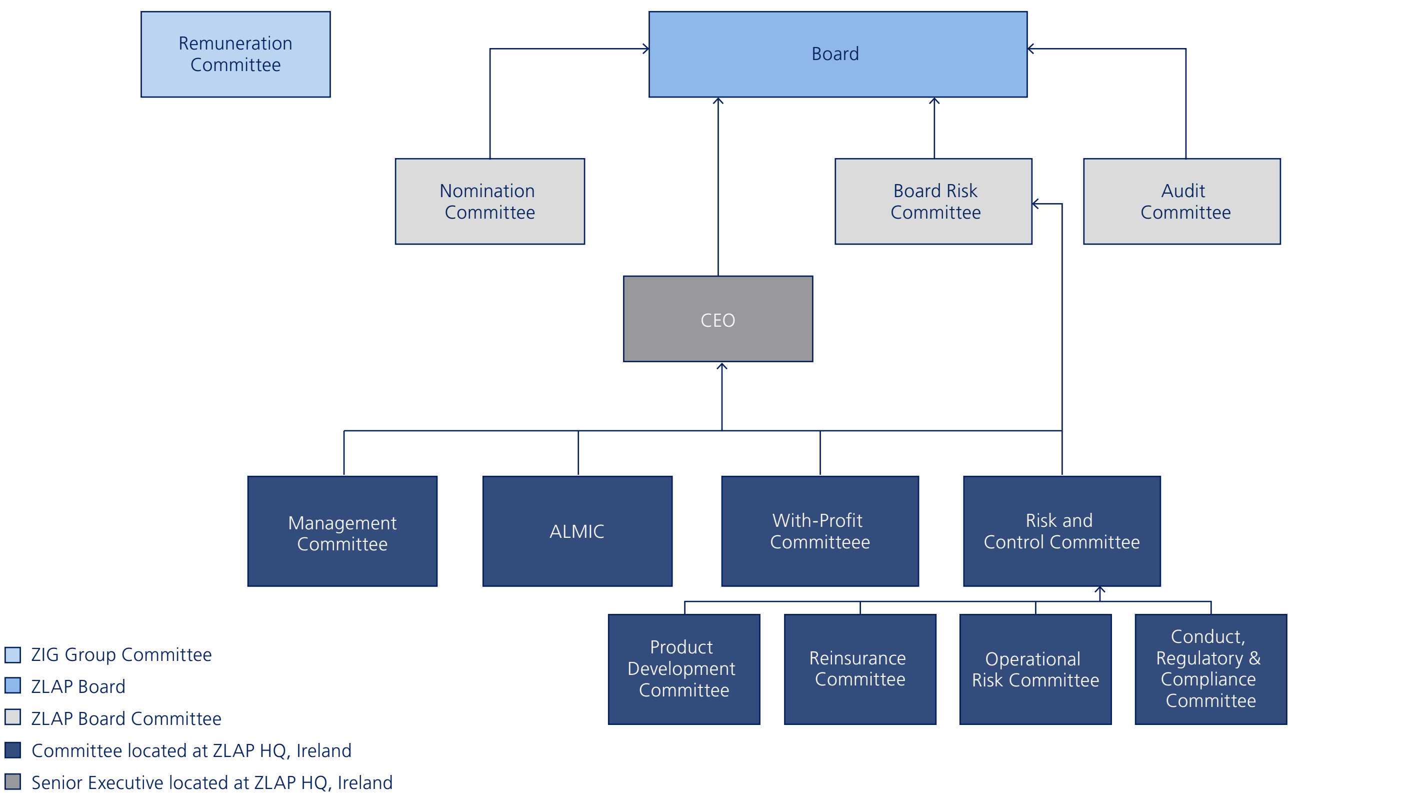
7. The **Product Development Committee** ('PDC') assists with the development, underwriting, oversight and governance of ZLAP's new and existing products.

8. The **Conduct, Regulatory and Compliance Committee** ('CRCC') supports the management and mitigation of Conduct, Regulatory and Compliance risk in ZLAP.

ZLAP has a Branch in Italy which operates on a freedom of establishment basis ('the Italian Branch'). The Italian Branch performs sales, marketing and client services liaison functions. As part of ZLAP, the Italian Branch is subject to the system of governance detailed in this section. A Branch Manager is responsible for the operation of the Italian Branch on a day to day basis and for monitoring local compliance and risk in accordance with guidelines issued by ZLAP. All other Cross Border business is written by ZLAP on a Freedom of Services basis.

The governance reporting structure is summarised in the chart below.

ZLAP Corporate Committee Structure



B. System of Governance (continued)

Key Functions

ZLAP's key functions are as follows:

– The Risk Management function, led by the ZLAP Chief Risk Officer, 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 Audit Committee 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).

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 Chairperson of the Audit Committee so that appropriate action can be 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 Audit Committee (quarterly)
Internal Audit Function	Legal Entity Head of Internal Audit	– Report to the 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 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 2020

ZLAP received a capital contribution, totalling approximately €40m, from its shareholder, Zurich Holdings Ireland Limited ('ZHIL'), in 2020.

ZLAP entered into a longevity reinsurance transaction with Zurich Insurance Company Ltd ('ZIC') Switzerland in December 2020. This is discussed in more detail in Section C.1 and in Section E.2.

Material changes in the system of governance

With the exception of the decision to integrate the business of the Cross-Border Management Committee with the Management Committee during 2020, and the cessation of the role of Head of Life and Pensions, there were no material changes to the System of Governance during 2020.

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.

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. System of Governance (continued)

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

Risk management in ZLAP

Taking risk is inherent to the insurance business but such risk-taking should only be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. 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 Chief Risk Officer ('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.

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 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 ERM framework and controls.

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 risks. 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

The Board is responsible for ensuring that the rules and procedures for decision-making within the entity are well defined, transparent and supported through appropriate risk management and culture. The Board has approved a Risk Appetite Framework which details the Company's willingness and capacity to take risk, based on:

- Capital adequacy and available liquidity;
- A reasonable balance of risk and return, aligned with economic and financial objectives; and
- Protection of the ZLAP and Zurich brand and reputation through promotion and embedding of ZLAP and Zurich values and ethics throughout the organisation.

Despite a period of heightened financial market uncertainty arising as a result of COVID-19, ZLAP has remained compliant with applicable regulatory capital requirements over the reporting period.

During 2020 and in relation to COVID-19 impacts in particular, the Company placed a focus on conduct risk and treating customers fairly

Other 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 our 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. Limits are specified per risk type. Regular assessments verify that requirements are being met.

B. System of Governance (continued)

The Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment ('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 the risks which the Company is exposed to.

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 2020, the final version of the ORSA report was presented and approved at the November Board meeting. A full copy of this report was also submitted to the CBI.

Key elements of the ORSA report include:

- A scenario and stress 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 undertaking deviates from the assumptions underlying the Solvency Capital Requirement; and
- Confirmation of compliance, on a continuous basis, with the capital requirements and with the requirements regarding Technical Provisions.

A key focus of the ORSA is the assessment of ZLAP's ability to withstand certain shocks while continuing to meet its policyholder obligations. ZLAP holds assets over and above those required to meet a best estimate of its policyholder obligations, this excess is referred to as risk capital. The ORSA process includes an analysis of the risk capital required to cover losses arising from a broad range of risks, both currently and over the business planning horizon, to ensure with a high degree of confidence that policyholder obligations will continue to be met in those adverse scenarios. This analysis is one of the primary components of ZLAP's ORSA report.

Stress 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, and qualitative risk assessments are also considered. Through the scenario and stress 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 a wider economic strain. 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.

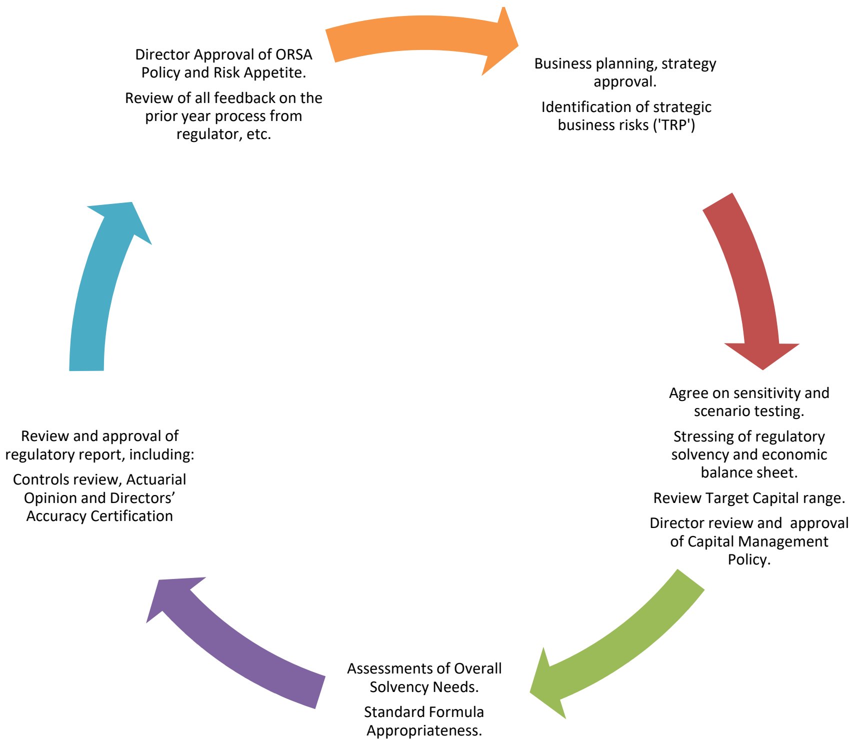
ZLAP's OSN assessment relates to the Company's view of its risk profile and related risk capital requirements whereby a level of risk capital in excess of the regulatory requirement is determined which enables the Company to continue to meet regulatory requirements in adverse scenarios. In determining 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 stress and scenario testing quantified both immediately and over the period of the business plan.

The Company considers two main risk capital metrics which are based on a regulatory view and an internal view. The regulatory view, set out in legislation, prescribes how the Company should determine its risk capital using a methodology known as the standard formula. The standard formula, while adequately addressing the risks faced by the Company, was not designed specifically for ZLAP and as such the Company has separately determined its own methodology, or internal view, for assessing risk capital. The Company considers the impact of stress and scenario testing on both risk capital metrics.

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.

B. System of Governance (continued)

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



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

- Roles and responsibilities within the ORSA process;
- 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 2020 ORSA process concluded, amongst other things, that ZLAP is projected to remain within risk appetite, in terms of both regulatory risk capital and its internal view of risk capital, for the duration of its business plan.

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 2020.

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.

Accountability for each control lies with a senior executive 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 risk controls in place. The Risk Management function reports on the effectiveness of the internal control framework by 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 Risk and Control Self-Assessment ('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 identification and categorization of risk types;
– A "Risk Champion 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; and
– Implementation of action plans to remediate any issues arising.

This suite of information is reported on RACE. An Operational Risk report summarising the information on RACE is reported to the ORC, RCC and the Board Risk and Audit Committees (as required) 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.

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 Audit Committee and the RCC.

B.5 Internal Audit function

The Internal Audit function for ZLAP is provided by the Zurich Group. The Head of Internal Audit for ZLAP is responsible for providing assurance to the Board and the Audit Committee on the adequacy and effectiveness of the risk management framework, internal control system and other elements of the system of governance.

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 Audit Committee or other stakeholders. The Audit Committee is responsible for approving the annual audit plan. 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 communicated to the responsible management function, the CEO and the Audit Committee using a suite of reporting tools.

The Internal Audit function has operational independence to carry out its tasks and to report to and advise the Board (via the Audit Committee). The Internal Audit Policy provides that if the independence or objectivity of the Internal Audit function is impaired, then details of the impairment must be disclosed to the chairperson of the Audit Committee and will be disclosed in the audit report to the Board.

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 Audit Committee in respect of the valuation of ZLAP's Technical Provisions.

B.7 Outsourcing

The Company can enter into outsourcing arrangements where it has identified a benefit in doing so. 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.

B. System of Governance (continued)

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 Infrastructure, 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	Policy Administration Services for UK propositions	Ireland
External	Certain Fund Management services	Ireland & Germany
External	Printing, posting and document management services	Ireland
External	Policy Administration Services for Italian and German propositions	Ireland & Poland
External	IT Support for application software, technical support and consultancy	Italy
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. The reviews are reported 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
Maintain capital and liquidity levels to meet claims 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 Solvency Capital Requirement ('SCR') at year end 2019 and 2020 is shown below, split by risk type. This is a breakdown of the risk 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.

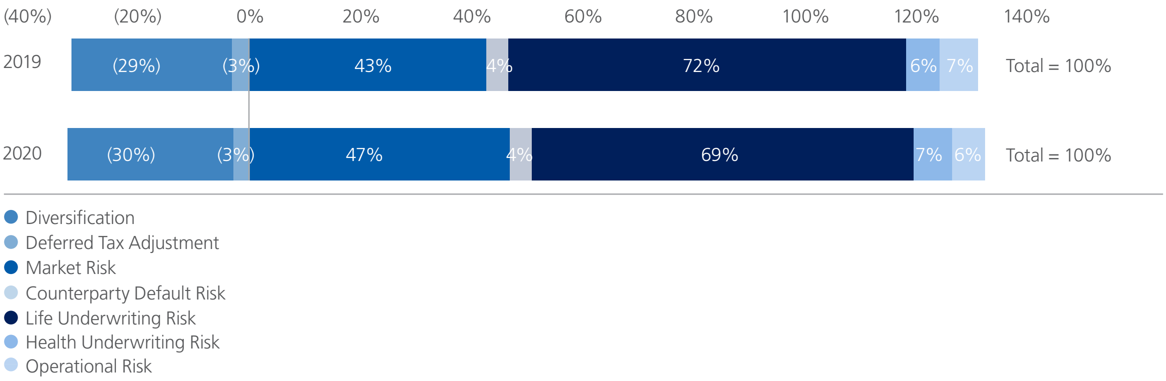
Solvency Capital Requirement split by risk type

in EUR millions, as of 31 December	2020	2019
Market Risk	305.2	257.2
Counterparty Default Risk	24.1	23.9
Life Underwriting Risk	449.3	424.2
Health Underwriting Risk	45.1	37.4
Diversification	(196.9)	(173.5)
Basic SCR	626.8	569.2
Operational Risk	41.7	43.0
Deferred Tax Adjustment	(18.9)	(20.2)
Total SCR	649.6	591.9

C. Risk Profile (continued)

The table illustrates that the Company's regulatory capital requirement is largely stable over 2020. The proportion of the SCR arising from each risk type, shown below, further illustrates the stability of the Company's risk profile over 2020 as measured by its regulatory capital requirement.

Solvency Capital Requirement split by risk type
Percentage of Total SCR



The longevity reinsurance arrangement, referred to in Section A, which was entered into in 2020 reduced the life underwriting risk capital on a standalone basis. However, increased risk capital with respect to other sub-risks within life underwriting risk has resulted in a net increase over the year. The reduced exposure to longevity risk is discussed further later in this section.

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.

Risk concentrations

Concentration risk can arise from a large individual exposure or from an exposure to a group of interconnected insured individuals. Concentration 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 critical illness 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 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 derived 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 on existing policies. When assessing its SCR the Company considers quantitatively the impact should future experience deviate materially from the best estimate assumptions.

ZLAP also carries out stress 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.

C. Risk Profile (continued)

A selection of individual stresses in respect of the underwriting risks discussed is set out in the table below, at 31/12/2020:

Underwriting Risk Sensitivities

Sensitivity	Coverage Impact
	%
5% increase in assured life Mortality	–
5% increase in pensioner Longevity	-1%
5% increase in Morbidity	–
A 10% increase in Lapses	+4%
A 10% increase in Renewal Expenses	-4%

A 10% increase in future 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.

ZLAP's exposure to mortality and morbidity risks is limited through the use of reinsurance. As a result an adverse change in mortality or morbidity experience relative to best estimate assumptions does not have a significant impact on the solvency coverage. ZLAP's sensitivity to adverse pensioner longevity experience has reduced in comparison to 2019 as a result of a longevity reinsurance treaty implemented during 2020. The use of reinsurance is discussed further in the next section.

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 stresses or combinations of stresses through the ORSA and other processes.

The interaction between risks within ZLAP's aggregate portfolio is also actively monitored as part of ZLAP's portfolio-based risk appetite.

The COVID-19 pandemic has highlighted the potential for underwriting risks, mortality and morbidity risks in particular, to materialise. While there has been no significant increase in life or critical illness claims to date, the pandemic has been 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.

The risk of future adverse mortality and morbidity experience impacting the Company, potentially as a result of climate change, was considered in the 2020 ORSA analysis.

Risk mitigation techniques

Reinsurance is the means by which an insurance company transfers (some or all of) the cost of meeting policyholder claims 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. A high proportion of ZLAP's mortality and morbidity risks are transferred to reinsurers. ZLAP has also taken steps to manage its longevity exposure by using reinsurance. 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 the claim. This is discussed further in Section C.3.

During 2020 ZLAP entered into a new Board approved longevity reinsurance arrangement. This arrangement, applied to the Company's annuity portfolio, reduces the uncertainty associated with projecting the expected lifetime of annuitants and the risk that future payments are higher than expected.

In addition, ZLAP applies strong 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 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.

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

C. Risk Profile (continued)

Measures to manage expense 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 does 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.

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 future policyholder claims.

Credit spread risk is the risk arising from changes in the level or volatility of credit spreads and the impact this can have on the value of assets and liabilities. ZLAP is exposed to credit spread risk primarily through bond assets held in respect of expected future policyholder claims and 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. Similarly to equity risk, ZLAP's primary currency exposure relates to the loss of 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 relating 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. 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 stress and scenario testing as part of the ORSA process (see Section B.3) which includes stress 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 stresses in respect of the market risks discussed are set out in the table below, at 31/12/2020:

C. Risk Profile (continued)

Market Risk Sensitivities

Sensitivity	Coverage Impact
	%
A 0.5% increase in Interest Rates	+3%
A 0.5% decrease in Interest Rates	-5%
A 25% increase in Equity Values	-2%
A 25% decrease in Equity Values	+3%
A 0.5% increase in Bond Spreads	-13%
A 0.5% decrease in Bond Spreads	+14%
A 25% decrease in FX exchange rates	+5%

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

The interaction between risks within ZLAP's aggregate portfolio is also actively monitored as part of ZLAP's portfolio-based risk appetite.

At times during 2020 there were periods of volatility in financial markets which were driven by the COVID-19 pandemic and related reasons. Previous stress testing exercises and the understanding gained from them in relation to how changes to market risk factors impact on key metrics proved valuable to the Company in ensuring that policyholder interests were protected.

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 investment holdings match 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.

ZLAP continues to implement a derivative hedging programme to reduce its exposure to market risk arising from future fee income linked to policyholder equity investments. Another key 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 also 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 take into account 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 taken into account 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.

Concentration 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 external delegated authorities of individual dealers are agreed by the Chief Investment Officer ('CIO') and the HoAF; and
- Aggregate market risk limits are in place at a portfolio level as part of ZLAP's Risk Appetite Framework.

C.3 Credit risk

Credit risk is the risk of loss arising from financial instruments as a result of the counterparty 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 derived from assets such as bonds, bank holdings and derivatives, as well as with respect to reinsurance and hedging counterparties. 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 may arise in relation to the types of exposures outlined above.

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 counterparties;
- Strict asset quality and diversification guidelines have been established for counterparties;
- 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 certain 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

As part of the ORSA process, ZLAP considers scenario analysis with respect to credit risks. While stress 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 avoids liquidity risk and engages in regular monitoring and risk management processes which enable it to meet its obligations as they fall due.

C. Risk Profile (continued)

Risk concentrations

The Company does not have any material concentrations of liquidity risk.

Risk mitigation techniques

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

- The Company holds 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, the liquidity position is projected over the duration of the business plan under a number of credible adverse scenarios. The 2020 exercise concluded that the Company's liquidity position is expected to increase each year over the business planning period using best estimate projections. The exercise identified a number of risk factors which could reduce the Company's liquidity position such as significant changes in expenses, equity values and lapse rates. The Company's liquidity position remained in excess of an internally defined lower threshold in all the assessed projections.

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.

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 31/12/2020, the Company's EPIFP was €56.4m.

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.

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.

C. Risk Profile (continued)

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.
Other proactive risk activities include:

- Oversight of controls effectiveness in the ORC, RCC, BRC and Audit Committee;
- Information security and cyber-security practices and reviews;
- Oversight teams 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.

Analysis of operational risk sensitivities

Stress and scenario testing is carried out as part of the ORSA process which includes stress testing of operational risks. A Top Down Scenario framework to identify and measure operational risks comprises of a scenario-based approach to assess, model and quantify the operational risks under moderate and extreme circumstances. The results of this analysis showed no significant exposures with respect to operational risk which are not being addressed by the risk mitigation techniques outlined above.

C.6 Other material risks

This section summarises the material risks to which the Company is exposed other than those already discussed. 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 the RCSA process which were described in Section B.

Strategic risk

The Company's strategy is defined as 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. Drivers of the risk include:

- Inadequate assessment of strategic plans;
- Ineffective implementation of strategic plans;
- Company disruption as a result of transforming the business;
- Inadequate resource management; and
- Inadequate or inappropriate response to a changing market or regulatory environment.

ZLAP has a defined strategy and set of objectives which it is pursuing. While there are risks associated with achieving strategic objectives, having no defined strategy is not a viable alternative.

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, ZLAPs annual Total Risk Profile ('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.

C. Risk Profile (continued)

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 family with protection over a long period of time. Acts or omissions by ZLAP or any of its employees that are not in the best 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 Company's approach to conduct risk management enables it to act in the best interests of customers and to comply with all regulatory obligations. 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 poor 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.

The Company, having considered policyholder interests, took a number of steps to assist policyholders during the COVID-19 pandemic. These included updating policyholder communications to highlight the reinstatement options available on protection products, as well enhancements to spread the costs of reinstatement over a longer period.

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 outsourced services to ZLAP. The Company may have credit exposures to Group counterparties from time-to-time relating to risk transfer 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.

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, business continuity, 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 service through a dashboard maintained by the Business Resilience and Outsourcing Oversight Manager. Requirements include appropriate contractual clauses, service level agreements and in-scope services being subject to appropriate business continuity and disaster recovery testing. In relation to financial exposures in particular, the Company also considers intra-Group dependencies through its recovery planning exercise which is carried out at least annually and reviewed by the BRC.

ZLAP monitors its exposure to Group counterparties at both an individual and aggregated level. Monitoring of key risk indicators 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 risk is the risk of not achieving sustainability or corporate responsibility objectives. As well as having an impact on macroeconomic factors, sustainability factors could impact the Company and its strategy through regulatory change and/or changing customer behaviours.

C. Risk Profile (continued)

The Company, and the Group, have already taken steps to manage this risk, particularly in the space 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 commitment and participates in Group-wide practices in relation to responsible investment.

The Company has continued to develop the active ownership element of its approach to Responsible Investment. The Company's approach will be aligned with the vote disclosure obligations under the Shareholder Rights Directive which was enacted into Irish law this year. The next significant regulatory development is the EU's Sustainability Related Disclosure Regulations, which is effective from March 2021. The Company is engaging with the Group initiatives to meet this requirement

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.

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 the dynamic digital landscape which has the potential to disrupt the traditional sales channels and the pace of regulatory change.

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. 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.

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. Over the last year, the main source of geopolitical risk in respect of ZLAP's business has been the potential fallout from a 'hard' Brexit.

While this risk may be somewhat mitigated by the agreement and passage of a Brexit deal between the UK and EU, there remain significant sources of geopolitical risks which may have knock-on impacts on global markets, examples of which include the current tensions between the US and China and the divisions emerging in the Eurozone arising as a result of the COVID-19 pandemic.

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

The potential impact of geopolitical risks is assessed both qualitatively and quantitatively. 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 the qualitative assessment and may consider a range of outcomes which estimate the potential impact of the particular geopolitical risk. These assessments will typically focus on the potential impact on financial markets and what change in customer behaviours this might lead to.

C. Risk Profile (continued)

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 liability cost over asset value. Key risks in respect of the pension scheme are those relating to longevity risk, market exposures (primarily equity and interest rate risk) and credit risk. The level of interest rate risk in respect of the staff pension scheme increased over 2020 and this is being carefully monitored as a result.

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 pension deed. In line with local market practices, the scheme is treated as ring-fenced for regulatory purposes. Any pension scheme deficit, calculated on an IAS19 basis, is also recognised as a Company liability in both internal capital and 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. If necessary, the trustees will submit proposals to ZLAP management for their decision.

Pension scheme risks are explicitly allowed for in ZLAP's internal capital model. These include longevity improvements, investment credit risks and market risks (equity market shock and fall in interest rates). The regulatory capital model also recognises market and credit risks on the staff pension scheme. This analysis provides the Company with insights into the sources of risk associated with the pension scheme and the potential impacts

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 and the risk may be heightened as IT systems age.

The Company operates strong preventative and detective controls around monitoring and remediation of cyber threats through the activities of its Information Security function, 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. The Company has also undertaken an exercise of updating the hardware used by staff which has improved overall resilience in the face of cyber risks.

In managing its exposure to cyber security 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

Any other information

Off-balance sheet positions and special purpose vehicles

ZLAP does not have exposure arising from off-balance sheet positions or transfers to special purpose vehicles.

Global Pandemic COVID-19

The COVID-19 pandemic has had a considerable impact on economic and social conditions in Ireland over 2020. While a number of vaccines have been developed and approved, the impact of COVID-19 is expected to continue into 2021 as the healthcare system grapples with a third wave of the virus. It is likely that the country faces a prolonged lockdown, while it will take a number of months to inoculate a significant proportion of the population. The Company's performance in 2020 was strong even given the adverse conditions during periods of the year. The key impacts of the COVID-19 pandemic experienced by ZLAP over the course of 2020 included:

- Movements and uncertainties in market risk factors, such as those described in Section C.2, impacted key financial metrics in both positive and negative ways through the year as financial markets reacted to the COVID-19 impacts and outlook;
- The Company successfully transitioned to a remote operating model in response to the threat of the pandemic; and
- Various business resilience measures were put in place to ensure that ZLAP continued to meet policyholder expectations.

As part of the annual ORSA Process the Company has considered the impacts of and potential mitigants for such adverse experience.

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
	2020	2020	2020	2020	2019
Property, plant & equipment held for own use			74.6	74.6	76.4
Participations			–	–	–
Equities	448.6			448.6	471.5
Bonds	2,867.1			2,867.1	2,727.0
Derivatives		51.5		51.5	94.0
Deposits other than cash equivalents	433.9			433.9	507.2
Assets held for index-linked and unit-linked contracts	22,335.5			22,335.5	20,709.3
Loans and mortgages			0.4	0.4	0.4
Reinsurance recoverables		294.0		294.0	253.6
Insurance & intermediaries receivables			24.4	24.4	29.1
Reinsurance receivables			25.9	25.9	26.6
Receivables (trade, not insurance)			102.6	102.6	87.7
Cash and cash equivalents			54.6	54.6	89.4
Any other assets, not elsewhere shown			154.5	154.5	143.1
Total Assets	**26,085.1**	**345.5**	**436.9**	**26,867.6**	**25,215.3**

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.

D. Valuation for Solvency Purposes (continued)

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.

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 2020	Solvency II	Financial Statements	Reported Difference
	2020	2020	
Deferred acquisition costs	–	480.4	(480.4)
Intangible assets	–	2.5	(2.5)
Deferred tax assets	–	–	–
Property, plant & equipment held for own use	74.6	84.1	(9.6)
Holdings in related undertakings, including participations	–	–	–
Equities	448.6	448.6	–
Bonds	2,867.1	2,867.1	–
Deposits other than cash equivalents	433.9	433.9	–
Derivatives	51.5	51.5	–
Assets held for index-linked and unit-linked contracts	22,335.5	22,335.5	–
Loans and mortgages	0.4	0.4	–
Reinsurance Recoverables	294.0	406.0	(112.0)
Insurance and intermediaries receivables	24.4	24.4	–
Reinsurance receivables	25.9	25.9	–
Receivables (trade, not insurance)	102.6	102.6	–
Cash and cash equivalents	54.6	54.6	–
Any other assets, not elsewhere shown	154.5	154.4	0.2
Total assets	**26,867.6**	**27,471.9**	**(604.3)**

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 acquisition 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 business, including for example commissions and certain underwriting and policy issue expenses, 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. 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.

4. 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.

5. "Any other assets, not elsewhere shown" – This item mainly consists of indemnity balances, pre-paid expenses and policyholder taxes and reinsured notified claims. The difference arises due to a reinsurance impairment of €156k required in the financial statements but not required under Solvency II.

D. Valuation for Solvency Purposes (continued)

D.2 Technical Provisions

Technical Provisions overview

The table below shows the regulatory Technical Provisions at 31/12/2020 by line of business, with the same information at 31/12/2019 shown below it for comparison:

2020 Technical provisions by line of business

in EUR millions, as of 31 December 2020	Technical Provisions calculated as a whole	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,697.6	(9.1)	15.1	–
Index-linked and unit-linked insurance	22,452.2	(393.7)	196.9	(40.7)
Other life insurance	83.7	1,101.8	10.6	(142.1)
Health insurance	13.3	164.1	10.8	(111.2)
Total	**24,246.8**	**863.2**	**233.4**	**(294.0)**

2019 Technical provisions by line of business

in EUR millions, as of 31 December 2019	Technical Provisions calculated as a whole	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,835.4	(17.9)	17.6	–
Index-linked and unit-linked insurance	20,789.6	(350.8)	198.1	(43.9)
Other life insurance	86.6	1,032.0	10.8	(113.6)
Health insurance	12.9	129.8	8.4	(96.1)
Total	**22,724.5**	**793.0**	**234.9**	**(253.6)**

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 2020. 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 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 31/12/2020 and for the prior year, 31/12/2019, for comparison.

D. Valuation for Solvency Purposes (continued)

2020 Reconciliation to Financial Statements

in EUR millions, as of 31 December 2020	Gross Financial Statements	Gross SII TPs	Difference
Insurance with Profit Participation	1,722.9	1,703.7	19.2
Index-linked and unit-linked insurance	22,593.8	22,255.4	338.4
Other life insurance	1,533.3	1,196.1	337.2
Health insurance	139.6	188.2	(48.7)
Total	**25,989.5**	**25,343.4**	**646.2**

2019 Reconciliation to Financial Statements

in EUR millions, as of 31 December 2019	Gross Financial Statements	Gross SII TPs	Difference
Insurance with Profit Participation	1,863.3	1,835.1	28.2
Index-linked and unit-linked insurance	20,924.8	20,636.9	287.9
Other life insurance	1,488.6	1,129.4	359.2
Health insurance	108.6	151.1	(42.5)
Total	**24,385.3**	**23,752.5**	**632.8**

The main differences between the Solvency II and Financial Statements liabilities are described below.

Risk Margin

Solvency II Technical Provisions include a Risk Margin. The Risk Margin is essentially 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.

Unit Linked and Insurance with Profit Participation Policies

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 this line of business.

Term Protection policies (included in Other Life and Health insurance lines of business above)

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. As this business is expected to be profitable in the future under best estimate assumptions, this results in a negative Technical Provision for this business. In the financial statements, the Technical Provisions for individual protection products are also calculated based on projected future cash flows discounted using a risk-free yield curve, however negative reserve amounts are not permitted.

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 31/12/2020, with the previous year's figures at 31/12/2019 shown below for comparison. Full details of the differences between the financial statements and Solvency II are also included:

2020 Other Liabilities

in EUR millions, as of 31 December 2020	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	266.4	266.4	–
Pension benefit obligations	20.0	20.0	–
Deferred tax liabilities	18.9	9.4	9.5
Derivatives	35.0	35.0	–
Debts owed to credit institutions	2.2	2.2	–
Financial liabilities other than debts owed to credit institutions	70.9	70.9	–
Insurance & intermediaries payables	74.4	74.4	–
Reinsurance payables	20.8	20.8	–
Payables (trade, not insurance)	116.7	116.7	–
Any other liabilities, not elsewhere shown	47.8	85.6	(37.8)
Total	**673.1**	**701.4**	**(28.3)**

2019 Other Liabilities

in EUR millions, as of 31 December 2019	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	217.3	217.3	–
Pension benefit obligations	18.9	18.9	–
Deferred tax liabilities	20.2	8.4	11.8
Derivatives	40.4	40.4	–
Debts owed to credit institutions	5.9	5.9	–
Financial liabilities other than debts owed to credit institutions	72.9	72.9	–
Insurance & intermediaries payables	103.7	103.7	–
Reinsurance payables	26.9	26.9	–
Payables (trade, not insurance)	147.9	147.9	–
Any other liabilities, not elsewhere shown	46.0	99.0	(53.0)
Total	**699.9**	**741.1**	**(41.2)**

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.

Pension benefit obligations: ZLAP operate 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 deficit (assets minus liabilities) is included in the liability line "Pension benefit obligations". 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. These future cash flows include 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 Assets

in EUR millions, as of 31 December 2020	Market Value	Proportion
Equities	116.5	35%
Bonds	209.6	64%
Cash and Deposits	3.3	1%
Total	**329.4**	

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 recently issued 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, Italian Withholding 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 Costs and Deferred Front-End Fees. These are intangible liabilities in the financial statements which facilitate the recognition of 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

Since the end of 2019, the COVID-19 pandemic has developed rapidly with far-reaching impacts across the insurance industry and the global economy overall. Covid-19 has potential implications for risks in the short, medium and long-term; through increased morbidity and mortality potentially arising from the virus, the impact of lockdown measures on operational risks across the business and potential economic and investment market impacts.

The assumptions underlying the Technical Provisions were reviewed during 2020 and management considered the effect of COVID-19 to the extent possible as part of that assumptions review. Experience emerging since the assumptions were reviewed has been monitored and analysed. No material COVID-19 related changes have been identified which would invalidate the assumptions previously approved for financial reporting.

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 of approval of the Solvency and Financial Condition Report ('SFCR') and have prepared the SFCR on a going concern basis.

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 re-insurance;

d) impact and uncertainty from COVID-19;

e) the Company's liquidity position

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

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 each year is focussed 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 31/12/2020 and 31/12/2019.

Structure of the Own Funds

in EUR millions, as of 31 December	2020	2019
Ordinary share capital (gross of own shares)	17.7	17.7
Share premium account related to ordinary share capital	323.0	283.0
Reconciliation reserve	510.5	462.2
Total Own Funds	**851.1**	**762.9**

There have been no changes to the ordinary share capital during 2020. The share premium account increased due to the receipt of a capital contribution of €40m from its shareholder, Zurich Holdings Ireland Limited ('ZHIL') in April 2020. 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 €48.3m in 2020. The increase is mainly due to the impact of positive economic conditions in the latter part of 2020 and the implementation of a longevity reinsurance arrangement in December 2020.

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 31/12/2019 and 31/12/2018 is shown below:

Structure of the Own Funds

in EUR millions, as of 31 December	2020	2019
Tier 1 – unrestricted	851.1	762.9
Tier 1 – restricted	–	–
Tier 2	–	–
Tier 3	–	–
Total	**851.1**	**762.9**

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 2021 to 2023.

E. Capital Management (continued)

All Own Funds are available to meet the SCR and MCR at 31/12/2020 and at the prior reporting period, 31/12/2019, for comparison:

2020 Structure of the Own Funds

in EUR millions, as of 31 December 2020	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	851.1	851.1
Total available own funds to meet the MCR	851.1	851.1

2019 Structure of the Own Funds

in EUR millions, as of 31 December 2019	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	762.9	762.9
Total available own funds to meet the MCR	762.9	762.9

Reconciliation to Financial Statements

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	2020	2019
Solvency II Own Funds	851.1	762.9
SII Technical Provisions to Financial Statements Reserves	(646.2)	(632.8)
Reinsurance Differences	111.8	125.9
SII Deferred Tax to Financial Statements Deferred Tax	9.5	11.8
Deferrals of Acquisition Income & Expenses	442.6	426.3
Other Intangible Assets	2.5	1.5
Property, plant & equipment held for own use	9.6	0.5
Payables (trade, not insurance)	0.0	0.0
Receivables	0.0	0.0
Financial Statements Equity	781.0	696.2

Solvency II Own Funds are calculated in line with the Solvency II Directive and associated guidance. Financial Statements Equity is calculated in line with FRS 101.

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 some allowance for prudence. 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 acquisition and 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 as at 31/12/2020, 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 31/12/2020 and at 31/12/2019:

SCR and MCR

in EUR millions, as of 31 December	2020	2019
Solvency Capital Requirement	649.6	591.9
Minimum Capital Requirement	228.7	218.7

SCR split by risk module or category

ZLAP uses the Standard Formula to calculate the SCR. The table below shows the SCR at 31/12/2020 and at 31/12/2019 split by risk module:

SCR split by risk module or category

in EUR millions, as of 31 December	2020	2019
Market risk	295.1	247.9
Counterparty default risk	23.3	23.0
Life underwriting risk	434.4	408.9
Health underwriting risk	43.6	36.0
Diversification	(190.4)	(167.2)
Basic Solvency Capital Requirement	**606.1**	**548.5**
Adjustment due to Ring Fenced Fund	20.8	20.6
Operational risk	41.7	43.0
Loss-absorbing capacity of deferred taxes	(18.9)	(20.2)
Solvency Capital Requirement	**649.6**	**591.9**

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 €3.7m.

Minimum Capital Requirement Inputs

in EUR millions, as of 31 December	2020	2019
Linear MCR	228.7	218.7
SCR	649.6	591.9
MCR Cap	292.3	266.4
MCR Floor	162.4	148.0
Combined MCR	228.7	218.7
Absolute Floor of MCR	3.7	3.7
MCR	**228.7**	**218.7**

E. Capital Management (continued)

Material Changes in SCR and MCR

The SCR increased by €57.6m in 2020 to €649.6m. The main drivers are:

- The strong performance of equity markets in 2020 increased ZLAP's expected future profits on unit linked business. This is the main driver of the increase in Market Risk;
- Health Risk increased in 2020 due to the onboarding of a new large group risk scheme increasing catastrophe risk; and
- New business growth which contributes to an increase in risk across all modules.

These increases are partly offset by the implementation of a Longevity Reinsurance arrangement during 2020 which has materially reduced the Company's exposure to Longevity 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 3.71% at 31/12/2020. 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.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 2020, 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 as much as possible.

The Group manages its capital to maximize long-term shareholder value while 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, 2021 stands at 182% (unaudited). ZIG will publish its Financial Condition Report at the end of April.

The solvency and financial condition of ZLAP therefore should be understood in the context of the resilience and stability of the Group.

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	–
Property, plant & equipment held for own use	R0060	74,555
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,801,140
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	1
Equities	R0100	448,607
Equities – listed	R0110	448,607
Equities – unlisted	R0120	–
Bonds	R0130	2,867,083
Government Bonds	R0140	2,867,083
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	16
Derivatives	R0190	51,499
Deposits other than cash equivalents	R0200	433,934
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	22,335,523
Loans and mortgages	R0230	395
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	98
Other loans and mortgages	R0260	297
Reinsurance recoverables from:	R0270	294,016
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	253,342
Health similar to life	R0320	111,242
Life excluding health and index-linked and unit-linked	R0330	142,101
Life index-linked and unit-linked	R0340	40,673
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	24,399
Reinsurance receivables	R0370	25,891
Receivables (trade, not insurance)	R0380	102,589
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	54,559
Any other assets, not elsewhere shown	R0420	154,542
Total assets	**R0500**	**26,867,609**

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	3,087,923
Technical provisions – health (similar to life)	R0610	188,219
TP calculated as a whole	R0620	13,276
Best Estimate	R0630	164,134
Risk margin	R0640	10,808
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	2,899,705
TP calculated as a whole	R0660	1,781,297
Best Estimate	R0670	1,092,751
Risk margin	R0680	25,657
Technical provisions – index-linked and unit-linked	R0690	22,255,438
TP calculated as a whole	R0700	22,452,238
Best Estimate	R0710	(393,715)
Risk margin	R0720	196,916
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	266,421
Pension benefit obligations	R0760	20,019
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	18,910
Derivatives	R0790	34,980
Debts owed to credit institutions	R0800	2,159
Financial liabilities other than debts owed to credit institutions	R0810	70,921
Insurance & intermediaries payables	R0820	74,442
Reinsurance payables	R0830	20,753
Payables (trade, not insurance)	R0840	116,697
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	47,805
Total liabilities	**R0900**	**26,016,468**
Excess of assets over liabilities	**R1000**	**851,141**

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
Changes in other technical provisions	
Gross	R1710
Reinsurers' share	R1720
Net	R1800
Expenses incurred	R1900
Other expenses	R2500
Total expenses	**R2600**

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
49,125	39,500	2,938,768	221,476	–	–	–	–	3,248,868
20,766	72	178	96,116	–	–	–	–	117,132
28,359	39,428	2,938,589	125,360	–	–	–	–	3,131,736
48,809	39,500	2,938,768	221,921	–	–	–	–	3,248,998
20,564	72	178	96,411	–	–	–	–	117,225
28,246	39,428	2,938,589	125,510	–	–	–	–	3,131,773
27,417	159,343	2,255,598	170,501	–	–	–	–	2,612,859
19,508	–	–	83,940	–	–	–	–	103,448
7,910	159,343	2,255,598	86,561	–	–	–	–	2,509,411
30,991	(140,476)	2,042,224	44,694	–	–	–	–	1,977,432
13,129	–	–	16,359	–	–	–	–	29,488
17,862	(140,476)	2,042,224	28,335	–	–	–	–	1,947,944
8,848	10,184	195,388	43,932	–	–	–	–	258,352
								8,702
–	–	–	–	–	–	–	–	**267,054**

Appendix (continued)

S.05.02.01

Premiums, claims and expenses by country, Life

in EUR thousands, as of December 31

	R1400
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
Changes in other technical provisions	
Gross	R1710
Reinsurers' share	R1720
Net	R1800
Expenses incurred	R1900
Other expenses	R2500
Total expenses	**R2600**

Appendix (continued)

	Home Country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
	C0150	C0160	C0170	C0180	C0190	C0200	C0210
		DE	IT	SE	GB	ES	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
	3,158,204	49,487	38,746	2,431	–	–	3,248,868
	102,285	14,838	8	–	–	–	117,132
	3,055,919	34,649	38,737	2,431	–	–	3,131,736
	3,158,334	49,487	38,746	2,431	–	–	3,248,998
	102,379	14,838	8	–	–	–	117,225
	3,055,956	34,649	38,737	2,431	–	–	3,131,773
	1,827,763	14,098	713,535	6,524	50,939	–	2,612,859
	90,717	12,731	–	–	–	–	103,448
	1,737,046	1,367	713,535	6,524	50,939	–	2,509,411
	2,665,010	15,356	(631,649)	(3,233)	(67,227)	(825)	1,977,432
	24,512	4,976	–	–	–	–	29,488
	2,640,498	10,379	(631,649)	(3,233)	(67,227)	(825)	1,947,944
	185,870	11,589	44,656	1,070	23,870	–	267,054
		–	–	–	–	–	**267,054**

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
Amount of the transitional on Technical Provisions	
Technical Provisions calculated as a whole	R0110
Best estimate	R0120
Risk margin	R0130
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
Amount of the transitional on Technical Provisions
Technical Provisions calculated as a whole
Best estimate
Risk margin
Technical provisions – total

Appendix (continued)

Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: 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
1,697,643	22,452,238			83,655			–	–	24,233,535
–	40,673			–			–	–	40,673
(9,062)		(389,878)	(3,838)		1,008,305	93,507	–	–	699,035
–		–	–		27,591	114,510	–	–	142,101
(9,062)		(389,878)	(3,838)		980,715	(21,003)	–	–	556,935
15,074	196,916			10,583			–	–	222,572
–	–			–			–	–	–
–		–	–		–	–	–	–	–
–	–			–			–	–	–
1,703,655	**22,255,438**	**–**	**–**	**1,196,050**	**–**	**–**	**–**	**–**	**25,155,142**

	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): 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	13,276			–	–	13,276
R0020	–			–	–	–
R0030		108,212	55,922	–	–	164,134
R0080		56,558	54,683	–	–	111,242
R0090		51,654	1,239	–	–	52,893
R0100	10,808			–	–	10,808
R0110	–			–	–	–
R0120		–	–	–	–	–
R0130	–			–	–	–
R0200	**188,219**	**–**	**–**	**–**	**–**	**188,219**

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	322,992	322,992		–	
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	510,461	510,461			
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**	**851,141**	**851,141**	**–**	**–**	**–**
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	851,141	851,141	–	–	–
Total available own funds to meet the MCR	R0510	851,141	851,141	–	–	
Total eligible own funds to meet the SCR	R0540	851,141	851,141	–	–	–
Total eligible own funds to meet the MCR	R0550	851,141	851,141	–	–	
SCR	R0580	649,594				
MCR	R0600	228,740				
Ratio of Eligible own funds to SCR	R0620	131%				
Ratio of Eligible own funds to MCR	R0640	372%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	851,141
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	340,680
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–
Reconciliation reserve	R0760	510,461
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	56,398
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	–
Total Expected profits included in future premiums (EPIFP)	**R0790**	**56,398**

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	305,232		No
Counterparty default risk	R0020	24,051		
Life underwriting risk	R0030	449,312	No	No
Health underwriting risk	R0040	45,138	No	No
Non-life underwriting risk	R0050	–	No	No
Diversification	R0060	(196,930)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	R0100	626,803		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	41,702
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	(18,910)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	649,594
Capital add-on already set	R0210	–
Solvency capital requirement	R0220	649,594
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	587,598
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	61,997
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	(18,910)
LAC DT justified by reversion of deferred tax liabilities	R0650	(18,910)
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	(84,996)

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	228,740.1838

		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	1,418,818	
Obligations with profit participation – future discretionary benefits	R0220	269,763	
Index-linked and unit-linked insurance obligations	R0230	22,017,849	
Other life (re)insurance and health (re)insurance obligations	R0240	1,109,536	
Total capital at risk for all life (re)insurance obligations	R0250		18,352,034

		C0070
Linear MCR	R0300	228,740
SCR	R0310	649,594
MCR cap	R0320	292,317
MCR floor	R0330	162,399
Combined MCR	R0340	228,740
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	R0400	228,740

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