Zurich Life Assurance plc.

Zurich Life Assurance plc
Solvency and Financial Condition Report 2019

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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
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
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
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 €25.3 billion (at 31/12/2019).

The Company's Solvency II Solvency Capital Requirement ('SCR') ratio (coverage of SCR by Own Funds) was 129% at 31/12/2019.

Zurich Insurance Group ('Zurich') is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, including multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

The Group manages its capital to an AA level according to its internal economic capital model, Z-ECM. The latest confirmed Z-ECM ratio was 121% at 30/06/2019. The target range is 100%-120%.

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

Global Pandemic COVID-19

The identification and spread of COVID-19 (coronavirus) since year-end 2019 will have an impact on the life and pensions market in Ireland during 2020. Similar to other life assurance companies in the Irish market, ZLAP may be impacted in many ways, including:

- Adverse movements in the financial markets. Section C.2 of this report includes sensitivities showing the potential impact on solvency coverage of a range of investment market sensitivities.
- Adverse demographic or lapse experience. Section C.1 of this report includes sensitivity analysis showing the potential impact on solvency coverage of changes in mortality, longevity, morbidity and lapse experience. This sensitivity analysis takes account of the Company's existing reinsurance arrangements with a range of highly rated reinsurance providers.
- Operational impacts on the range and speed of services provided to customers and distributors in the event that material numbers of Zurich staff are impacted by the virus and are therefore unavailable for work.

As part of the annual Own Risk and Solvency Assessment ('ORSA') the Company has considered the impacts of and potential mitigants for such adverse experience.

The Company is part of the Zurich Group. The Zurich Group is coordinating its coronavirus response on a global scale, allowing the pooling of expertise and allowing business units to leverage the strength of Zurich. The potential impacts are being closely monitored by the Company on a daily basis with business continuity and crisis management plans in place to maintain the operational and financial resilience required to deliver to our customers.

The above information regarding the possible impact of COVID-19 on the business is relevant and accurate at the time of writing; however as a result of the evolving situation, may not reflect the position at the time of reading.

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, investment and / or 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 2019 with record sales and underwriting performance continuing to be profitable.

The Company's overall underwriting performance in the financial statements was €58.9m for 2019. This is a decrease of €4.5m from the underwriting performance of €63.4m in 2018. Underwriting performance on the Italian branch book of business, which closed to new business in 2019, reduced from €12.1m to €1.5m. The underwriting performance for all other territories increased in 2019.

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was +€3,198m in 2019 compared with -€676m in 2018. Investment income is dependent on the performance of the financial markets. Investment returns were positive in 2019, with equity markets growing strongly having fallen in 2018. 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 2019.

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 Central Bank of Ireland ('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. For example, a Regulatory and Compliance Committee was established in 2019 which deals with, amongst other things, review and recommendation of the Conduct Risk Framework and quarterly reporting on conduct risk matters.

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 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 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.

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, as assessed through a number of risk identification and monitoring processes, is largely unchanged over 2019.

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, with Digital Disruption and the pace of regulatory change being notable emerging risks at present.

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 2019 due to high new business volumes and positive fund growth.

Changes in demographic assumptions, in particular lapse assumptions, changes in unit cost assumptions, and the introduction of a new Management Action relating to the Italian business also impacted SII Technical Provisions in 2019.

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 31/12/2019 were €763m (€782m at 31/12/2018), 100% of which were classified as Tier 1. The increase in the Own Funds in 2019 is mainly driven by the effect of positive economic conditions on the Company's future fund based fee income, offset by a dividend of €45m paid to the shareholder.

The SCR is a measure of the capital required to be held under the Solvency II regime and amounted to €592m at 31/12/2019 (€565m at 31/12/2018). The main driver of the increase in SCR was the strong performance of equity markets in 2019 increasing ZLAP's expected future profits on unit linked business, increasing Life Underwriting Risk.

The Solvency II SCR ratio (coverage of SCR by Own Funds) was 129% at 31/12/2019 (138% at 31/12/2018). 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 2019.

The Minimum Capital Requirement ('MCR') is the minimum level of available financial resources required and amounted to €219m at 31/12/2019 (€198m at 31/12/2018). The Company's MCR coverage ratio was 349% (coverage of MCR by Own Funds) at 31/12/2019 (395% at 31/12/2018). There was no incidence of non-compliance with the MCR in 2019.

Executive Summary *continued*

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

Zurich Group Capital Position

The Company is part of the Zurich Insurance Group ('the Group'). The Group manages its capital to an AA level according to its internal economic capital model, Z-ECM, calibrated with a confidence level of 99.95 percent. The latest confirmed Z-ECM ratio was 121% at 30 June 2019. The target range is 100%-120%.

Zurich Group's requirement to hold capital which is sufficient to meet claims with a confidence level of 99.95 percent is significantly more onerous than the Solvency II requirement which requires a confidence level of 99.5 percent.

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 2020.

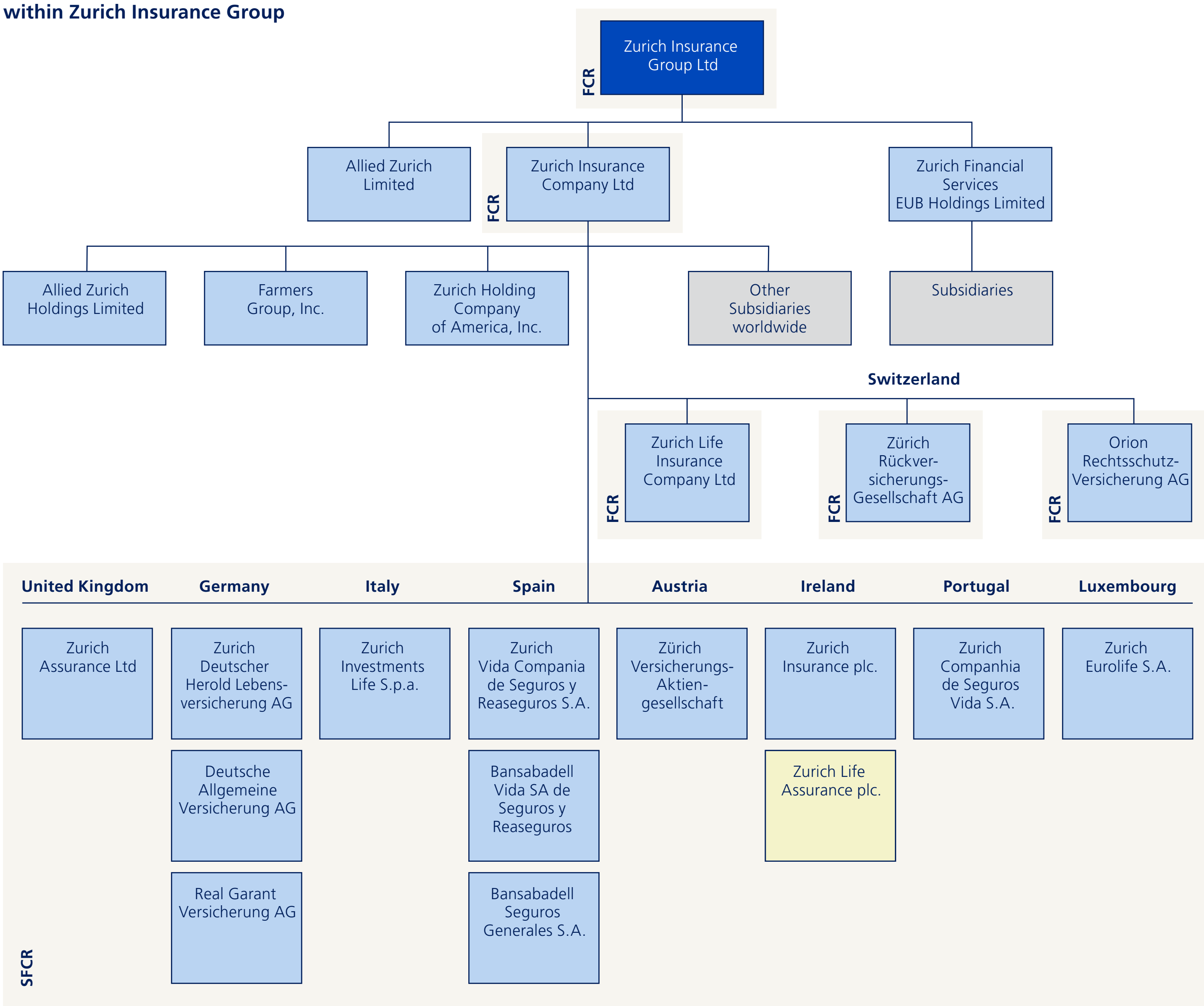
A. Business and Performance

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.
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. We have also sold savings business into the United Kingdom on a Freedom of Services basis. ZLAP's Italian Branch sells savings business in Italy on a Freedom of Establishment basis. Further information on other lines of business and geographical areas is provided in Section A.2
Any significant business or other events that have occurred with material impact on the undertaking	ZLAP paid a dividend, totalling approximately €45m, to its shareholder, ZHIL in December 2019.

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

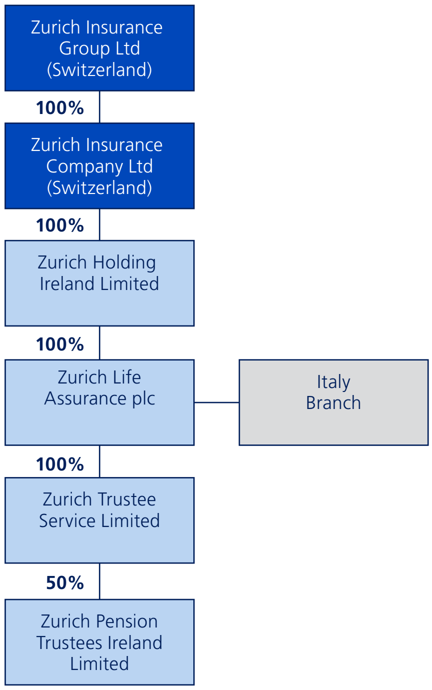
Note: The purpose of the chart above is to provide a simplified overview of the Group's major subsidiaries (as reported at December 31, 2019), with special focus on the public reporting of their solvency and financial condition. Please note that this is a simplified representation showing entities that 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 and Performance *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.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 reduced from €63.4m in 2018 to €58.9m in 2019 mainly driven by the impacts of changes in demographic assumptions in both years, by the closure of the Italian branch to new business in 2019 and a lower level of one-off positive events in 2019 (e.g. a one off positive gain from an enhanced transfer value program on the company's Defined Benefit Pension Scheme in 2018). Underwriting performance on the Italian branch was further 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.

Underwriting Performance by Solvency II Line of Business

The below table shows the 2019 underwriting performance by Solvency II line of business, with the prior year information shown directly below it for comparison:

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**

2018 Underwriting Performance by SII Line of Business

in EUR millions, as of 31 December 2018	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
Net Premiums Written	22.8	223.7	2,901.9	131.4	3,279.9
Net Claims Incurred	-7.7	-172.6	-2,135.6	-85.2	-2,401.3
Net Changes in Technical Provisions	1.2	-62.0	219.9	14.0	173.2
Investment Income	-0.4	31.3	-763.3	25.6	-706.8
Total Expenses	-9.8	-12.6	-215.0	-44.3	-281.7
Total Underwriting Performance	**6.1**	**7.8**	**7.9**	**41.5**	**63.4**

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

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

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

- Total net premiums written were higher in 2019, particularly on unit-linked business, as ZLAP achieved a record level of domestic sales in 2019. The increase was partly offset by a reduction in new business inflows on the Italian portfolio which closed to new business in 2019.
- Profits on the Health Insurance category were lower in 2019, mainly due to 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, and morbidity experience in 2019 compared to 2018.
- Profits on the Index-linked and unit-linked insurance category were lower in 2019, in the main due to the underwriting performance of the Italian portfolio which was 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. Profits on the domestic portfolio within this category were higher in 2019, in line with the increasing book of business.
- Underwriting profits on the Other Life line of business were lower in 2019 as the 2018 result benefit from a one off gain from an enhanced transfer value program on the Company's Defined Benefit Pension Scheme.

Underwriting Performance by Country

The 2019 underwriting performance by material geographical area is detailed below, with the prior year information shown directly below it for comparison.

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**

2018 Underwriting Performance by material geographical area

in EUR millions, as of 31 December 2018	Ireland	Italy	Germany	Other	Total
Net Premiums Written	2,995.4	249.7	29.6	5.2	3,279.9
Net Claims Incurred	-1,593.3	-765.4	-1.1	-41.5	-2,401.3
Net Change in Technical Provisions	-730.8	838.9	0	65.1	173.2
Investment Income	-475.2	-208.4	–	-23.2	-706.8
Total Expenses	-163.1	-102.6	-10.3	-5.7	-281.7
Total Underwriting Performance	**33.1**	**12.1**	**18.2**	**-0.1**	**63.4**

The material geographical areas were profitable in 2019.

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 in to 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.

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

- Net premiums written in Ireland were higher in 2019 as ZLAP achieved a record level of sales in 2019.
- Profits on the Italian portfolio reduced due to the reduction in new business inflows with its closure to new business in 2019, and a one off impact from 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.

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 2019	2019	2018
Underwriting Performance above	58.9	63.4
Shareholder Investment Return	-72.7	24.9
Profit on Ordinary Activities before Shareholder Tax	**-13.9**	**88.3**

The -€72.7m of investment return for 2019 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 (€64.7m) (2018: €23.7m) due to equity market movements in 2019. This is the main driver of the decrease in Shareholder investment return between 2018 and 2019.

A.3 Investment Performance

Investment income, based on the returns on shareholder assets and assets backing policyholder liabilities, was -€3,198.1m in 2019 compared with -€675.6m in 2018. Investment Income is dependent on the performance of the financial markets. Investment returns were positive in 2019 as equity markets grew strongly over the period following a fall in equity markets in 2018. Investment income on policyholder unit linked assets is closely matched by a corresponding movement in policyholder unit linked liabilities.

Income from Investments

in EUR millions, as of 31 December 2019	2019	2018
Equities	1,586.9	-239.7
Bonds	242.0	66.2
Unit Trusts	1,373.3	-485.2
Deposits	-4.1	-16.8
Total	**3,198.1**	**-675.6**

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

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. 2019 saw strong growth in equity markets. 2018 was a more volatile year, ending with a sharp fall in equity markets in Q4 which caused the overall return for the year to be negative.

A. Business and Performance *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 low due to the low 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 positive in 2019 due to the strong 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 2019 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 €198.8m were recognised directly in the equity in the 2019 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 31/12/2019.

A.4 Performance of other activities

Other technical income in the financial statements of €273.5m 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 €294.8m in 2018, 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 have entered into various operating leases as lessee for office space and equipment. ZLAP had no financial lease arrangements at 31/12/2019.

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 remuneration 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 appointed two directors in 2019. In August 2019 an additional Executive Director was appointed and in September 2019 a Group Non-Executive Director ('GNED') was appointed to replace an outgoing GNED.

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 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 ZLAP Head of Life and Pensions has executive authority to manage ZLAP's Irish domestic 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 ZLAP CEO in managing and overseeing the business and operations of ZLAP's business. The Management Committee reports to the HLP who in turn reports to the CEO.

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.

B. System of Governance *continued*

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.

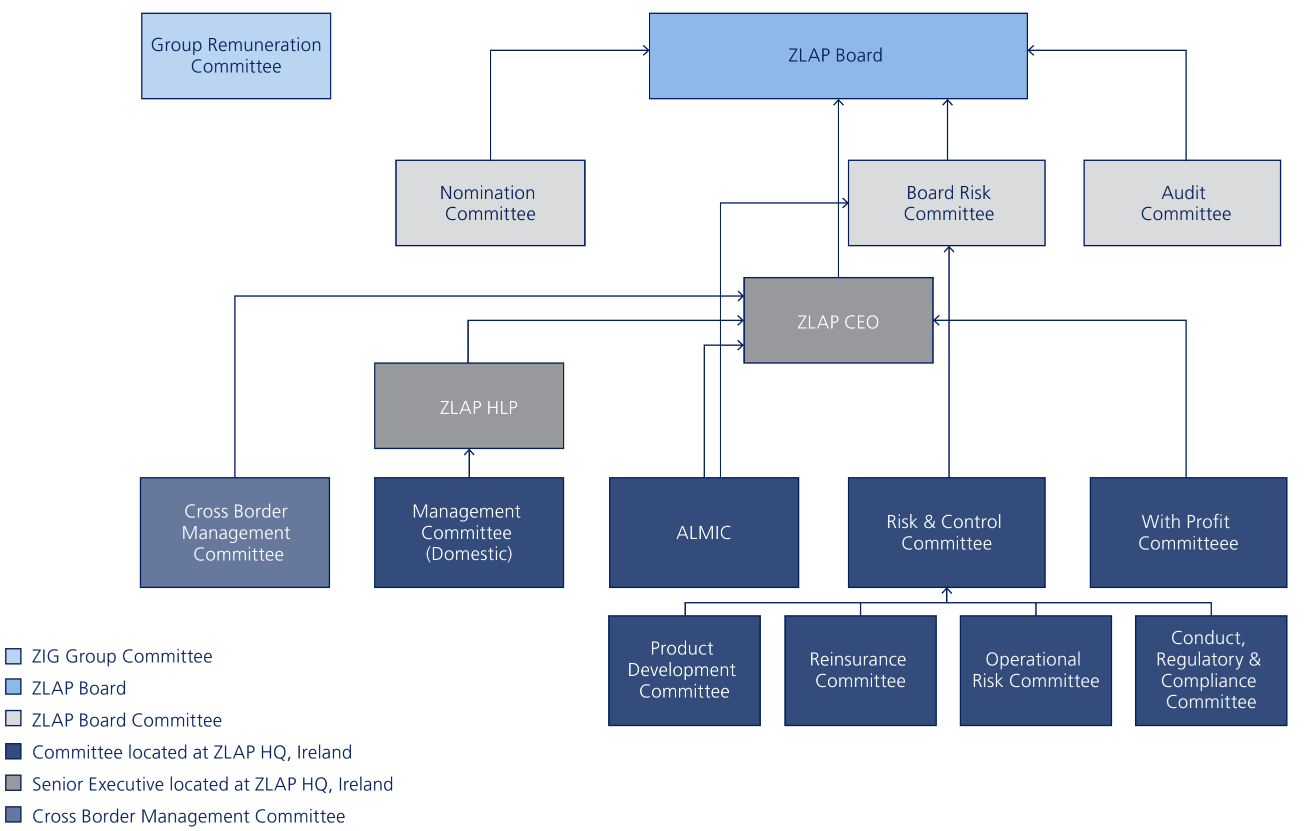
8. The **Conduct, Regulatory and Compliance Committee** ('CRCC') supports the management and mitigation of Conduct, Regulatory and Compliance risk in ZLAP.

9. The **Cross Border Management Committee** ('CBMC') assists the ZLAP CEO to develop strategic, financial and operating plans in relation to ZLAP's cross-border business (including freedom of service business) and the business of ZLAP's Branch.

ZLAP has a Branch in Italy which operates on a freedom of establishment basis ('ZLAP Italy Branch'). ZLAP Italy Branch performs sales, marketing, new business preparation and client services liaison functions. As part of ZLAP, ZLAP Italy Branch is subject to the system of governance detailed in this section. A Branch Manager is responsible for the operation of the branch on a day to day basis and 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'S system of governance



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 ZLAP 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 ZLAP 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 actuarial 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 to the CEO 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	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.

B. System of Governance *continued*

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 (with the exception of Independent Non-Executive Directors) 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. The rules regarding supplementary pension or early retirement arrangements for these individuals are the same as for other employees.

Material Transactions with Zurich Group companies during 2019

ZLAP paid a dividend, totalling approximately €45m, to its shareholder, Zurich Holdings Ireland Limited (‘ZHIL’), in 2019.

Material changes in the system of governance

With the exception of the appointment of an additional Executive Director to the Board during 2019, and the establishment of a Conduct Regulatory and Compliance Committee there were no material changes to the System of Governance.

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. In the event changes have occurred, the relevant checks will be re-performed to ensure the individual continues to comply with the relevant standards.

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

Risk management in ZLAP

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.

ZLAP has maintained compliance with the solvency capital and liquidity tolerance limits of the Board approved risk appetite throughout 2019. ZLAP has also remained compliant with applicable regulatory capital requirements over the reporting period.

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 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 2019, 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,

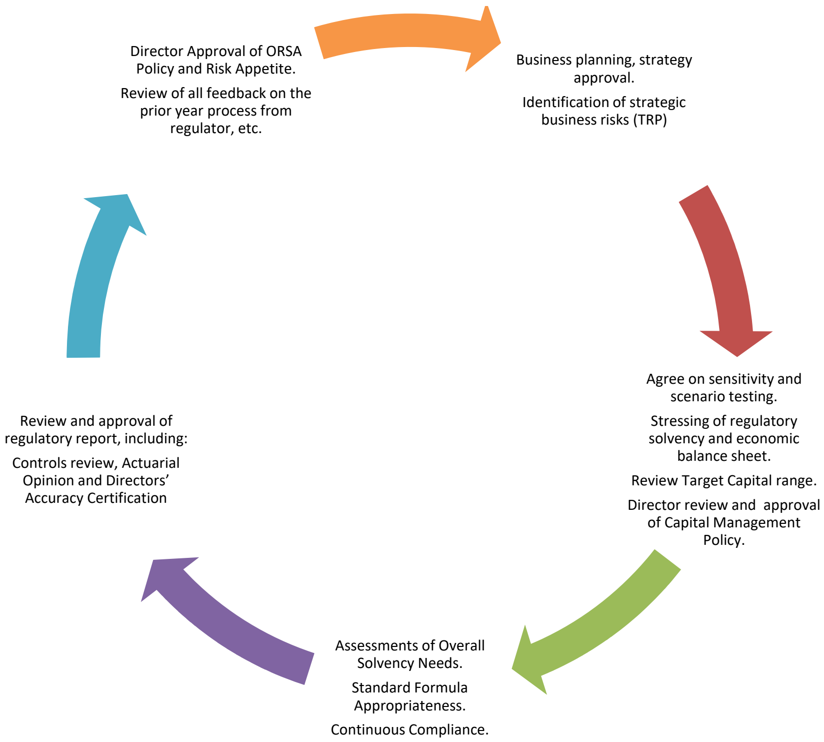
Stress testing involves assessing the impact of an adverse event or set of conditions related to one risk to which the Company is exposed whereas scenario testing involves an adverse event or set of conditions related to two or more risks. Reverse stress testing, where the Company considers extreme risk 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.

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 2019 ORSA process concluded, amongst other things, that ZLAP is currently operating within its risk appetite and 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 2019.

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.

B. System of Governance *continued*

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 and engaging with local teams when deviations occur.

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, and oversight by Risk Management; and
- Implementation of action plans to remediate any arising issues.

This suite of information is reported on a system called RACE. An Operational Risk dashboard summarising the information on RACE is reported to the ORC, RCC and the Board Risk and Audit Committee (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 material 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:

CIFA 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

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 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 2018 and 2019 is shown overleaf, 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 under Solvency II.

It can be seen from the table below that the Company's regulatory capital requirement is largely stable over 2019.

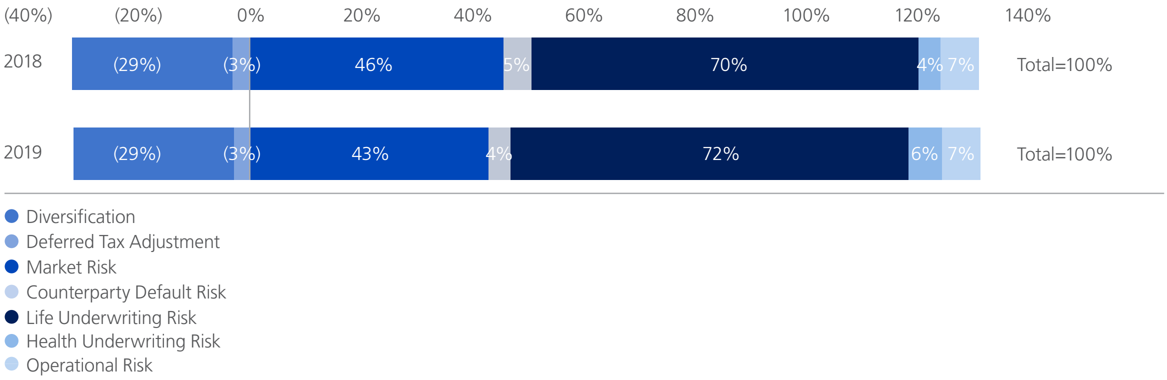
Solvency Capital Requirement split by risk type

in EUR millions, as of 31 December	2019	2018
Market Risk	257.2	258.5
Counterparty Default Risk	23.9	27.3
Life Underwriting Risk	424.2	394.8
Health Underwriting Risk	37.4	23.3
Diversification	-173.5	-163.7
Basic SCR	569.2	540.2
Operational Risk	43.0	40.1
Deferred Tax Adjustment	-20.2	-15.1
Total SCR	591.9	565.3

C. Risk Profile *continued*

The proportion of the SCR arising from each risk type, shown below, illustrates the stability of the Company's risk profile as measured by its regulatory capital requirement.

Solvency Capital Requirement split by risk type
Percentage of Total SCR



C.1 Underwriting risk

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

- 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

A selection of individual stresses in respect of the underwriting risks discussed is set out in the table below, at 31/12/2019:

Underwriting Risk Sensitivities

Sensitivity	Coverage Impact
	%
5% increase in assured life Mortality	0%
5% increase in pensioner Longevity	-4%
5% increase in Morbidity	0%
A 10% increase in Lapses	+2%
A 10% increase in Renewal Expenses	-6%

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 assumptions does not have a significant impact on the solvency coverage. 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.

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.

Additionally, 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.

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. Risk Profile *continued*

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 risk factors include:

- Equity (share) price movements;
- Interest rate movements;
- Bond spread movements; and
- Currency exchange rates.

Equity risk is the risk of loss resulting from changes in equity market values. ZLAP is exposed to risks from price fluctuations on equity securities which could affect reported income, surplus and its regulatory capital position. While ZLAP does not hold significant amounts of equities directly an 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 loss resulting from changes in interest rates. 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.

Spread risk is the risk of loss resulting from an increase to the yield on a bond, which reduces the current value of the bond, without an equal increase in the interest rates used to value the Company's liabilities.

Currency risk is the risk of loss resulting from changes in exchange rates. 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 31/12/2019:

Market Risk Sensitivities

Sensitivity	Coverage Impact
	%
A 0.5% increase in Interest Rates	+4%
A 0.5% decrease in Interest Rates	-7%
A 25% increase in Equity Values	-2%
A 25% decrease in Equity Values	+2%
A 0.5% increase in Bond Spreads	-13%
A 0.5% decrease in Bond Spreads	+15%
A 25% decrease in FX exchange rates	+2%

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.

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.

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 associated with a loss arising from counterparties (including exposure to intra-group entities) 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 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.

C. Risk Profile *continued*

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 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. Analysis has shown that the Company's profitability and financial strength are not unduly sensitive to changes to the credit quality of counterparties. 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.

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.

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 2019 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 the most significant market risk to the liquidity position as being a severe equity shock, while business related events such as increased lapse rates and new business also reduced the liquidity position. An increase in expenses was also identified as a potential driver in a worsening liquidity position. 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 31/12/2019, the Company's EPIFP was €72.2m.

C.5 Operational risk

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

Risk concentrations

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

Risk mitigation techniques

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

Other proactive risk activities include:

- Oversight of controls effectiveness in the Operational Risk, Risk and Control and Audit Committees;
- 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 and testing 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.

C. Risk Profile *continued*

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 given 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 TRP exercise is a strategic risk assessment. The TRP guides the identification, measurement and management of risks that threaten the achievement of ZLAP's strategic objectives.

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

Conduct risk

Conduct risk is the risk of financial loss or other adverse consequences that arises from conducting business in a way that treats customers unfairly or results in harm to customers. Positive customer facing conduct is fundamentally linked to the Company's strategy and is of particular importance as customers will want to engage with a Company that they trust to provide them or their 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 established a Conduct, Regulatory and Compliance Committee in 2019 which deals with, amongst other things, 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.

Group risk

Group risk is the risk of loss and / or disruption resulting from the 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. ZLAP 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 Group 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.

ZLAP monitors its exposure to Group counterparties at both an individual and aggregated level. Monitoring of key risk indicators in relation to service providers with 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.

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. Brexit has the potential to directly disrupt the Company's operations, for example through its relationship with UK based service providers. Geopolitical risk may also have an indirect impact on the Company, for example when the uncertainty associated with these situations results in volatile financial markets. This indirect impact resulted throughout the Brexit process and was also a feature of other geopolitical tensions such as the trade negotiations between the US and China and the wider introduction of protectionism in large markets.

Similarly to emerging risks, ZLAP monitors the direct and indirect impact that geopolitical risks may have on its operations and takes appropriate mitigating actions. Understanding the risks that the Company may face as a result of a particular geopolitical situation is a key factor in mitigating those risks with regular monitoring of the evolving situation to enable the Company to act should those risks change. When necessary, as was the case in respect of Brexit, the Company may set up a forum which is attended by subject matter experts to set out the risks that the Company faces and how best to address those risks.

The potential impact of geopolitical risks are assessed both qualitatively and quantitatively. Given the uncertainty that tends to be associated with geopolitical risks, a qualitative assessment will guide any quantitative assessment which may follow. 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 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 customer behaviours this might lead to, for example a situation might suggest that customers may be more likely to lapse their policies than they would at other times.

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 to the pension scheme 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 Company takes a number of measures to mitigate the potential risk of 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.

Regulatory risk

The insurance industry in Ireland is regulated. ZLAP must adhere to regulations arising from a number of different sources. ZLAP engages with regulators such as the CBI and the Pensions Authority. ZLAP must also comply with regulations or guidelines issued at an EU wide level and, as part of a Swiss insurance group, the Company is also subject to any Group wide regulatory requirements from the Swiss regulator. The Company must also comply with non-insurance specific regulations which relate to the way it does business. An example of this in recent times relates to the heightened responsibilities and controls around data protection.

The Company monitors the regulatory horizon to ensure that it is aware of all relevant changes applicable to the business. The Company's Compliance Function assists the business in its preparations to comply with the relevant new or revised requirements. The Company also inputs to industry representative bodies which provide an industry perspective to regulators on proposed changes.

Regulatory risks may be assessed qualitatively or quantitatively. Initial assessments may be more qualitative in nature as the details of new or revised regulations may not provide the level of detail needed for a quantitative assessment. In these cases the sensitivity of the assumptions underlying the Company's strategic planning to the potential area of regulatory change may be assessed qualitatively. When sufficient information is available to assess the impact of regulatory changes quantitatively, this is typically carried out through scenario or stress testing such as that undertaken as part of the ORSA Process.

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.

C.7 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 identification and spread of COVID-19 ('coronavirus') since year-end 2019 will have an impact on the life and pensions market in Ireland during 2020. Similar to other life assurance companies in the Irish market, ZLAP may be impacted in many ways, including:

C. Risk Profile *continued*

- Adverse movements in the financial markets. Section C.2 of this report includes sensitivities showing the potential impact on solvency coverage of a range of investment market sensitivities.
- Adverse demographic or lapse experience. Section C.1 of this report includes sensitivity analysis showing the potential impact on solvency coverage of changes in mortality, longevity, morbidity and lapse experience. This sensitivity analysis takes account of the Company's existing reinsurance arrangements with a range of highly rated reinsurance providers.
- Operational impacts on the range and speed of services provided to customers and distributors in the event that material numbers of Zurich staff are impacted by the virus and are therefore unavailable for work.

As part of the annual ORSA 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 2019	Mark to Model 2019	Other valuation 2019	Solvency II Value 2019	Solvency II Value 2018
Property, plant & equipment held for own use			76.4	76.4	1.2
Participations			0.0	0.0	0.0
Equities	471.5			471.5	376.1
Bonds	2,727.0			2,727.0	2,622.6
Derivatives		94.0		94.0	97.6
Deposits other than cash equivalents	507.2			507.2	446.5
Assets held for index-linked and unit-linked contracts	20,709.3			20,709.3	17,224.1
Loans and mortgages			0.4	0.4	0.1
Reinsurance recoverables		253.6		253.6	187.5
Insurance & intermediaries receivables			29.1	29.1	12.5
Reinsurance receivables			26.6	26.6	29.8
Receivables (trade, not insurance)			87.7	87.7	93.2
Cash and cash equivalents			89.4	89.4	100.1
Any other assets, not elsewhere shown			143.1	143.1	122.9
Total Assets	**24,415.0**	**347.6**	**452.7**	**25,215.3**	**21,314.1**

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.

1. Participations (Subsidiaries): Equity method accounting.
2. Loans and mortgages: Carried at nominal value.
3. Insurance, reinsurance & intermediaries receivables: Measured at cost.
4. Cash and Cash Equivalents: Carried at nominal value.
5. Receivables/any other assets not elsewhere shown: Measured at cost.

The 'nominal value' is the face-value of the asset. The 'measured at cost' value is the amount that ZLAP expects to receive.

D. Valuation for Solvency Purposes *continued*

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 2019	Solvency II	Financial Statements	Reported Difference
Deferred acquisition costs	0	479.3	-479.3
Intangible assets	0	1.5	-1.5
Deferred tax assets	0	0	0
Property, plant & equipment held for own use	76.4	76.9	-0.5
Holdings in related undertakings, including participations	0	0	0
Equities	471.5	471.5	0
Bonds	2,727.0	2,727.0	0
Deposits other than cash equivalents	507.2	507.2	0
Derivatives	94.0	94.0	0
Assets held for index-linked and unit-linked contracts	20,709.3	20,709.3	0
Loans and mortgages	0.4	0.4	0
Reinsurance Recoverables	253.6	379.7	-126.1
Insurance and intermediaries receivables	29.1	29.1	0
Reinsurance receivables	26.6	26.6	0
Receivables (trade, not insurance)	87.7	87.7	0
Cash and cash equivalents	89.4	89.4	0
Any other assets, not elsewhere shown	143.1	142.9	0.1
Total assets	**25,215.3**	**25,822.5**	**-607.3**

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. 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.

4. "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 €145k required in the financial statements but not required under Solvency II.

D.2 Technical Provisions

Technical Provisions overview

The table below shows the regulatory Technical Provisions at 31/12/2019 by line of business, with the same information at 31/12/2018 shown below it for comparison:

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	0
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**

2018 Technical provisions by line of business

in EUR millions, as of 31 December 2018	Technical Provisions calculated as a whole	Gross Best Estimate	Risk Margin	Reinsurance Recoverables
Insurance with Profit Participation	1,756.0	-25.8	17.2	0
Index-linked and unit-linked insurance	17,233.8	-254.5	168.6	-40.7
Other life insurance	88.2	920.2	10.0	-78.8
Health insurance	11.6	87.6	5.9	-68.0
Total	**19,089.5**	**727.6**	**201.7**	**-187.5**

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. For ZLAP the unit reserve (calculated by multiplying units held by valuation price) is classified as Technical Provisions as a whole. 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 2019. 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 31/12/2019 and for the prior year, 31/12/2018, for comparison.

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**

2018 Reconciliation to Financial Statements

in EUR millions, as of 31 December 2018	Gross Financial Statements	Gross SII TPs	Difference
Insurance with Profit Participation	1,783.3	1,747.5	35.8
Index-linked and unit-linked insurance	17,366.4	17,148.0	218.4
Other life insurance	1,376.7	1,018.3	358.4
Health insurance	95.4	105.1	-9.7
Total	**20,621.7**	**20,018.8**	**602.9**

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 calculated separately for each annual cohort of business using prudent assumptions set at the time that each cohort was sold. 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 31/12/2019, with the previous year's figures at 31/12/2018 shown below for comparison. Full details of the differences between the financial statements and Solvency II are also included:

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	0
Pension benefit obligations	18.9	18.9	0
Deferred tax liabilities	20.2	8.4	11.8
Derivatives	40.4	40.4	0
Debts owed to credit institutions	5.9	5.9	0
Financial liabilities other than debts owed to credit institutions	72.9	72.9	0
Insurance & intermediaries payables	103.7	103.7	0
Reinsurance payables	26.9	26.9	0
Payables (trade, not insurance)	147.9	147.9	0
Any other liabilities, not elsewhere shown	46.0	99.0	-53.0
Total	**699.9**	**741.1**	**-41.2**

2018 Other Liabilities

in EUR millions, as of 31 December 2018	SII Value	Financial Statements Value	Difference
Provisions other than technical provisions	186.9	186.9	0
Pension benefit obligations	21.3	21.3	0
Deferred tax liabilities	15.1	13.0	2.1
Derivatives	18.4	18.4	0
Debts owed to credit institutions	7.9	7.9	0
Insurance & intermediaries payables	66.0	66.0	0
Reinsurance payables	31.2	31.2	0
Payables (trade, not insurance)	122.5	122.5	0
Any other liabilities, not elsewhere shown	44.4	107.2	-62.8
Total	**513.7**	**574.4**	**-60.7**

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 2019	Market Value	Proportion
Equities	97.1	33%
Bonds	181.8	63%
Cash and deposits	10.9	4%
Total	289.8	

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.

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. Valuation for Solvency Purposes *continued*

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

Global Pandemic COVID-19

The Company recognises the possible consequences arising from the identification and spread of COVID-19 and note this as a major development since year-end 2019. As such, the assumptions and judgments applied in calculating the Technical Provisions and Own Funds at 31 December 2019 do not take into account the potential future impacts of COVID-19 related events.

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 31/12/2019 and 31/12/2018.

Structure of the Own Funds

in EUR millions, as of 31 December	2019	2018
Ordinary share capital (gross of own shares)	17.7	17.7
Share premium account related to ordinary share capital	283.0	283.0
Reconciliation reserve	462.2	480.9
Total Own Funds	**762.9**	**781.6**

There have been no changes to the ordinary share capital or share premium account during 2019. 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 decreased by €18.7m in 2019. The reduction is mainly due to the payment of a dividend of €45m to the Zurich Insurance Group in December 2019, offset by the impact of positive economic conditions.

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	2019	2018
Tier 1 – unrestricted	762.9	781.6
Tier 1 – restricted	–	–
Tier 2	–	–
Tier 3	–	–
Total	**762.9**	**781.6**

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 2020 to 2022.

E. Capital Management *continued*

All Own Funds are available to meet the SCR and MCR at 31/12/2019 and at the prior reporting period, 31/12/2018, for comparison:

Structure of the Own Funds

in EUR millions, as of December 31 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

Structure of the Own Funds 2018

in EUR millions, as of 31 December 2018	Total	Tier 1 – unrestricted
Total available own funds to meet the SCR	781.6	781.6
Total available own funds to meet the MCR	781.6	781.6

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	2019	2018
Solvency II Own Funds	**762.9**	**781.6**
SII Technical Provisions to Financial Statements Reserves	-632.8	-602.9
Reinsurance Differences	125.9	183.9
SII Deferred Tax to Financial Statements Deferred Tax	11.8	2.1
Deferrals of Acquisition Income & Expenses	426.3	413.0
Other Intangible Assets	1.5	3.5
Property, plant & equipment held for own use	0.5	0.0
Payables (trade, not insurance)	0.0	0.0
Receivables	0.0	0.0
Financial Statements Equity	**696.2**	**781.1**

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.

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.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 31/12/2019 and at 31/12/2018:

SCR and MCR

in EUR millions, as of 31 December	2019	2018
Solvency Capital Requirement	591.9	565.3
Minimum Capital Requirement	218.7	197.8

SCR split by risk module or category

ZLAP uses the Standard Formula to calculate the SCR. The table below shows the SCR at 31/12/2019 and at 31/12/2018 split by risk module:

SCR split by risk module or category

in EUR millions, as of 31 December	2019	2018
Market risk	247.9	250.6
Counterparty default risk	23.0	26.5
Life underwriting risk	408.9	382.7
Health underwriting risk	36.0	22.6
Diversification	-167.2	-158.7
Basic Solvency Capital Requirement	**548.5**	**523.7**
Adjustment due to Ring Fenced Fund	20.6	16.5
Operational risk	43.0	40.1
Loss-absorbing capacity of deferred taxes	-20.2	-15.1
Solvency capital requirement	**591.9**	**565.3**

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	2019	2018
Linear MCR	218.7	197.8
SCR	591.9	565.3
MCR Cap	266.4	254.4
MCR Floor	148.0	141.3
Combined MCR	218.7	197.8
Absolute Floor of MCR	3.7	3.7
MCR	**218.7**	**197.8**

Material Changes in SCR and MCR

The SCR increased by €26.7m in 2019 to €591.9m. The main drivers are:

- The strong performance of equity markets in 2019 increased ZLAP's expected future profits on unit linked business. This is the main driver of the increase in Life Underwriting Risk;
- Health Risk increased in 2019 due to the onboarding of a new large group risk scheme increasing concentration risk; and
- New business growth which contributes to an increase in risk across all modules.

E. Capital Management *continued*

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 4.25% at 31/12/2019. 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 2019, ZLAP was compliant with the MCR and SCR.

E.6 Any other information

Global Pandemic COVID-19

The Company recognises the possible consequences arising from the identification and spread of COVID-19 and note this as a major development since year-end 2019. As such, the assumptions and judgments applied in calculating the SCR and MCR at 31 December 2019 do not take into account the potential future impacts of COVID-19 related events.

Financial strength of the Zurich Group

ZLAP is part of the Zurich Insurance Group ('ZIG' or 'the Group'). The Group pools risk, capital and liquidity centrally as much as possible, considering local legal requirements. The Group endeavours to maintain a sufficient capital buffer above the Solvency Capital Requirement (SCR) at local level. In addition to the capital and liquidity held within ZLAP, ZIG holds a substantial amount of capital and liquidity centrally at Group level. This centrally held capital can be deployed into subsidiaries if needed, and therefore provides resilience to absorb potential losses caused by very large risk events. The solvency and financial condition of ZLAP therefore must be understood in the context of the resilience and stability of the Group.

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 shareholders' equity in the financial statements to balance maximization of shareholder value and constraints imposed by its economic framework, rating agencies and regulators.

Internally, the Group uses its Zurich Economic Capital Model ('Z-ECM'), which also forms the basis of the Swiss Solvency Test (SST) model. Z-ECM targets a total capital level that is calibrated to an 'AA' financial strength. Zurich defines the Z-ECM capital required as being the capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. Zurich's requirement to hold capital which is sufficient to meet claims with a confidence level of 99.95 percent is significantly more onerous than the Solvency II requirement which requires a confidence level of 99.5 percent.

The latest confirmed Z-ECM ratio was 121% at 30 June 2019. The target range is 100% - 120%.

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	76,383
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,799,680
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	1
Equities	R0100	471,533
Equities – listed	R0110	471,533
Equities – unlisted	R0120	–
Bonds	R0130	2,726,984
Government Bonds	R0140	2,726,984
Corporate Bonds	R0150	–
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	15
Derivatives	R0190	93,995
Deposits other than cash equivalents	R0200	507,152
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	20,709,283
Loans and mortgages	R0230	415
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	118
Other loans and mortgages	R0260	298
Reinsurance recoverables from:	R0270	253,606
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	209,735
Health similar to life	R0320	96,137
Life excluding health and index-linked and unit-linked	R0330	113,599
Life index-linked and unit-linked	R0340	43,870
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	29,100
Reinsurance receivables	R0370	26,648
Receivables (trade, not insurance)	R0380	87,668
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	89,437
Any other assets, not elsewhere shown	R0420	143,060
Total assets	**R0500**	**25,215,280**

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	3,115,606
Technical provisions – health (similar to life)	R0610	151,095
TP calculated as a whole	R0620	12,935
Best Estimate	R0630	129,798
Risk margin	R0640	8,362
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	2,964,510
TP calculated as a whole	R0660	1,922,048
Best Estimate	R0670	1,014,004
Risk margin	R0680	28,458
Technical provisions – index-linked and unit-linked	R0690	20,636,877
TP calculated as a whole	R0700	20,789,561
Best Estimate	R0710	(350,789)
Risk margin	R0720	198,105
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	217,293
Pension benefit obligations	R0760	18,866
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	20,191
Derivatives	R0790	40,369
Debts owed to credit institutions	R0800	5,900
Financial liabilities other than debts owed to credit institutions	R0810	72,861
Insurance & intermediaries payables	R0820	103,656
Reinsurance payables	R0830	26,861
Payables (trade, not insurance)	R0840	147,907
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	46,030
Total liabilities	**R0900**	**24,452,418**
Excess of assets over liabilities	**R1000**	**762,862**

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**

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
43,630	181,144	2,986,459	219,781	–	–	–	–	3,431,013
20,839	158	208	86,907	–	–	–	–	108,111
22,790	180,986	2,986,251	132,875	–	–	–	–	3,322,902
48,799	181,144	2,986,459	220,225	–	–	–	–	3,436,627
23,723	158	208	87,125	–	–	–	–	111,213
25,076	180,986	2,986,251	133,100	–	–	–	–	3,325,413
21,745	188,480	2,416,938	177,703	–	–	–	–	2,804,866
14,911	618	–	86,029	–	–	–	–	101,558
6,834	187,861	2,416,938	91,674	–	–	–	–	2,703,308
13,171	80,073	3,558,401	111,874	–	–	–	–	3,763,520
3,581	–	–	1,429	–	–	–	–	5,010
9,591	80,073	3,558,401	110,445	–	–	–	–	3,758,510
8,427	**12,548**	**209,143**	**46,518**	**–**	**–**	**–**	**–**	**276,636**
								–
–	–	–	–	–	–	–	–	**276,636**

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**	

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
	IT	DE	SE	ES	GB	
C0220	C0230	C0240	C0250	C0260	C0270	C0280
3,288,688	93,093	45,687	2,626	563	357	3,431,013
95,015	11	13,085	–	–	–	108,111
3,193,673	93,082	32,602	2,626	563	357	3,322,902
3,294,301	93,093	45,687	2,626	563	357	3,436,627
98,117	11	13,085	–	–	–	111,213
3,196,184	93,082	32,602	2,626	563	357	3,325,413
1,773,779	977,373	16,826	7,254	868	28,766	2,804,866
86,487	–	15,071	–	–	–	101,558
1,687,291	977,373	1,755	7,254	868	28,766	2,703,308
4,266,646	(536,847)	(4,394)	2,052	1,319	34,744	3,763,520
9,580	–	(4,570)	–	–	–	5,010
4,257,066	(536,847)	176	2,052	1,319	34,744	3,758,510
175,109	**87,298**	**10,131**	**1,334**	**29**	**2,736**	**276,636**
	–	–	–	–	–	**276,636**

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

Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			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)
		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
1,835,444	20,789,561			86,604			–	–	22,711,609
–	43,870			–			–	–	43,870
(17,946)		(346,323)	(4,466)		961,408	70,542	–	–	663,215
–		–	–		48,044	65,555	–	–	113,599
(17,946)		(346,323)	(4,466)		913,365	4,987	–	–	549,617
17,616	198,105			10,842			–	–	226,563
–	–			–			–	–	–
–		–	–		–	–	–	–	–
–	–			–			–	–	–
1,835,115	**20,636,877**	**–**	**–**	**1,129,396**	**–**	**–**	**–**	**–**	**23,601,388**

	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees			
	C0160	C0170	C0180	C0190	C0200	C0210
R0010	12,935			–	–	12,935
R0020	–			–	–	–
R0030		85,978	43,820	–	–	129,798
R0080		42,383	53,754	–	–	96,137
R0090		43,595	(9,934)	–	–	33,662
R0100	8,362			–	–	8,362
R0110	–			–	–	–
R0120		–	–	–	–	–
R0130	–			–	–	–
R0200	**151,095**	**–**	**–**	**–**	**–**	**151,095**

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**		**–**	**–**		

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	282,992	282,992		–	
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	462,181	462,181			
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**	**762,862**	**762,862**	**–**	**–**	**–**
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	762,862	762,862	–	–	–
Total available own funds to meet the MCR	R0510	762,862	762,862	–	–	
Total eligible own funds to meet the SCR	R0540	762,862	762,862	–	–	–
Total eligible own funds to meet the MCR	R0550	762,862	762,862	–	–	
SCR	**R0580**	**591,947**				
MCR	**R0600**	**218,735**				
Ratio of Eligible own funds to SCR	**R0620**	**129%**				
Ratio of Eligible own funds to MCR	**R0640**	**349%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	762,862
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	300,680
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–
Reconciliation reserve	**R0760**	**462,181**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	72,171
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	–
Total Expected profits included in future premiums (EPIFP)	**R0790**	**72,171**

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	257,165		No
Counterparty default risk	R0020	23,879		
Life underwriting risk	R0030	424,236	No	No
Health underwriting risk	R0040	37,358	No	No
Non-life underwriting risk	R0050	–	No	No
Diversification	R0060	(173,485)		
Intangible asset risk	R0070	–		
Basic Solvency Capital Requirement	**R0100**	**569,153**		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	42,986
Loss-absorbing capacity of technical provisions	R0140	–
Loss-absorbing capacity of deferred taxes	R0150	(20,191)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**591,947**
Capital add-on already set	R0210	–
Solvency capital requirement	**R0220**	**591,947**
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	535,581
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	56,365
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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	218,734.8544	
		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	1,526,538	
Obligations with profit participation – future discretionary benefits	R0220	290,960	
Index-linked and unit-linked insurance obligations	R0230	20,394,902	
Other life (re)insurance and health (re)insurance obligations	R0240	1,051,552	
Total capital at risk for all life (re)insurance obligations	R0250		17,908,486

		C0070
Linear MCR	R0300	218,735
SCR	R0310	591,947
MCR cap	R0320	266,376
MCR floor	R0330	147,987
Combined MCR	R0340	218,735
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	**R0400**	**218,735**

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