

# Zurich Life Assurance PLC

## Year-End 2020

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## 1. COMPANY PROFILE

The information in this section has been sourced from the Solvency and Financial Condition report (“SFCR”) for Zurich Life Assurance PLC (“ZLAP” or “the Company”) as at 31 December 2020.

### 1.1. OWNERSHIP STRUCTURE

ZLAP is one of Ireland’s most successful life insurance companies, offering a full range of Pension, Investment and Protection products.

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

### 1.2. PRODUCT TYPES

Zurich Life Assurance provides pension, life assurance, investment and protection products. ZLAP is regulated by the Central Bank of Ireland.

### 1.3. MARKETS

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

### 1.4. RISK PROFILE

Insurance companies must hold capital to protect against risks that might threaten the solvency of the company. This capital is called the Solvency Capital Requirement (“SCR”). A different capital calculation is carried out for each risk type based on the company’s exposure to that risk. This can be a useful metric to show the most material risks to which the company is exposed. A breakdown of the SCR for ZLAP is shown in the table below. These values can be compared to a total available Own Funds amount of €851.1 million at 31 December 2020 which is available to cover these risks.

€000’s	2020	2019
Life underwriting risk	449,312	424,236
Market Risk	305,232	257,165
Health underwriting risk	45,138	37,358
Counterparty default risk	24,051	23,879
Diversification	(196,930)	(173,485)
Non-life underwriting risk	0	0
Intangible asset risk	0	0
<b>Basic SCR</b>	<b>626,803</b>	<b>569,153</b>
Operational Risk	41,702	42,986
Loss-absorbing capacity of deferred taxes	(18,910)	(20,191)
Loss-absorbing capacity of technical provisions	0	0
<b>SCR</b>	<b>649,594</b>	<b>591,947</b>

This shows that the largest risk to which ZLAP is exposed are;

1. Those relating to its activities underwriting **life insurance** business including mortality, longevity, disability, morbidity, lapse, expense and catastrophe;

2. **Market risk** which captures the sensitivity of the insurer's balance sheet to changes in the values of market parameters and also the risk of concentration of the assets held by the insurer;
3. Those relating to its activities underwriting **health insurance** business which are similar to those for life insurance; Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.
4. **Counterparty default** risk which relates to the insurer's reliance on counterparties (usually reinsurers or banks) and the likelihood of default;
5. **Operational risk** which is intended to capture risks arising from inadequate or failed internal processes, personnel or systems, or from external events.

The table reflects the key risks that would be expected for a company like ZLAP, with life underwriting and market risk the dominant risks. The risk profile has been relatively stable over 2020, though the SCR has increased, primarily reflecting the growth of the business over the year.

## 2. EXPERIENCE AND EXPERTISE OF COMPANY

### 2.1. COMPANY EXPERIENCE

The Company has grown strongly since it was established in 1977. ZLAP describes itself as having been meeting its customers' needs in Ireland for over 40 years and notes that it is committed to the provision of excellent customer service. Its investment team, based in Blackrock, Co. Dublin, is responsible for funds under management of approximately €26.9 billion (at 31/12/2020)

### 2.2. EMPLOYEES

The company employs over 1,000 people across its locations in Dublin and Wexford. Zurich in Ireland is part of Zurich Insurance Group, a leading multi-line insurer that serves its customers in global and local markets. The Group has over 53,000 employees worldwide.

### 2.3. EXPERTISE

ZLAP is authorised by the Central Bank of Ireland to underwrite a number of different broad types (referred to as Classes) of life assurance business. These are:

- Class I – which includes non-linked life insurance and annuity business
- Class II – contracts of insurance to provide a sum on marriage or on the birth of a child expressed to be in effect for a period of more than one year
- Class III – unit-linked life and pensions business
- Class IV – income protection business
- Class VI – capital redemption operations
- Class VII – group pensions business

The main product types written by ZLAP are listed in section 1.2 and to provide a sense of the scale of ZLAP's business across the main product lines, section 4 provides details of the size of its technical provisions by line of business (effectively its liabilities to policyholders, giving an indication of the materiality of the main lines of business it writes), while section 5 provides details of the annual gross written premium by line of business.

### 2.4. MATERIAL CHANGES OR EVENTS

The end 2020 SFCR calls out the following comment in relation to the COVID-19 pandemic:

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

### 3. SOLVENCY AND FINANCIAL CONDITION REPORT FIGURES

The table below shows some of the figures reported in the 2020 SFCR for ZLAP.

- **Gross Premiums Written** comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to a later financial year;
- **Net Premiums Written** are Gross Premiums Written less premiums paid by the insurer to reinsurers where they have passed some of the risk on to a reinsurance company;
- **Gross Technical Provisions** are the financial reserves that an insurer must aside to meet its liabilities to policyholders;
- **Net Technical Provisions** are the Gross Technical Provisions net of any premiums and recoveries expected to be received from a reinsurer;
- **Eligible Own Funds** are the total assets less the total liabilities of an insurance company that are available to meet the SCR;
- **SCR** is the level of additional assets a company must hold in excess of its technical provisions and other liabilities. It is a prescribed calculation which reflects the size of a company, and also the riskiness of its balance sheet as discussed in section 1.4 above.
- Solvency Ratio is the ratio of Eligible Own Funds to the SCR. It should be at least 100% and most companies will aim to maintain a buffer of Eligible Own Funds in excess of the SCR.

€000's	2020	2019
<b>Premiums Written</b>		
Gross Premiums Written	3,248,868	3,431,013
Net Premiums Written	3,131,736	3,322,902
<b>Technical Provisions</b>		
Gross Technical Provisions	25,343,361	23,752,483
Net Technical Provisions	25,049,345	23,498,877
<b>Eligible Own Funds</b>	851,141	762,862
<b>SCR</b>	<b>649,594</b>	<b>591,947</b>
<b>Solvency Ratio</b>	131%	129%

### 4. SPLIT OF TECHNICAL PROVISIONS BY LINE OF BUSINESS

Line of Business	2020	2019
Index Linked and Unit Linked Insurance	22,255,438	20,636,877
Insurance with Profit Participation	1,703,655	1,835,115
Other Life Insurance	1,196,050	1,129,396
Health	188,219	151,095

Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.

### 5. SPLIT OF GROSS WRITTEN PREMIUMS BY LINE OF BUSINESS

Line of Business	2020	2019
Index Linked and Unit Linked Insurance	2,938,768	2,986,459
Other Life Insurance	221,476	219,781

Health	49,125	43,630
Insurance with Profit Participation	39,500	181,144

Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.

## 6. FINANCIAL RATING

Like many insurers Zurich Life Assurance PLC does not have a credit rating of its own. It is part of the Zurich Insurance Group, whose main subsidiaries' ratings, as at 5 July 2021, are given below.

Entity	S&P	Moody's	A.M.Best	Fitch
Zurich Insurance Company Ltd.	AA (Stable)	Aa3 (Stable)	A+ (Stable)	-
Zurich Insurance PLC	AA (Stable)	-	A+ (Stable)	-
Zurich American Insurance Company	AA (Stable)	-	A+ (Sable)	-

## 7. REGULATORY ACTION

There has been no regulatory action taken against Zurich Life Assurance PLC.

## 8. COMPENSATION SCHEME

The Insurance Compensation Fund protects consumers of authorised non-life insurance companies that go into liquidation and are unable to pay insurance claims. It does not currently apply in respect of life insurance companies, and is therefore not relevant for ZLAP. In the event of the winding-up of an insurer, including a life insurer, the assets representing the technical provisions take absolute precedence over all other claims with the exception of winding-up expenses. In this way, the rights of policyholders take precedence over other creditors of the insurer.

