

**ZURICH INTERNATIONAL LIFE LIMITED**

**REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED**

**31 DECEMBER 2024**

**ZURICH INTERNATIONAL LIFE LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE ANNUAL FINANCIAL YEAR ENDED 31 DECEMBER 2024**

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# **ZURICH INTERNATIONAL LIFE LIMITED**

## **DIRECTORS AND OFFICERS**

### **Directors**

B Pearson  
E Bridge  
W Liu  
M Kajiji  
C Milne (Independent Non-executive)  
W J Clarke (Independent Non-executive)

### **Company Secretary**

E-J Costa

### **Appointed Actuary**

N Costa

### **Auditor**

Ernst & Young LLC  
Rose House  
51-59 Circular Road  
Douglas  
Isle of Man  
IM1 1AZ

### **Registered Office**

Zurich House  
Isle of Man Business Park  
Douglas  
Isle of Man  
IM2 2QZ

## **ZURICH INTERNATIONAL LIFE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2024**

The Directors present their report and annual financial statements for the year ended 31 December 2024.

#### **PRINCIPAL ACTIVITIES**

The Company transacts international life assurance business in the Isle of Man and through branches in Argentina, Hong Kong and the Middle East. It holds an Insurance Business Licence pursuant to Section 8 of the Isle of Man Insurance Act 2008.

#### **RESULTS**

The profit before tax for the year was £45.9m (2023: £103.7m) and total comprehensive income for the year was £92.8m (2023: £64.9m). Changes in equity are shown on page 9. During the year the Directors paid dividends amounting to £96.0m (2023: £50.0m).

The Company's results and operations have been largely unaffected from the impacts of the ongoing events in Russia and the Ukraine and also in respect of the more recent events in Israel, Gaza and Palestine. Under the Isle of Man solvency regime the Company has already tested its ability to maintain a robust solvency position should market falls be significantly greater than those observed in recent years.

#### **POST BALANCE SHEET EVENTS**

The Company intends to propose a dividend, following the approval of the annual financial statements. The amount of the dividend currently proposed is £154.0m, (2023: £76.0m), subject to approval at the Annual General Meeting.

While this would reduce the free assets of the Company at the reporting date, the required minimum margin of the Company would be maintained regardless and is not deemed to be a solvency risk.

#### **DIRECTORS**

The names of the Directors who held office during the whole year and to date are listed on page 1.

#### **AUDITOR**

Ernst & Young LLC have indicated their willingness to continue in accordance with Section 12(2) of the Company Act 1982 and a resolution proposing their reappointment will be put forward at the forthcoming Annual General Meeting.

By order of the Board

**Director**  
**3 April 2025**

## **ZURICH INTERNATIONAL LIFE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Report of the Directors and the annual financial statements in accordance with applicable Isle of Man law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with Isle of Man law and International Financial Reporting Standards ("IFRS"). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004 as modified by the Insurance Act 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

**Director**  
**3 April 2025**

## **ZURICH INTERNATIONAL LIFE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ZURICH INTERNATIONAL LIFE LIMITED**

#### **Opinion**

We have audited the financial statements of Zurich International Life Limited (the 'Company') for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Acts 1931-2004, as modified by the Insurance Act 2008.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Conclusions relating to going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ZURICH INTERNATIONAL LIFE LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Acts 1931-2004 require us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (International Financial Reporting Standards and the Isle of Man Companies Acts 1931-2004, as modified by the Insurance Act 2008) and the relevant direct and indirect tax compliance regulation in the Isle of Man. In addition, the Company has to comply with laws and regulations relating to its operations, including the Insurance Regulations 2021, Insurance (Long-Term Business Valuation and Solvency) Regulations 2021, Anti-Money Laundering and Countering the Financing of Terrorism, Proceeds of Crime and Data Protection.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition to be a fraud risk. Our procedures involved testing journals identified by specific risk criteria. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

## **ZURICH INTERNATIONAL LIFE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ZURICH INTERNATIONAL LIFE LIMITED (CONTINUED)**

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included identifying relevant laws and regulations having a direct and indirect impact, obtaining an understanding of management's procedures for identifying and complying with those laws and regulations, review of regulatory returns and correspondence and review of the board and other committee meeting minutes.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLC,  
Chartered Accountants  
Isle of Man

Date: 3 April 2025



**ZURICH INTERNATIONAL LIFE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024**

		<b>2024</b>	<b>2023</b>
		<b>£m</b>	<b>Restated £m</b>
	<b>Note</b>		
Insurance revenue	5	458.4	421.5
Insurance service expense		(305.1)	(273.4)
Reinsurance premiums		(136.3)	(120.1)
Amounts recovered from reinsurance		53.4	46.4
<b>Insurance service result</b>		<b>70.4</b>	<b>74.4</b>
Net investment return on shareholder investments	7	(16.0)	5.1
Net investment result on unit-linked investments		1,639.1	1,714.8
Change in liabilities for investment contracts and other funds		(740.7)	(770.5)
Insurance finance income or expenses		(901.7)	(918.7)
Reinsurance finance income or expenses		1.9	4.0
<b>Net investment result</b>		<b>(17.4)</b>	<b>34.7</b>
Fee income	6	50.2	52.1
Fee business expense	6	(34.2)	(33.4)
<b>Net fee result</b>		<b>16.0</b>	<b>18.7</b>
Other income	8	(0.2)	0.2
Other expenses	9	(22.9)	(24.4)
Net gain on divestments of businesses	25	-	0.1
<b>Other result</b>		<b>(23.1)</b>	<b>(24.1)</b>
<b>Profit before tax</b>		<b>45.9</b>	<b>103.7</b>
<b>Tax expense</b>	10	(23.6)	(12.5)
<b>Profit for the year</b>		<b>22.3</b>	<b>91.2</b>
<b>Other comprehensive income net of tax</b>			
Change in unrealised gain on financial assets		1.7	2.0
Change in discount rate for insurance/reinsurance contracts		10.6	(1.3)
Movement as a result of hyperinflation and exchange differences		58.2	(27.0)
<b>Total other comprehensive income net of tax</b>		<b>70.5</b>	<b>(26.3)</b>
<b>Total comprehensive income for the year</b>		<b>92.8</b>	<b>64.9</b>

The notes on pages 11 to 77 form an integral part of these financial statements.

**ZURICH INTERNATIONAL LIFE LIMITED**
**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2024**

	<b>Note</b>	<b>2024 £m</b>	<b>2023 £m</b>
<b>Assets</b>			
<b>Financial investments measured at FVPL</b>			
Investments for unit-linked contracts	14	13,046.1	11,735.4
Debt securities	14	5.6	5.5
<b>Financial investments measured at FVOCI</b>			
Debt securities	14	280.5	227.0
<b>Financial investments measured at amortised cost</b>			
Other assets at amortised cost		2.0	4.0
Holding in subsidiary		12.8	11.2
<b>Total investments</b>		<b>13,347.0</b>	<b>11,983.1</b>
Cash and cash equivalents	16	286.9	297.0
Deposits held for regulatory purposes	16	15.9	43.3
Insurance contract assets	17	7.7	7.2
Reinsurance contract assets	17	111.2	97.1
Receivables and other assets	15	92.9	108.8
Deferred tax assets	11	2.5	-
Property, plant and equipment	12	5.1	5.2
Intangible assets	13	5.0	6.2
<b>Total assets</b>		<b>13,874.2</b>	<b>12,547.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	20	123.4	123.4
Retained earnings		317.0	360.0
Change in value of investment and underlying items through OCI		(6.7)	(9.0)
Change in discount rate for insurance & reinsurance contracts		18.3	7.7
Translation reserve cumulative foreign currency translation adjustment		62.2	35.3
<b>Total equity</b>		<b>514.2</b>	<b>517.4</b>
<b>Liabilities</b>			
Insurance contract liabilities	17	4,916.7	4,498.0
Investment contract liabilities	18	8,182.5	7,282.2
Deposits received under ceded reinsurance contracts	18	28.1	29.3
Reinsurance contract liabilities	17	31.0	33.1
Other liabilities	19	187.5	181.0
Deferred tax liabilities	11	14.2	6.9
<b>Total liabilities</b>		<b>13,360.0</b>	<b>12,030.5</b>
<b>Total equity and liabilities</b>		<b>13,874.2</b>	<b>12,547.9</b>

The financial statements, which include the notes on pages 11 to 77, were approved and authorised for issue by the Board of Directors on 3 April 2025 and signed on its behalf.

**Director**

**Director**

**ZURICH INTERNATIONAL LIFE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	<b>Issued share capital £m</b>	<b>Retained earnings £m</b>	<b>Items valued through OCI £m</b>	<b>Insurance/ reinsurance finance reserve £m</b>	<b>Translation reserve £m</b>	<b>Total £m</b>
<b>As at 1 January 2023</b>	<b>123.4</b>	<b>356.0</b>	<b>(15.3)</b>	<b>9.0</b>	<b>29.4</b>	<b>502.5</b>
Impact of initial application of IFRS 9	-	(6.1)	6.1	-	-	-
Profit for the year	-	91.2	-	-	-	91.2
Other comprehensive income for the year	-	-	2.0	(1.3)	-	0.7
Movement as a result of hyperinflation and exchange differences	-	(31.1)	(1.8)	-	5.9	(27.0)
Dividend paid	-	(50.0)	-	-	-	(50.0)
<b>As at 31 December 2023</b>	<b>123.4</b>	<b>360.0</b>	<b>(9.0)</b>	<b>7.7</b>	<b>35.3</b>	<b>517.4</b>
Profit for the year	-	22.3	-	-	-	22.3
Other comprehensive income for the year	-	-	1.7	10.6	-	12.3
Movement as a result of hyperinflation and exchange differences	-	30.7	0.6	-	26.9	58.2
Dividend paid	-	(96.0)	-	-	-	(96.0)
<b>As at 31 December 2024</b>	<b>123.4</b>	<b>317.0</b>	<b>(6.7)</b>	<b>18.3</b>	<b>62.2</b>	<b>514.2</b>

The notes on pages 11 to 77 form an integral part of these financial statements.

**ZURICH INTERNATIONAL LIFE LIMITED**
**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>£m</b>	<b>Restated £m</b>
<b>Cash flows from operating activities</b>			
Profit after tax		22.3	91.3
Adjustment for:			
- Depreciation, amortisation and impairments		3.3	2.2
- Other non-cash items		(37.0)	(72.7)
- Movements in other comprehensive income and translation reserve		70.5	(26.4)
Underwriting activities			
- Insurance contract assets / liabilities		350.0	(29.0)
- Reinsurance contract assets / liabilities		(16.2)	21.7
- Liabilities for investment contracts		874.4	1,020.8
Investments			
- Net capital gains		(1,655.6)	(1,694.2)
- Net acquisition/disposal proceeds			
- Investments for unit linked business		463.5	835.8
- Debt securities		(37.7)	(16.0)
Movements in receivables and payables		21.2	(9.2)
Change in deferred tax assets and liabilities		4.8	(2.9)
<b>Net cash provided by operating activities</b>		<b>63.5</b>	<b>121.2</b>
<b>Cash flows from investing activities</b>			
- Purchase of property plant and equipment	12	(1.1)	(0.6)
- Acquisition of intangible assets		(0.4)	-
- Investment in subsidiary		(1.6)	-
<b>Net cash used in investing activities</b>		<b>(3.1)</b>	<b>(0.6)</b>
<b>Cash flows from financing activities</b>			
- Payments for lease principal and interest		(1.5)	(1.3)
- Dividends paid		(96.0)	(50.0)
- Change in deposits held for regulatory purposes		27.4	(7.9)
<b>Net cash used in investing activities</b>		<b>(70.1)</b>	<b>(59.2)</b>
Foreign currency on cash, cash equivalents and bank overdrafts		(0.2)	(4.1)
<b>Net Movement in cash and cash equivalents</b>		<b>(10.1)</b>	<b>57.3</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>297.0</b>	<b>239.7</b>
<b>Cash, cash equivalents and bank overdrafts at end of year</b>		<b>286.9</b>	<b>297.0</b>
<b>Other supplementary cash flow disclosures</b>			
Interest income received		44.3	27.5
Dividend income received		11.7	8.8
Income tax paid		(5.4)	(10.4)

The notes on pages 11 to 77 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**Corporate information**

Zurich International Life Limited (the “Company”) is a private company limited by shares and is incorporated in the Isle of Man. The principal activity of the Company is the transacting of life assurance business in the Isle of Man and through branches in Argentina, Hong Kong and the Middle East.

The Company holds an Insurance Business Licence pursuant to Section 8 of the Isle of Man Insurance Act 2008.

The registered office of the Company is Zurich House, Isle of Man Business Park, Douglas, Isle of Man, IM2 2QZ.

Staff working for the Company are employed by another Group entity, incorporated in the UK, Zurich Employment Services Limited (“ZESL”). Direct staff and pension costs are incurred by ZESL, with the relevant costs being recharged to the Company.

The Company’s ultimate parent undertaking is Zurich Insurance Group Ltd, references to “Group” refer to Zurich Insurance Group Ltd and the group of companies which are reported in the consolidated financial statements of Zurich Insurance Group Ltd.

**1. Basis of preparation**

**General information**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with applicable Law. The accounting policies used to prepare the financial statements comply with IFRS, including the adoption and implementation of new accounting standards and amendments for the financial year beginning 1 January 2024 as set out in note 2. The financial statements have been prepared on an historical cost basis, except for those financial assets and financial liabilities that have been measured at fair value.

All amounts in the financial statements, unless otherwise stated, are shown in Pounds Sterling (“GBP”), rounded to the nearest single digit decimal in million pounds, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

The following balances are generally considered to be non-current: equity securities, investment property, investments in associates and joint ventures, deferred tax assets, property and equipment, other intangible assets and deferred tax liabilities.

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, insurance and reinsurance contract assets and liabilities, other assets, investments for unit-linked contracts, liabilities for investment contracts, obligations to repurchase securities, other liabilities, senior and subordinated debt, and assets and liabilities held for sale.

**Standards, amendments and interpretations that are not yet effective or adopted**

The following standards and interpretations were in issue and were not yet effective. Their adoption is not expected to have a material impact on the financial position of the Company, and they will not be adopted early.

<b>Standard/ Interpretation</b>		<b>Effective date</b>
<i>New standards/interpretations</i>		
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
<i>Amended standards</i>		
IAS 21	Lack of Exchangeability	1 January 2025
IFRS 9/IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 9/IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**
**New and amended standards and interpretations**
**Standards, amendments and interpretations effective or early adopted as of 1 January 2024**

The table below shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group that have been implemented for the financial year beginning 1 January 2024. Changes resulting from the amended standards did not have a material impact on the Company's financial statements.

Standard/ Interpretation		Effective date
<i>Amended standards</i>		
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Classification of Liabilities as Current or non-Current	1 January 2024
IAS 1	Non-Current Liabilities with Covenants	1 January 2024
IAS7 / IFRS 7	Supplier Finance Arrangements	1 January 2024

**2. Summary of material accounting policy information**

The principal accounting policies adopted in preparation of these financial statements are set out below or, in the case of accounting policies that relate to separately disclosed values in the primary statements, within the relevant note to these financial statements.

**a) Insurance contracts issued and reinsurance contracts held**
**Introduction**

The Company issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

The Company applies accounting policies for the recognition and measurement of insurance contracts as prescribed by IFRS17. Management used judgement in developing a set of accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts issued, and reinsurance contracts held, that it believed provides useful information to users of the Company's financial statements.

**Level of aggregation and onerous contracts**

The level of aggregation is determined by dividing the business written into portfolios comprising contracts subject to similar risks and managed together. Portfolios are further divided into annual cohorts with contracts issued no more than one year apart, which are divided into groups of contracts based on their expected profitability: (i) onerous contracts, if any and (ii) remaining contracts. Depending on the characteristics of the portfolio, an annual cohort may consist of just one group. The Company chose to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The effect of such grouping is not material to the Company.

Assessments of whether a cohort is onerous or not are completed for each cohort at the reporting date.

**Foreign Currency**

In accordance with the IFRS Interpretations Committee agenda decision clarifying the treatment of multi-currency groups of insurance contracts when the underlying cash flows are denominated in more than one currency, the Company denominates each group of contracts in a single predominant currency of the cash flows within the group of contracts, which is not necessarily the same as the functional currency. Where the predominant currency is different from the functional currency, the Company treats the group of contracts, including the contractual service margin, as a monetary item for the purposes of applying IAS 21 and the exchange differences arising are included in Total Comprehensive Income in the financial statement line 'Net investment return on shareholder investments'.

In calculating the foreign currency impact of both insurance contracts and investment contracts and the investments held in relation to those contracts, the Company uses the currency of the liabilities due to contract holders and the currency of the ultimate underlying assets. This approach has been applied from 1 January 2024 but as disclosed later in Note 2, the 2023 comparative positions have been restated, where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**Initial recognition**

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder becomes due (or when the first payment is received, if there is no due date); or
- An earlier date, if facts and circumstances indicate that the group is onerous.

**Contract boundary**

The measurement of a group of insurance contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied: (i) the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and (ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

**Insurance contract classification**

The Company issues life insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and traditional savings products, as well as private health, supplemental health and long-term care insurance. The majority are direct participating unit-linked life insurance contracts which are measured under Variable Fee Approach (“VFA”). There are a limited number of short-term protection products that fulfill the eligibility criteria and are accounted for under the Premium Allocation Approach (“PAA”). The proportion of contracts accounted for under PAA is not material and has not been disclosed separately. The remainder of the life insurance products are measured under the Building Block Approach (“BBA”).

**Insurance contract assets and reinsurance contract liabilities**

The company considers the appropriate classification of both insurance and reinsurance contracts as to whether they should be assets or liabilities. The underlying calculation of positions will be approached in the same way and then positions will be classified in the balance sheet as appropriate.

**Measurement under BBA**

Each group of insurance contracts under BBA is measured as the sum of the fulfillment cash flows, comprising (i) estimates of future cash flows and (ii) risk adjustment for non-financial risk, and the contractual service margin (CSM). The estimates of the future cash flows represent a current, present value, probability-weighted estimate that is consistent with observable market information and is adjusted to reflect financial risk. The CSM represents the margin the Company is charging for the service it provides in addition to the compensation it requires for bearing risk.

On initial recognition, the CSM is measured as the difference between the expected present value of cash inflows and cash outflows, after adjusting for uncertainty and any cash flows received or paid before or on initial recognition.

Subsequently, at the end of each reporting period, each group of insurance contracts is measured as the sum of (i) the liability for remaining coverage reflecting the fulfillment cash flows related to future service; (ii) the CSM; and (iii) the liability for incurred claims reflecting the fulfillment cash flows related to past service. The liability for incurred claims is created when the Company has an obligation to pay valid claims for insured events that already occurred and other amounts related to past service.

The Company recognises income and expense for the following changes in the carrying amount of the Liability for Remaining Coverage (“LRC”):

- Insurance revenue - for the reduction in the LRC due to services provided in the period, excluding any investment components (see note 5 for the composition of insurance revenue recognised in the period);
- Insurance service expenses - for losses on groups of onerous contracts, and reversals of such losses; and
- Insurance finance income or expense - for the effect of the time value of money and financial risk.

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The Company recognises income and expense for the following changes in the carrying amount of the Liability for Incurred Claims ("LIC"):

- Insurance service expense - for the increase in the liability because of claims and expenses incurred in the period, excluding any investment components;
- Insurance service expense - for any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses; and
- Insurance finance income or expense - for the effect of the time value of money and financial risk.

As part of the subsequent measurement, the fulfilment cash flows are updated to reflect current estimates, and the changes in the fulfilment cash flows are treated as follows:

- Experience adjustments that relate to current or past service are recognised immediately in profit or loss;
- Changes related to future service adjust the CSM measured using the discount rates as described below; and
- Changes resulting from changes in discount rates are presented in Other Comprehensive Income ("OCI"). The Company selected the accounting policy of disaggregating the movement in fulfilment cash flows between profit or loss and OCI.

The CSM at the end of the reporting period is allocated over the current and remaining coverage period based on the coverage units. The coverage units represent the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The Company has determined the sum assured (or annuity) in force as the main driver of coverage units for insurance contract service for non-participating contracts. The CSM allocated to coverage units provided in the period is recognised in profit or loss as insurance revenue.

The Company may provide an investment-return service in addition to insurance contract service under some traditional savings insurance contracts without direct participating features. Such service is deemed to exist only if such contracts involve an investment component or the policyholder has a right to withdraw an amount. The Company expects the investment component or amount the policyholder has a right to withdraw to include an investment return and the Company expects to perform investment activity to generate that investment return. Whenever the Company provides both insurance contract and investment-return services to the policyholder, the coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period. The Company has determined the assets under management (or equivalent) as the main driver of coverage units for investment-return service.

The risk adjustment is released as part of insurance revenue as the uncertainty associated with the amount and timing of benefit payments is decreased or resolved.

(Re-)insurance finance income or expense recognised in profit or loss are determined by a systematic allocation of the expected total finance income or expense over the duration of the group of insurance contracts. Depending on the nature of the insurance contracts, it reflects the effect of time value of money and financial risk as follows:

- For groups of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder (e.g., term life contracts), the systematic allocation is determined using a risk-free rate, plus an illiquidity premium that is locked at the inception of the group of contracts.

**Measurement under variable fee approach ("VFA")**

Unit linked insurance contracts are measured under VFA where the Company's obligation to the policyholder is the net of:

- The obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- A variable fee that the Company will deduct from the above in exchange for the future service provided by the insurance contract, consisted of the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

The underlying items for unit-linked insurance contracts are the unit-linked assets typically held in pooled investment vehicles that meet the specific investment objective of the policyholders, who fundamentally bear the credit, market and liquidity risk of the related investments.

For such contracts, in addition to the insurance contract service, the Company provides an investment-related service to the policyholders managing the underlying items on their behalf. For these direct participation contracts, the coverage units are fully weighted to sum assured in force where this exceeds the underlying assets under management, or fully weighted to the assets under management otherwise.



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Measurement under VFA reflects the nature of participating contracts; therefore, changes in the amount of the Company's share of the fair value of the underlying items relate to future service and adjust the CSM. Similarly, the change in the effect of time value of money and financial risks not arising from the underlying items (for example, the effect of financial guarantees) relates to future service and adjusts the CSM.

Other changes in the fulfillment cash flows are treated consistently with BBA measurement, i.e., they adjust CSM if related to future service, or are recognised immediately in profit or loss if related to current or past service. However, as opposed to BBA, all the adjustments are measured using current discount rates.

Changes in the obligation to pay the policyholder an amount equal to the fair value of the underlying items do not relate to future service and do not adjust the CSM.

**Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts that arises from non-financial risk (insurance risk and other non-financial risk such as lapse risk). The risk adjustment is an explicit adjustment to the estimates of future cash flows to reflect the compensation the Company would require to make it indifferent between fulfilling a liability that has a range of possible outcomes arising from non-financial risk and fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts.

The Company has aligned its approach with the Group approach to risk adjustments. The Group estimates the risk adjustment using a confidence level approach, taking into account the Group's internal view of the level of capital required in order to continue operating on a going-concern basis based on the Group's target Swiss Solvency Test (SST) ratio. The risk adjustment is calibrated as the value at risk ("VaR") at the defined target confidence level minus the expected value of the future cash flows using simulations of the distribution of the future cash flows. The distribution is based on the SST framework and model, with a few modifications considering the different purpose of the IFRS 17 risk adjustment.

Separate target confidence levels apply to the distribution of cash flows of long-duration (predominantly life) (re-)insurance contracts. The confidence levels fall within the range 90-95 percent for long duration (re-)insurance contracts.

In line with the internal capital model used by the Company, these ranges are defined net of external reinsurance. The risk adjustment for the reinsurance contracts held is determined consistently with the risk adjustment for insurance contracts.

The Company disaggregates the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expense, and the latter between profit or loss and OCI, so that the movement in risk adjustment resulting from changes in discount rates is presented in OCI.

For BBA business the Company disaggregates the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expense, and the latter between profit or loss and OCI, so that the movement in risk adjustment resulting from changes in discount rates is presented in OCI.

Judgements and estimates relating to calculation of the risk adjustment for non-financial risk are outlined later in this note.

**Derecognition and contract modification**

The Company derecognises an insurance contract when the obligation specified in the insurance contract expires or is discharged or cancelled, or if the contract is modified in a way that requires derecognition of the original contract and recognition of the new contract with modified terms. The exercise of a right included in the terms of the contracts is not a modification.

Where an insurance contract is extinguished, the Company is no longer at risk and is therefore no longer required to transfer any economic resource to satisfy the insurance contract.

If the terms of an insurance contract are modified, for example, by agreement between the parties to the contract or by a change in regulation, the Company derecognises the original contract and recognises the modified contract as a new contract, if any of the conditions below are satisfied:

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- a) If the modified terms had been included at contract inception:
  - The modified contract would not be an insurance contract; or
  - The Company would have separate different components from the host insurance contract resulting in a different insurance contract; or
  - The modified contract would have had a substantially different contract boundary; or
  - The modified contract would have been included in a different group of contracts.
- b) The original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- c) The Company applied the premium allocation approach to the original contract, but the modifications indicate that the contract no longer meets PAA eligibility criteria.

If a contract modification meets none of the above conditions, the changes in cash flows caused by the modification are treated as changes in estimates of fulfillment cash flows.

A reinsurance contract is derecognized when the contractual rights to cashflows expire.

**Insurance acquisition cash flows (“IACF”)**

Insurance acquisition costs are selling, underwriting and initiating costs typically incurred prior to or at the start of the coverage period of a contract that are directly attributable to the acquisition of portfolios of insurance contracts, including, for example, sales commissions, direct response marketing, premium taxes and in-house expenses directly attributable to sales and policy issuance activities.

The Company allocates IACF to groups of insurance contracts in a systematic and rational way, differentiating between groups of contracts that have been recognised as of the reporting date and groups of contracts that will be recognised in the future, including expected contract renewals. IACF allocated to groups of insurance contracts not yet recognised as of reporting date are recognised as an asset presented within the insurance contract asset or liability attributable to the portfolio of insurance contracts until they are included in the measurement of the group of contracts recognised.

At each reporting date, the Company assesses the recoverability of such assets for pre-coverage IACF based on the expected fulfillment cash flows of the related groups of contracts, if facts and circumstances indicate that the asset may be impaired.

IACF are amortised in a systematic way over the coverage period using the same pattern as for insurance revenue recognition.

**Insurance service expenses**

These expenses consist of claims and other insurance service expenses that the Company incurs in order to fulfill its obligations toward the policyholders that arise within the contract boundary of the underlying (re-)insurance contracts. They also include amortisation of insurance acquisition cash flows, changes in the fulfillment cash flows relating the liability for incurred claims (LIC), losses on groups of onerous contracts and reversals of such losses, and impairment and reversal of impairment of assets for pre-coverage insurance acquisition cash flows. Costs incurred that cannot be directly attributed to portfolios of insurance contracts (e.g., cost incurred in connection with future business opportunities) are excluded.

**Insurance finance income and expense**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money;
- The effect of financial risk and changes in financial risk.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of relevant groups of contracts as per the above section “Measurement under BBA”. For “Measurement under variable fee approach” the Company includes an amount in profit or loss that eliminates accounting mismatches, with income or expense included in profit or loss on the underlying items held. Current discount rates are explained in more detail under the relevant heading in note 2.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract under the BBA approach, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification

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adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

**Reinsurance contracts held**

The Company cedes insurance risk in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the Company as the originating insurer of its liability. Reinsurance contracts held are recorded separately unless the contract combination criteria specified above are fulfilled.

Reinsurance contracts held are accounted for under BBA in all cases. The following differences specifically apply to reinsurance contracts held:

- Classification: Reinsurance contracts held can never be classified as direct participating contracts; hence, measurement under VFA does not apply and all reinsurance contracts held are measured under BBA.
- Level of aggregation: Reinsurance contracts held cannot be onerous; At initial recognition, the groups of reinsurance contracts held comprise (i) contracts in a net gain position, if any; and (iii) remaining contracts, if any.
- Recognition of the CSM: As reinsurance contracts held cannot be onerous, for the groups of reinsurance contracts held accounted for under BBA, the CSM is recognised regardless of whether the reinsurance contract is a net gain or a net cost for the Company.
- Recognition of the risk of non-performance: The measurement of reinsurance contracts held includes the effect of non-performance risk of the reinsurer which considers the reinsurer's credit rating and the expected recovery period.

Reinsurance contracts held are measured using assumptions consistent with the assumptions used for the underlying insurance contracts for the fulfillment cash flows. The risk adjustment for non-financial risk represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Consistent with the underlying insurance contracts, the Company made an accounting policy choice of disaggregating the reinsurance finance income or expense between profit or loss and OCI.

If reinsurance contracts held cover underlying onerous insurance contracts, a loss recovery component is recognised only if the reinsurance contract held was entered into before or at the same time as the underlying onerous insurance contracts. The loss recovery component is measured by reference to the percentage of claims from underlying onerous insurance contracts expected to be recovered from the reinsurance contracts held.

**b) Unit-linked investment contract liabilities**

These represent portfolios maintained to meet the specific investment objectives of contract holders who bear the credit, interest rate, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets.

Changes in fair value are recorded in the Statement of Comprehensive Income. The related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The costs of policy administration, asset management, surrender charges and certain contract holders' taxes assessed against the contract holders' account balances are recovered as policy fees and are recognised in the Statement of Comprehensive Income.

The Company separately identifies unit-linked contract liabilities which it assumed from a related party. These are identified as 'Deposits received under ceded reinsurance contracts' in the Statement of Financial Position. These contracts have similar characteristics to unit-linked investment contract liabilities but are identified separately as they are assumed from a related party. The current arrangements reported under Deposits received under ceded reinsurance contracts' is closed to new business.

**Foreign currency**

The Company's financial statements are presented in Pounds Sterling and its functional currency is Sterling. The Company has branches in Argentina, Hong Kong and Middle East.

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**Hyperinflation**

The economy in Argentina is currently classed as hyperinflationary. Amounts in the Statement of Financial Position not already expressed in terms of the measuring unit current at the end of the reporting period have been restated by applying the general price index. The table below shows the relevant metrics.

Date	Index	Annual inflation	3-year inflation
December 2022	1,134.59	94.8%	300.3%
December 2023	3,533.19	211.4%	815.6%
December 2024	7,694.01	117.76%	1,220.96%

As such the financial statements of the branch have been prepared using the exchange rate current at the end of the reporting period, in accordance with International Accounting Standards “IAS” 29 Financial Reporting in Hyperinflationary Economies, before being included into the Company’s financial statements.

Amounts in the Statement of Financial Position not already expressed in terms of the measuring unit current at the end of the reporting period have been restated by applying the general price index prescribed by the Federacion Argentina de Consejos Profesionales de Ciencias Economicas (the Argentine Federation of Professional Council of Economic Sciences).

The Company considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary, including the cumulative three-year inflation rate. If an economy becomes hyperinflationary, the financial statements of foreign operations with the functional currency of the hyperinflationary economy are restated to reflect the current purchasing power at the end of the reporting period using the official consumer price indices commonly used in the respective country. The restatement includes all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date and items of comprehensive income for the current year by applying the change in the price index from the dates when the items of income and expense were originally recorded. The Company applies hyperinflationary accounting to its foreign operation with the functional currency of Argentinian Peso.

Differences within equity created by the cumulative effect of restating non-monetary items from the date they were first recognised and the effect of translating those balances to the closing rate, will be recognised in Other Comprehensive Income as translation adjustments.

All other transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences are recognised through the Net Investment Result in the Statement of Comprehensive Income.

**c) Financial assets**
**Classification, measurement and presentation of financial assets**

The classification and measurement of financial assets is driven by the business model under which these assets are held and by their contractual cash flow characteristics. The combined effect of the business model and contractual terms assessment (also referred to as ‘solely payment on principal and interests test’ (“SPPI test”)) determines whether financial instruments are measured at fair value through profit or loss (“FVPL”), fair value with changes recognised in other comprehensive income (“FVOCI”) or amortised cost.

Financial assets measured at fair value through profit or loss are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets at fair value through profit or loss are mainly financial investments backing unit-linked insurance contracts and unit-linked investment contracts including debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on a different basis compared to the liabilities.

Financial assets carried at fair value through the profit or loss are recorded in the Statement of Financial Position at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

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The determination of fair values of financial assets is based on quoted market prices in active markets for identical assets and liabilities. Realised and unrealised gains and losses arising from changes in the fair value are recognised in income along with expected credit losses, in the period in which they arise, within “net investment result on unit-linked investments”.

Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in note 2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss under “Net investment result on unit-linked investments” when the right to the payment has been established.

The Company measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets;
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at fair value through Other Comprehensive Income are bonds backing unit-linked and non unit-linked insurance contracts.

The determination of fair values of financial assets is based on quoted market prices in active markets for identical assets and liabilities. Realised and unrealised gains and losses arising from changes in the fair value are recognised in income along with impairments, in the period in which they arise, within “Other Comprehensive Income”.

Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in note 2.

The Expected Credit Loss (ECL) calculation for Debt instruments at FVOCI is explained in note 2. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the financial asset meet the SPPI test.

The details of these conditions are outlined above.

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for any ECL. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the Statement of Comprehensive Income when the investments are impaired.

*Receivables and other assets*

Receivables and other assets are financial assets whose contractual terms meet the SPPI test. They are carried at amortised cost using the effective interest rate method, less any charges for expected credit losses.

Receivables directly related to insurance and reinsurance contracts, such as amounts due from policyholders or amounts due from reinsurers, are recognised in connection with those contracts and disclosed as part of the insurance or reinsurance assets.

*Deposits held for regulatory purposes*

Deposits held for regulatory purposes held to meet specific regulatory demands. The deposits meet the SPPI test and are carried at amortised cost.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the Statement of Financial Position.

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For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Reclassification of financial assets and liabilities**

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

**Derecognition other than for substantial modification**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

**Derecognition due to substantial modification of terms and conditions**

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss. In the case of debt instruments at amortised cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

**Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Impairment losses on financial instruments note 4.
- Disclosures for significant judgements and estimates note 2.

Expected credit loss ("ECL") is recognised for all debt instruments not held at fair value through profit or loss. ECL reflects the difference between the contractual cash flows of the instrument and the cash flows the Company expects to receive. ECL is recognised on the following basis:

- 12-months ECL is recognised from the initial recognition of a debt instrument and reflects a portion of lifetime expected credit losses that would result from default events that are possible within 12 months after the reporting date (12-months ECL). The Company applies the low credit risk simplification to recognise 12-months ECL for all financial instruments that have an internal or external investment grade credit rating. Instruments for which 12-months ECL is recognised are referred to as stage 1; and

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- Lifetime ECL is recognised in the event of a significant increase in credit risk (“SICR”) since initial recognition and reflects lifetime expected credit losses over the expected life of the financial instrument (lifetime ECL). The Company applies a permitted simplification to recognise lifetime ECL for all trade receivables. Instruments with lifetime ECL are referred to as stage 2. Lifetime ECL is also recognised for credit-impaired financial instruments, referred to as stage 3. Stage 3 includes instruments that are non-performing or for which a default event has occurred. The Company presents the gross carrying amount of such assets net of lifetime ECL.

At each reporting date, an assessment is conducted to determine whether a SICR has occurred since the initial recognition of a financial asset not covered by the low credit risk practical expedient and/or whether the financial asset has become credit impaired.

**Forward-looking scenarios and measurement of expected credit losses**

Expected credit losses reflect an unbiased, probability-weighted estimate based on possible default events either over the next 12 months or over the remaining life of a financial instrument. The ECL is calculated using a combination of the following main input parameters: Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”).

For unrated exposures, for example, trade receivables, the ECL is measured using an expected loss rate model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition. At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. Twelve months of expected credit losses are recognised in the statement of comprehensive income and netted against the financial asset in the Statement of Financial Position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

**Write-offs**

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

**d) Financial liabilities**

**Classification, measurement and presentation of financial liabilities**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs. The Company’s financial liabilities include insurance and investment contract liabilities, insurance and other payables including deferred amounts and current tax liabilities.

The subsequent measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

*Interest bearing loans and borrowings*

Typically, after initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in “Net investment income on shareholders investments” in the Statement of Comprehensive Income.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the

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terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right that is:

- Not contingent on a future event; and
- Enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
- There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**Provisions for liabilities and charges**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the change in the provision due to the passage of time is recognised as a finance cost.

**e) Non-insurance revenue recognition**

**Fee result**

Unit-linked insurance and investment contracts are charged fees for policy administration services, asset management services, and services including surrender charges. In relation to investment contracts the fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Expenses related to the generation of fee income are recognised in the Statement of Comprehensive Income as they accrue.

**Investment income**

Interest income is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

**The effective interest rate method**

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost and FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, and the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the balance sheet with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.



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**Interest and similar income**

Interest income comprises amounts calculated using both the effective interest method and other methods. These are disclosed separately on the face of the Statement of Comprehensive Income.

Within Interest Income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost or FVOCI.

Other interest income includes interest on all financial assets measured at FVPL, using the contractual interest rate.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

**Dividends**

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

**Foreign currency translations and balances**

The Company recognises the impact of translating and revaluing the effect of foreign exchange transactions in accordance with IAS21.

The Company's branch and operations in Argentina are accounted for as being in a hyperinflationary economy.

Foreign currency translation differences arising on the translation of foreign operations and their inclusion in the Company's results are recognised in OCI in the Translation reserve for cumulative foreign currency translation adjustments.

All other gains and losses in relation to translating or revaluing foreign exchange transactions are accounted for through the line 'Net investment result on shareholder investments, including gain/(loss) on foreign exchange' in the Statement of Comprehensive Income.

**Other expenses**

Operating and administration expenses are recognised in the Statement of Comprehensive Income as they accrue.

**Finance costs**

Interest paid is recognised in the Statement of Comprehensive Income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

**Leases**

The Company applies IFRS16 to account for the long-term lease of offices. The right of use assets have been recognised in the Statement of Financial Position for long term leases and depreciated on a straight line basis over the life of the lease. Lease liabilities have also been recognised in relation to leases. These liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at implementation, as of 1 January 2019. Where new leases are introduced or leases are amended, the interest rate is reassessed for the specific new or amended leases. The weighted average lessee's incremental borrowing rate based on the various borrowing rates applied to the lease liabilities as at 31 December 2024 is 1.12% (31 December 2023: 0.55%).

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics and has relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review, as permitted by the standard.

**Significant accounting judgements, estimates and assumptions**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Insurance and reinsurance contracts:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 2. The Company disaggregates information to disclose life insurance

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contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the Company is managed.

**Discount rates**

The Company applies bottom-up discount rates for most groups of insurance contracts issued and reinsurance contracts held. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market interest rates (either swap rates or yields of highly liquid sovereign securities) in the currency of the underlying cash flows for the groups of (re-)insurance contracts. Whenever the expected timing of the cash flows exceeds the liquid part of the yield curve in the respective currency (the last liquid point), the risk-free interest rate is extrapolated to converge toward a long-term rate (the ultimate forward rate) using widely accepted extrapolation techniques (Smith-Wilson algorithm). The illiquidity premium is determined by reference to observable market spreads for illiquid instruments (e.g., corporate debt, etc.) adequately corrected to remove credit risk.

Discount rates applied for discounting of future cash flows are listed below:

	Portfolio duration									
	1 year		3 years		5 years		10 years		20 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Insurance contracts USD	4.2%	4.8%	4.1%	3.7%	4.0%	3.5%	4.1%	3.4%	4.1%	3.5%
Reinsurance contracts USD	4.2%	4.8%	4.1%	3.7%	4.0%	3.5%	4.1%	3.4%	4.1%	3.5%

**Risk adjustment for non-financial risk**

The risk adjustment is the measure of the compensation required by the Company for the uncertainty arising from non-financial risks. As such, it is based on subjective considerations that take into account its internal view of the capital required in order to continue operating on a going-concern basis.

To support the selection of the confidence levels, a quantitative analysis is performed. This quantitative analysis is determined by calculating, with different sets of assumptions, the financial compensation its ultimate holding company, Zurich Insurance Group Ltd (“ZIG”) requires on the Swiss Solvency Test (SST) capital to cover the non-financial risks over the outstanding run-off period of the insurance liabilities. Separate target confidence levels apply to the distribution of cash flows of long-duration and short-duration insurance contracts. The confidence levels fall within the following ranges: 74-79 percent for short-duration and 90-95 percent for long-duration insurance contracts.

As with any other risk capital model, the SST model is subject to simplification and application of expert judgments. These include, for example, assumptions on the shape of the distributions and on the geographical and risk dependencies, amongst others. The full list of assumptions, simplifications and expert judgments applied in the model are outlined in the documentation regularly provided to the Swiss Financial Market Supervisory Authority - FINMA. These are documented and validated regularly by ZIG to ensure the overall adequacy of the risk model.

The percentiles selected are expected to fall within these ranges described above. However, an additional uplift factor may be applied to the risk adjustment for specific contracts or groups of contracts, where there is a higher level of uncertainty around the compensation required for bearing non-financial risks. For example, an uplift factor may be applied to a specific contract or group of contracts where key long-term best estimate assumptions used to project the fulfillment cashflows have been set based on expert judgment in the absence of credible experience data.

The key assumptions in the determination of the risk adjustment percentiles are:

- Assumed cost of capital rate: the long-term mean of the weighted average cost of capital is used;
- Level of diversification: the risk adjustment allows for diversification of non-financial risks among the Company’s branches as well as diversification of non-financial risks with financial risks; and
- Higher levels of expert judgment in the absence of credible demographic assumptions used in cashflow projection: an uplift may be applied to the risk adjustment in respect of a portfolio or product where the Company has concerns over the credibility of assumptions used.

**Valuation of investment contract liabilities**

Unitised investment contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund.

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Certain incremental acquisition costs and sales enhancements that are directly attributable to securing an asset management service are also deferred and recorded as an “intangible asset” on the Statement of Financial Position. These assets are amortised, written down and/or impaired on the basis set out earlier in note 2.

**Fair value of financial assets and derivative financial instruments determined using valuation techniques**

In determining the fair values of financial debt instruments and equity instruments traded in exchange and Over the Counter (“OTC”) markets, the Company makes extensive use of independent, reliable and reputable third party pricing providers and only in rare cases places reliance on prices that are derived from internal models.

In addition, it is Company policy to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models. The hierarchy for determining and disclosing the fair value of financial instruments is set out in note 4.3.

**Impairment losses on financial assets**

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. The Company’s ECL assessment and measurement method is set out in note 4.2.

**Deferred tax assets and liabilities**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors where there is a timing difference in the recognition of profits under the local tax regulations compared to the IFRS financial statements for the Company’s operation in the relevant jurisdiction.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Deferred tax liabilities are recognised where there is a timing difference between the current tax liability due and the ultimate expected tax liability. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Where they relate to the same tax authority, deferred tax assets and deferred tax liabilities have been offset. Deferred tax is disclosed in note 11.

**f) Changes which impact the comparative information for the financial year ending 31 December 2023**

The Company has identified a number of areas where the understanding of the financial statements would be improved by amending the presentation of certain transactions.

The below disclosure reflects areas where the Company has updated its presentation in 2024 and how that impacts the financial statements presented for the year ending 31 December 2023.

**Items where the figures for 2023 comparative information have been updated in this document**

**Foreign Currency Revaluation and Presentation for Policyholder Related Assets and Liabilities**

The Company has identified that the presentation of the financial statements would be more appropriate by calculating the foreign exchange revaluations for;

- Investments for unit-linked contracts
- Insurance contract liabilities
- Investment contract liabilities

by reference to the currency of the liabilities due to policyholders and the ultimate underlying assets that support these.

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In addition, the Company has then allocated all such foreign exchange movements to the financial statement line item 'Net investment result on shareholder investments, including gain/(loss) on foreign exchange' within the Statement of Comprehensive Income. This aligns all foreign exchange gains or losses in the same financial statement line item in order that the positions for the financial statement line items;

- Net investment result on unit-linked investments
- Change in liabilities for investment contracts and other funds
- Insurance finance income or expenses

would be more reflective of the market movements than if those foreign exchange effects were reported separately.

Upon reflection of these presentational amendments processed within the 2024 results, the 2023 comparative numbers are now considered to be incorrectly classified and have been updated to reflect this updated position as the movements are material. The table below shows the changes.

<b>Statement of Comprehensive Income – FY 2023</b>	<b>Original</b>	<b>Revised</b>
<b>Financial statement line item</b>	<b>£m</b>	<b>£m</b>
Net investment result on shareholder investments, including gain/(loss) on foreign exchange	13.3	5.1
Net investment result on unit-linked investments	1,456.9	1,714.8
Change in liabilities for investment contracts and other funds	(510.7)	(770.5)
Insurance finance income or expenses	(928.8)	(918.7)

As a result of the revised position in the Statement of Comprehensive Income, an equivalent change will also be applicable to the Statement of Cash Flows. This change has been reflected in the current year and the 2023 comparative numbers have again been revised to reflect this position, as the movements are material. The table below shows the changes.

<b>Statement of Cash Flows – FY 2023</b>	<b>Original</b>	<b>Revised</b>
<b>Financial statement line item</b>	<b>£m</b>	<b>£m</b>
Adjustment for other non-cash items	8.8	(72.7)
Underwriting activities		
- Insurance contract assets / liabilities	(155.5)	(29.0)
- Liabilities for investment contracts	761.0	1,020.8
Investments		
- Net capital gains	(1,436.4)	(1,694.2)
- Investments for unit linked business	882.7	835.8

In considering the ultimate liabilities due to policyholders and the assets that support these, under Note 4.2 the table in relation to currency risk will have the following lines updated as per the below table.

	<b>Pound Sterling £m</b>	<b>US Dollar £m</b>	<b>Euro £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>2023 - Original</b>					
Investments for unit-linked contracts	3,780.7	6,089.8	1,123.6	741.3	11,735.4
Insurance contract liabilities	95.7	4,458.9	(15.7)	(40.9)	4,498.0
Investment contract liabilities	2,301.3	3,807.6	1,010.3	163.0	7,782.2
<b>2023 - Revised</b>					
Investments for unit-linked contracts	1,426.7	8,198.2	1,317.2	793.3	11,735.4
Insurance contract liabilities	186.4	4,210.9	115.8	(15.1)	4,498.0
Investment contract liabilities	1,329.1	4,580.5	1,175.5	197.1	7,282.2

Within Note 7, the movement in 'Net investment income on shareholder investments' is reflected as a change in the 'Net foreign exchange income/(expense)'.

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**Items where the figures for 2023 comparative information have not been updated in this document but included for completeness.**

The following items represent certain scenarios where the Company has determined that an alternative approach is appropriate but the changes do not materially change individual reporting lines and also would not impact the users' understanding of the financial statements, as they do not impact total asset or liability positions, net profits or solvency.

Reclassification of a receivable linked to 'Investment Contract Liabilities'

The Company currently holds a receivable from a third party which represents the asset supporting a number of investment contracts.

In the 2023 financial statements, this receivable was reflected within 'Receivables and other assets' but due to the fact that this relates specifically to an asset which supports unit-linked investment contracts, it is now classified within 'Investments for unit-linked contracts'. Based on materiality levels and the fact that this does not impact the total assets position, this change has not been restated in 2023. The original and revised positions are shown in the table below.

**Statement of Financial Position – FY 2023**

<b>Financial statement line item</b>	<b>Original £m</b>	<b>If had been revised £m</b>
Investments for unit-linked contracts	11,735.4	11,748.9
Receivables and other assets	108.8	95.3

Treatment of Reinsurance Contract

The Company has entered into a specific reinsurance contract, which effectively has a three-year rolling duration. Within the 2023 financial statements, the Company had treated this contract as having a single year contract boundary, on the basis that there was no specific end date to the contract, there was a one-year extension option available and the insurance business that this supported was generally for a single year.

The Company has now determined that it would be more appropriate to reflect the term of the reinsurance contract as a three-year contract boundary. The effect of this change adjusts the PVFCF and CSM for the reinsurance contract. The relevant PVFCF and CSM positions are both reported within the financial statement line 'Reinsurance Contract Liabilities' in the Statement of Financial Position and there is therefore no change to the primary financial statements.

Within note 17, the effect of this note would be to reclassify certain lines of the disclosure relating to presentation of Reinsurance contracts held. The movement in the closing balance representing the net insurance contract assets/liabilities is shown in the below table.

**Net reinsurance contract assets/(liabilities) as at 31 December 2023**

	<b>PVFCF £m</b>	<b>CSM £m</b>	<b>Risk Adj. £m</b>	<b>Total £m</b>
Original	(1.6)	52.9	12.7	64.0
If had been revised	(18.3)	69.6	12.7	64.0

Expected recognition of Contractual Service Margin

IFRS17 allows for flexibility in the approach with regard to the disclosure of the assumed timing for the recognition of the CSM. The Company has updated its approach to this assumption to include interest accretion and this would result in a change in the disclosed expected recognition.

The total CSM position would not change as a result of this update but the disclosure as to expected recognition would change as follows.

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	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m	£m
<b><u>2023 Original Disclosure</u></b>							
Insurance contracts issued	79.3	61.1	39.3	47.9	42.4	335.5	605.4
Reinsurance contracts held	(14.4)	(5.1)	(4.2)	(3.8)	(3.3)	(22.1)	(52.9)
<b><u>2023 Disclosure if had been revised</u></b>							
Insurance contracts issued	52.1	46.1	44.3	40.9	37.7	384.4	605.4
Reinsurance contracts held	(12.7)	(3.9)	(3.5)	(3.1)	(2.8)	(26.9)	(52.9)

### 3. Risk management

The Company's Enterprise Risk Management (ERM) framework comprises all activities and structures specifically designed for the management of risk, including:

- Risk-taking strategy and risk appetite;
- Roles & responsibilities (Accountability);
- Risk management cycle: Methodology for identifying, assessing, responding and monitoring risks;
- Risk reporting & insights; and
- Governance & culture.

The objectives of the Company's ERM Framework are:

- To protect the capital base by monitoring that risks are not taken beyond risk tolerance
- To enhance value creation and contribute to an optimal risk-return profile by providing the basis for an efficient capital deployment
- To support the business decision-making processes by providing consistent, reliable and timely risk information
- To protect the Company's reputation and brand by promoting a sound culture of risk awareness and disciplined and informed risk taking

#### 3.1 Governance framework

The governance process with the Company's ERM framework establishes clear responsibilities for taking, managing, monitoring and reporting risks. Roles and responsibilities for risk management are devolved throughout the Company, from the Board and the Chief Executive Officer (CEO) to its businesses and functional areas, thus embedding risk management in the business.

The ERM framework sets out a transparent process to identify, assess and manage risk according to Risk Appetite across the business. This includes adjusting the risk profile in line with risk tolerance to respond to new threats and opportunities in order to optimize returns.

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

#### 3.2 Capital management objectives, policies and approach

The Company maintains an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company targets a solvency level based on approved risk appetites for each regulatory regime. Under the Isle of Man regime, the Company seeks to maintain a level of own funds in excess of 125% of the solvency capital requirement, with a target coverage of 140% - 155%. The Company is appropriately capitalised.

The Isle of Man capital regime is a risk based capital approach and, during 2024, the Hong Kong regulatory regime was changed to a risk based capital regime.

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The Company's objectives in managing its capital are to:

- match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- maintain financial strength to support new business growth;
- satisfy the requirements of its policyholders, contract holders and regulators;
- allocate capital efficiently to support growth;
- manage exposures to movements in foreign exchange rates; and
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

In line with regulatory requirements the Company undertakes an Own Risk and Solvency Assessment process (ORSA) to identify, assess, manage, monitor and report all significant risks faced by the Company and its branches.

The ORSA process involves an analysis of regulatory capital requirements and internal capital required to cover these risks, both currently and over the Company's business planning horizon.

The primary source of capital used by the Company is equity shareholder's funds. The Company has no external debt as at the reporting date (2023: £nil)

Effective from 00:00 on 31st December 2020, the Company entered into a mass lapse reinsurance arrangement with Zurich Insurance Company covering the 3-year period 01/01/2021 to 31/12/2023. Each subsequent year this treaty has been extended by a year such that remaining duration is 3 years at the end of the year. The most recent extension was in fourth quarter of 2024 to provide cover until 31/12/2027. The arrangement will pay out the value of lost future profits if, within a 12 month period, there is a discontinuance of between 20% and 40% of contracts for which discontinuance would result in an increase in technical provisions.

The Company has had no other significant changes in its policies and processes in relation to its capital structure during the past year from previous years.

### **3.3 Available capital resources**

#### **Available capital resources at 31 December 2024**

	<b>Total £m</b>
Total equity per financial statements	<u>514.2</u>
<b>Adjustments to a regulatory basis</b>	
Intangible assets	(4.5)
Notional deferred tax liability	(100.2)
Technical provisions	179.7
CSM and risk adjustment	643.3
Risk margin	<u>(102.0)</u>
<b>Total available capital resources Isle of Man</b>	<u><u>1,130.5</u></u>

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**Available capital resources at 31 December 2023**

	<b>Total £m</b>
Total equity per financial statements	517.4
<b>Adjustments to a regulatory basis</b>	
Intangible assets	(5.9)
Notional deferred tax liability	(69.2)
Technical provisions	107.2
CSM and risk adjustment	607.6
Risk margin	(208.5)
<b>Total available capital resources Isle of Man</b>	<b>948.6</b>

The Company is regulated by the Financial Services Authority in the Isle of Man. The Solvency Capital Requirement of the Financial Services Authority at 31 December 2024 were £493.0m (2023: £460.7m) resulting in free assets of £637.7m, 236% (2023: £487.8m, 206%).

The Company intends to issue a dividend of £154m in 2025. If this dividend is approved for payment this will reduce total equity, total available capital resources, and free assets by £154m and is therefore not expected to significantly impact the Company's solvency position.

### **3.4 Regulatory framework**

Regulators are primarily interested in protecting the rights of policyholders and contract holders and monitor them closely to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (for example, capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

## **4. Insurance and financial risk**

### **4.1 Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is risk premium reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The majority of the Company's reinsurance is placed with its parent company, Zurich Insurance Company Ltd. There is no single external counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date (2023: 5% of total reinsurance assets).



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**Life insurance contracts**

Life insurance contracts offered by the Company include unit-linked and term assurances.

Term assurances are conventional regular premium products where lump sum benefits are payable on death or permanent disability. They have no surrender value.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

The main risks that the Company is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected;
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected;
- Longevity risk - risk of loss arising due to the annuitant living longer than expected;
- Investment return risk - risk of loss arising from actual returns being different than expected;
- Expense risk - risk of loss arising from expense experience being different than expected;
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected; and
- Market risk - risk associated with the Company's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risks include equity market prices, property market prices, interest rates and currency exchange rates. These are highlighted under "Market Risk" section.

The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza or coronavirus, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims for critical illness plans would also be subject to the same factors.

In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

The Company is exposed to policyholder behaviour and expense risks. Policyholder behaviour risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

The Company defines concentration risk as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and/or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behaviour risk (lapse, anti-selection) and expense risk.

As contracts for the Company are written in Branch locations, there is concentration of geographical risk. This is managed by prudent underwriting and appropriate reinsurance strategies. There are reinsurance arrangements in place with external reinsurers and within the Group.

The following tables show the concentration of life insurance contract liabilities by type of contract.

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31 December 2024

	Insurance contract assets / liabilities £m	Reinsurance contract assets / liabilities £m	Net insurance contract assets / liabilities £m
Annuity	8.1	-	8.1
International Group Protection	101.8	(99.2)	2.6
Term Assurance	21.6	(1.5)	20.1
Unit Linked Protection	1,310.1	15.0	1,325.1
Unit Linked Savings	3,405.2	0	3,405.2
Other	62.2	5.5	67.7
<b>Total life insurance</b>	<b>4,909.0</b>	<b>(80.2)</b>	<b>4,828.8</b>

31 December 2023

	Insurance contract assets / liabilities £m	Reinsurance contract assets / liabilities £m	Net insurance contract assets / liabilities £m
Annuity	8.9	-	8.9
International Group Protection	19.6	(5.6)	14.0
Term Assurance	103.3	(97.6)	5.7
Unit Linked Protection	1,128.4	14.0	1,142.4
Unit Linked Savings	3,182.6	0.1	3,182.7
Other	47.8	25.2	73.0
<b>Total life insurance</b>	<b>4,490.8</b>	<b>(64.0)</b>	<b>4,426.7</b>

The geographical concentration of the Company's life insurance contract liabilities is shown below. The disclosure is based on the jurisdictions where the business is written.

31 December 2024

	Insurance contract assets / liabilities £m	Reinsurance contract assets / liabilities £m	Net insurance contract assets / liabilities £m
Asia	992.7	(11.7)	981.0
Latin America	951.3	0.4	951.7
Middle East	2,651.5	(12.2)	2,639.3
Rest of the world	313.5	(56.7)	256.8
<b>Total life insurance</b>	<b>4,909.0</b>	<b>(80.2)</b>	<b>4,828.8</b>

31 December 2023

	Insurance contract assets / liabilities £m	Reinsurance contract assets / liabilities £m	Net insurance contract assets / liabilities £m
Asia	991.8	(12.8)	979.0
Latin America	746.7	2.3	749.0
Middle East	2,434.0	(13.0)	2,421.0
Rest of the world	318.2	(40.5)	277.7
<b>Total life insurance</b>	<b>4,490.8</b>	<b>(64.0)</b>	<b>4,426.7</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**Key assumptions**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and best estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

*Mortality and morbidity rates*

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholder.

*Longevity*

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholder.

*Investment return*

The risk-free rate has been used for the unit growth rate and to calculate the discount rate with no adjustments. An increase in investment return would lead to an increase in profits for the shareholder.

*Expenses*

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would reduce profits for the shareholder.

*Persistency - Lapse and surrender rates*

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales channel.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholder, but later increases are broadly neutral in effect.

*Discount rate*

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected future premiums. Discount rates are based on risk-free rates.

*Risk adjustment*

The risk adjustment is the measure of the compensation required by the Company for bearing the uncertainty arising from non-financial risks. As such, it is based on subjective considerations that take into account its internal view of the capital required in order to continue operating on a going-concern basis.

To support the selection of the confidence levels, a quantitative analysis is performed. This quantitative analysis is determined by calculating, with different sets of assumptions, the financial compensation its ultimate holding company, Zurich Insurance Group Limited ("ZIG") requires on the Swiss Solvency Test ("SST") capital to cover the non-financial risks over the outstanding run-off period of the insurance liabilities.

*CSM*

The CSM at the end of the reporting period is allocated over the current and remaining coverage period based on the coverage units. The coverage units represent the quantity of insurance contract services provided by the contracts in the Company, determined by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period.

**NOTES TO THE FINANCIAL STATEMENTS  
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The assumptions that have the greatest effect on the Statement of Financial Position and Statement of Comprehensive Income of the Company are listed below in the basis table, for the purposes of the table these are average rates:

**Experience basis:**

Portfolio assumptions	Mortality and morbidity rates		Investment return		Discount rates	
	2024	2023	2024	2023	2024	2023
<i>Term assurance</i>						
Lives classified as smokers	45% TMS00/TFS00 Select	50% TMS00/TFS00 Select	Q42024 USD EIOPA Yield Curve	Q42023 USD EIOPA Yield Curve	Q42024 USD EIOPA Yield Curve	Q42023 USD EIOPA Yield Curve
Lives not classified as smokers (including unknown smoker status)	45% TMC00/TFC00 Select	50% TMC00/TFC00 Select	As above	As above	As above	As above
<i>Other products</i>						
Lives classified as smokers	45% AMS00/AFS00 Select/Ultimate	50% AMS00/AFS00 Select/Ultimate	As above	As above	As above	As above
Lives not classified as smokers (including unknown smoker status)	45% AMC00/AFC00 Select/Ultimate	50% AMC00/AFC00 Select/Ultimate	As above	As above	As above	As above

TMS: Temporary assurances mortality table (male, smoker)  
TFS: Temporary assurances mortality table (female, smoker)  
TMC: Temporary assurances mortality table (male, combined smoker and non smoker)  
TFC: Temporary assurances mortality table (female, combined smoker and non smoker)

AMS: Permanent assurances mortality table (male, smoker)  
AFS: Permanent assurances mortality table (female, smoker)  
AMC: Permanent assurances mortality table (male, combined smoker and non smoker)  
AFC: Permanent assurances mortality table (female, combined smoker and non smoker)

**Sensitivities**

The Company prepares, under its regulatory reporting in the Isle of Man, a risk-based economic balance sheet (RBC), which allows the Company to increase its understanding, and report on, the risk profile of its life products, and how the risks would change under different market conditions.

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Own Funds. The correlation of assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. However, the discount rate and unit growth rate assumptions used in the calculation of the insurance contract liabilities are defined as functions of the risk-free rate of return, so under the interest rate sensitivities, the risk-free yield curve, discount rate and unit growth rate are all assumed to move consistently. It should be noted that movements in these assumptions can be non-linear. Sensitivity information will also vary according to the current economic assumptions.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

	31 December 2024	31 December 2023
	Change in Own Funds £m	Change in Own Funds £m
<b>Base Own Funds</b>	1,128.7	948.6
<b>Operating sensitivities</b>		
10% increase in initial expenses	-	-
10% decrease in maintenance expenses	4.4%	5.2%
10% increase in voluntary discontinuance rates	-2.8%	-2.9%
10% decrease in voluntary discontinuance rates	3.2%	3.2%
5% worsening in mortality and morbidity for assurances	-3.6%	-4.1%

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated, for example, change in lapses and future mortality and morbidity or expenses.

#### 4.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk, currency risk, market risk and operational risk.

##### Credit risk

Credit risk is the risk associated with a loss, or potential loss, from counterparties failing to fulfil their financial obligations. The Company's exposure to credit risk is derived from the following main areas:

- Non unit-linked investments;
- Commission paid in advance and loans to intermediaries;
- Cash and cash equivalents; and
- Reinsurance assets.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Asset Liability Management Investment Committee ("ALMIC") and its subcommittee the Counterparty Exposure Monitoring Forum monitor credit risk on cash and non unit-linked investments. Limits are set and monitored by reference to the credit rating of the counterparty. Any limit exposure breaches or waivers are reported to the Board.
- Reinsurance is primarily placed with the Group. Reinsurance external to the Group is assessed according to the rating and standing of the counterparty, and where required appropriate security is obtained, for instance, through a "funds withheld" arrangement.
- Where commission is paid on indemnity terms, the Company is exposed to credit risk on the intermediary whilst the commission is earned. This risk is managed by the Introducer Finance Committee ("IFC"), a subcommittee of the Board. The IFC monitors all commission in advance exposures and undertakes appropriate due diligence on intermediaries. The level of the due diligence is adjusted depending on the nature of the intermediary. For instance, less due diligence is carried out on international banks as compared to small local intermediary firms. In certain circumstances the Company offers loans to intermediaries. The amount and type of the loans granted depends on an assessment of the credit risk of the counterparty. Credit risk is mitigated as the Company enters into a formal agreement where future commission payments are used to repay loans. Recoverability is regularly monitored by the IFC and any expected credit loss would be recognised in the Statement of Comprehensive Income.

In certain circumstances the Company allows policy and contract holders to take a loan against the value of their policy. The Company has guidelines in place regarding the acceptability of loan requests. No formal agreement is in place but the terms and conditions of the policies allow the Company to offset the value of any outstanding loan from the claim payment. Due to the nature of collateral, no credit risk is incurred.

The table below shows an analysis, by credit rating, of non unit-linked financial instruments. Items classified as "Not rated" are predominantly receivable from Group and therefore deemed a low credit risk. In the unit-linked

## ZURICH INTERNATIONAL LIFE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

business, the policy and contract holder bear the credit risk on the assets held in the unit-linked funds, as the benefits are linked to the value of the assets in the fund.

£m	AAA	AA	A	BBB	Below BBB	Not rated	Total
<b>At 31 December 2024</b>							
Debt securities at FVPL	-	-	2.4	3.0	-	0.2	5.6
Debt securities at FVOCI	0.3	117.3	32.9	36.9	93.1	-	280.5
Reinsurance assets	-	-	-	-	-	111.2	111.2
Deposits held for regulatory purposes	-	-	12.5	3.3	-	0.1	15.9
Cash and cash equivalents	-	71.1	206.3	3.2	0.7	5.6	286.9
	<u>0.3</u>	<u>188.4</u>	<u>254.1</u>	<u>46.4</u>	<u>93.8</u>	<u>117.0</u>	<u>700.1</u>

£m	AAA	AA	A	BBB	Below BBB	Not rated	Total
<b>At 31 December 2023</b>							
Debt securities at FVPL	-	-	2.1	3.2	-	0.2	5.5
Debt securities at FVOCI	0.3	87.8	30.3	33.2	75.4	-	227.0
Reinsurance assets	-	-	-	-	-	97.1	97.1
Deposits held for regulatory purposes	-	25.5	11.0	6.0	-	0.8	43.3
Cash and cash equivalents	-	151.6	117.2	1.1	1.1	26.0	297.0
	<u>0.3</u>	<u>264.9</u>	<u>160.6</u>	<u>43.5</u>	<u>76.5</u>	<u>124.1</u>	<u>669.9</u>

Based on public ratings assigned by external rating agency Standard and Poors ("S&P") or equivalent when not available from S&P.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

#### Impairment assessment

The Company's ECL assessment and measurement method is set out below.

#### Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- The counterparty having past due liabilities, unless suitable mitigation exists
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

**NOTES TO THE FINANCIAL STATEMENTS  
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In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

**Expected credit loss**

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

**Impairment losses on financial investments subject to impairment assessment**

The table below shows the fair value of the Company's financial instruments and the related ECLs recognised as at 31 December 2024 and 2023.

**As at 31 December 2024**

	<b>Carrying amount £m</b>	<b>12m ECL £m</b>	<b>LTECL £m</b>
Debt securities			
- Government and supra-national bonds	139.7	(1.4)	(0.5)
- Corporate securities	140.8	(2.2)	(0.7)
Total debt securities	280.5	(3.6)	(1.2)
Receivables and other financial assets	92.9	-	(0.3)
<b>Total</b>	<b>373.4</b>	<b>(3.6)</b>	<b>(1.5)</b>

**As at 31 December 2023**

	<b>Carrying amount £m</b>	<b>12m ECL £m</b>	<b>LTECL £m</b>
Debt securities			
- Government and supra-national bonds	60.0	(0.7)	(0.4)
- Corporate securities	167.0	(2.5)	(0.8)
Total debt securities	227.0	(3.2)	(1.2)
Receivables and other financial assets	108.8	-	(0.2)
<b>Total</b>	<b>335.8</b>	<b>(3.2)</b>	<b>(1.4)</b>

An analysis of how the allowances for ECL developed is as follows:

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**Development of ECL allowance by type of financial asset**

	<b>Debt securities</b>		<b>Other receivables</b>	
	<b>12mECL</b>	<b>LTECL</b>	<b>12mECL</b>	<b>LTECL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
As at 1 January 2024	(3.2)	(1.2)	-	(0.2)
Transfer to lifetime ECL	0.2	(0.2)	-	-
Debt securities derecognised during the period	2.3	0.2	-	-
Additions	(2.3)	-	-	-
Other changes	(0.6)	(0.1)	-	(0.3)
Foreign currency translation effects	-	0.1	-	0.2
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2024</b>	<b>(3.6)</b>	<b>(1.2)</b>	<b>-</b>	<b>(0.3)</b>

	<b>Debt securities</b>		<b>Other receivables</b>	
	<b>12mECL</b>	<b>LTECL</b>	<b>12mECL</b>	<b>LTECL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
As at 1 January 2023	(1.0)	(2.0)	-	(0.7)
Transfer to 12 month ECL	(0.1)	0.1	-	-
Debt securities derecognised during the period	0.3	0.1	-	-
Additions	(0.4)	-	-	-
Other changes	(1.7)	(0.4)	-	0.1
Foreign currency translation effects	(0.3)	0.9	-	0.4
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2023</b>	<b>(3.2)</b>	<b>(1.2)</b>	<b>-</b>	<b>(0.2)</b>

**Liquidity risk**

Liquidity Risk is the current or prospective risk to earnings and capital arising from the Company's inability to meet its liabilities as they fall due. In extreme circumstances, such an inability could cause the financial failure of the Company. Such risk arises owing to a mismatch in the timing of future cash flows.

Short Term Liquidity Risk arises primarily through policy switches where the settlement date of the switched out fund falls after the settlement date of the switched in fund. This creates a short-term strain on operational cash. In the event of bulk switching activity, the strain can be large.

Longer term liquidity risk primarily arises through new business strain, as a result of writing higher than expected levels of new business.

Periods of market volatility represent a risk to the Company in terms of forecasting levels of fund based income. At times of increased volatility it is likely that instances of bulk switches would also increase. However during such periods the probability of achieving higher than expected levels of new business is likely to be lower than in periods of calm in the markets.

The probability of liquidity issues arising due to a catastrophic event leading to materially higher than expected levels of risk benefit claims is low as these benefits are largely reinsured. The risk that liquidity issues being caused by the need to pay claims to clients before receiving payment of the reinsurers is mitigated by the inclusion, within the reinsurance contracts, of clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The Company maintains a Liquidity Risk Management Framework. The purpose of this document is to formally document, in detail, the Company's approach to its management of this risk; including the risk definition, governance structure, reporting/monitoring content, frequency and review, and a description of the mitigating



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strategies that are in place or could be adopted should the need arise. The document specifically states that the levels of liquidity over the next three year period will be produced and analysed each quarter, and that this projection will be signed-off by the Company's Chief Financial Officer.

Further analysis of the risk of future liquidity issues arising is performed via the production of the annual Financial Condition Report which forecasts the Company's levels of liquidity under numerous scenarios.

**Maturity profiles**

The table that follows summarises the maturity profile of the financial liabilities of the Company based on the remaining discounted contractual obligations, as presented in the Statement of Financial Position, including interest payable and receivable. For the lease liability position, an undiscounted cash flow maturity is also presented.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Unit-linked liabilities are repayable or transferable on demand and are included in the up to a year column. Repayments which are subject to notice are treated as if notice were to be given immediately.

To assist users in understanding how assets and liabilities have been matched, reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

**Expected maturity of the PVFCF**

<b>31 December 2024</b> <b>£m</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Insurance contracts issued	201.9	147.9	161.0	177.0	184.5	3,284.4	4,156.7
Reinsurance contracts held	104.4	(0.1)	(1.9)	(2.9)	(4.1)	(124.3)	(28.9)
<b>31 December 2023</b> <b>£m</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Insurance contracts issued	187.8	159.4	156.0	167.3	175.8	2,971.3	3,817.7
Reinsurance contracts held	3.8	0.1	0.0	(0.0)	(0.0)	(2.3)	(1.6)

**Maturity analysis of lease liabilities**

<b>£m</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b>31 December 2024</b>							
Carrying value	1.6	1.4	1.2	0.6	-	-	4.8
Undiscounted cash flows	1.6	1.5	1.2	0.6	-	-	4.9
<b>£m</b>	<b>Up to 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b>31 December 2023</b>							
Carrying value	1.2	1.3	1.1	1.1	0.6	0.0	5.3
Undiscounted cash flows	1.3	1.3	1.1	1.1	0.6	0.0	5.4

All other financial liabilities have a maturity date of less than one year.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company issues unit-linked investment policies in a number of its operations. In the unit-linked business, the contract holder bears the investment risk on the assets held in the unit-linked funds as the contract benefits are

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directly linked to the value of the assets in the fund. The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund. The nature of the Company's exposure to market risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

**Currency risk**

The Company considers its currency risk primarily in terms of the risk that movements in exchange rates adversely impact its solvency position.

The Company's assets and liabilities are primarily in Pounds Sterling, US Dollars (and currencies pegged to US Dollars) and to a lesser extent Euros; the same is true of its cash flows. Currency risk arises where there is a material mismatch, in terms of the currencies in which they are denominated, between the Company's assets and liabilities, or its future cash flows.

The Company seeks to minimise its immediate currency risk by ensuring its assets and liabilities net close to zero in all currencies except Pounds Sterling.

The following analysis shows the currency risk associated with all financial and non-financial assets and liabilities.

**ZURICH INTERNATIONAL LIFE LIMITED**

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**31 December 2024**

<b>£m</b>	<b>Pound Sterling</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Investments for unit-linked contracts	1,550.8	9,188.9	1,348.0	958.4	13,046.1
Debt securities at FV through P&L	0.4	5.0	-	0.2	5.6
Debt securities at FV through OCI	51.2	205.8	-	23.5	280.5
Other assets at amortised cost	-	2.0	-	-	2.0
Holding in subsidiary	2.3	10.5	-	-	12.8
Insurance contract assets	-	-	-	7.7	7.7
Reinsurance contract assets	21.4	83.8	0.6	5.4	111.2
Receivables and other assets	36.3	23.5	4.9	28.2	92.9
Deferred tax assets	-	-	-	2.5	2.5
Property, plant and equipment	-	-	-	5.1	5.1
Intangible assets	-	4.6	-	0.4	5.0
Deposits held for regulatory purposes	-	6.0	-	9.9	15.9
Cash and cash equivalents	61.9	178.6	10.1	36.3	286.9
<b>Total assets</b>	<b>1,724.3</b>	<b>9,708.7</b>	<b>1,363.6</b>	<b>1,077.6</b>	<b>13,874.2</b>

<b>£m</b>	<b>Pound Sterling</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Insurance contract liabilities	105.5	4,612.2	122.7	76.3	4,916.7
Investment contract liabilities	1,444.2	5,323.2	1,212.7	202.3	8,182.5
Deposits received under ceded reinsurance contracts	1.0	14.1	8.9	4.1	28.1
Reinsurance contract liabilities	23.1	5.4	-	2.5	31.0
Other liabilities	50.3	90.4	4.7	42.1	187.5
Deferred tax liabilities	-	-	-	14.2	14.2
<b>Total liabilities</b>	<b>1,624.1</b>	<b>10,045.3</b>	<b>1,349.0</b>	<b>341.5</b>	<b>13,360.0</b>

**ZURICH INTERNATIONAL LIFE LIMITED**
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**31 December 2023**
**Restated**

<b>£m</b>	<b>Pound Sterling</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Investments for unit-linked contracts	1,426.7	8,198.2	1,317.2	793.3	11,735.4
Debt securities at FV through P&L	0.4	4.9	-	0.2	5.5
Debt securities at FV through OCI	49.6	169.8	-	7.6	227.0
Other assets at amortised cost	-	4.0	-	-	4.0
Holding in subsidiary	-	11.2	-	-	11.2
Insurance contract assets	-	1.9	-	5.3	7.2
Reinsurance contract assets	35.6	36.1	-	25.4	97.1
Receivables and other assets	72.0	15.3	6.2	15.3	108.8
Property, plant and equipment	-	-	-	5.2	5.2
Intangible assets	-	6.2	-	-	6.2
Deposits held for regulatory purposes	-	4.0	-	39.3	43.3
Cash and cash equivalents	127.4	107.8	9.6	52.2	297.0
<b>Total assets</b>	<b>1,711.7</b>	<b>8,559.4</b>	<b>1,333.0</b>	<b>943.8</b>	<b>12,547.9</b>

<b>£m</b>	<b>Pound Sterling</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Insurance contract liabilities	186.4	4,210.9	115.8	(15.1)	4,498.0
Investment contract liabilities	1,329.1	4,580.5	1,175.5	197.1	7,282.2
Deposits received under ceded reinsurance contracts	0.9	14.0	9.8	4.6	29.3
Reinsurance contract liabilities	26.1	2.6	-	4.4	33.1
Other liabilities	63.5	84.9	4.8	27.8	181.0
Deferred tax liabilities	0.9	-	-	6.0	6.9
<b>Total liabilities</b>	<b>1,606.9</b>	<b>8,892.9</b>	<b>1,305.9</b>	<b>224.8</b>	<b>12,030.5</b>

The Company has no significant concentration of currency risk, other than in respect of movements in the Pounds Sterling to US Dollar, and to a lesser extent, the Pounds Sterling to Euro exchange rates.

The impact on Own Funds considers both the immediate impact on asset values of the specified currency movements and the impact on future cash flows, such as premiums and claim payments in that currency. Whilst the unit-linked assets and liabilities are matched by currency, there is an impact on non-unit liabilities when the income from fund-based fees in other currencies varies in Pounds Sterling terms while administration expenses continue to be incurred in Pounds Sterling.

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Currency	Changes in variable	31 December 2024	31 December 2023
		Impact on basic Own Funds	Impact on basic Own Funds
		£m	£m
US Dollar	+10%	127.0	99.3
US Dollar	-10%	(127.2)	(99.6)

**Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest-bearing financial assets.

The Company has no significant concentration of interest rate risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on gross liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. However, the discount rate and unit growth rate assumptions used in the calculation of the insurance contract liabilities are defined as functions of the risk-free rate of return, so under the interest rate sensitivities, the risk-free yield curve, discount rate and unit growth rate are all assumed to move consistently. It should be noted that movements in these variables are non-linear.

Operating factor/variable	Change in variable	31 December 2024	31 December 2023
		Impact on Own Funds £m	Impact on Own Funds £m
Increase in interest rate yield curves	+50 basis points	(5.0)	3.3
Decrease in interest rate yield curves	- 50 basis points	5.0	(4.2)

The impact of interest rate sensitivity affects both the value of future profits and the risk margin. Generally, higher future profits increase the own funds but also leads to an increased capital requirement, which in turn raises the risk margin which reduces the own funds. This year, the FSA has implemented new regulations that have effectively halved the size of the risk margin, which reduces this offsetting effect. As a result, the direction of interest rate shocks has reversed compared to the previous year.

**Price risk**

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. For the Company, such risk primarily emerges from the impact of financial instrument prices changes on the future charge income of the Company. The Board sets risk limits based on the Isle of Man Regulatory basis, and these are monitored and reported to the Board on a quarterly basis. The impact on Own Funds of a -10% market movement is set out in the table below.

The Company has no significant concentration of price risk.

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		31 December 2024	31 December 2023
Operating factor/variable	Changes in variable	Impact on Own Funds	Impact on Own Funds
		£m	£m
Fall in equity markets	-10%	(50.8)	(41.8)

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period.

#### Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

#### 4.3 Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities:
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values are based on broker quotes, investments in private equity funds use fair values obtained via fund managers and other assets are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company.

Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# ZURICH INTERNATIONAL LIFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Company's Unit Pricing Committee determines the policies and procedures both for recurring fair value measurement and for non-recurring measurement. The Unit Pricing Committee is chaired by the Chief Life Actuary, and includes the Chief Investment Officer, the Head of Risk, the Head of Financial Reporting, and representatives of other key departments.

At each reporting date, the Unit Pricing Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Unit Pricing Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The following table shows an analysis of financial assets recorded at fair value by level as at 31 December 2024:

<b>2024</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Assets</b>				
Financial assets as fair value				
- Bond securities	0.2	285.9	-	286.1
- Debt securities	-	161.3	-	161.3
- Equity securities	452.5	-	-	452.5
- Open Ended Investment Companies	10,736.6	1,632.7	-	12,369.3
- Cash attributable to unit-linked contract holders	-	5.3	-	5.3
- Investment Property	-	-	40.3	40.3
- Receivables and other unit linked assets	-	17.4	-	17.4
<b>Total assets</b>	<b>11,189.3</b>	<b>2,102.6</b>	<b>40.3</b>	<b>13,332.2</b>
<b>Liabilities</b>				
Investment contract liability	-	8,182.5	-	8,182.5
<b>Total liabilities</b>	<b>-</b>	<b>8,182.5</b>	<b>-</b>	<b>8,182.5</b>

The following table shows an analysis of financial assets recorded at fair value by level as at 31 December 2023:

<b>2023</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Assets</b>				
Financial assets as fair value				
- Bond securities	-	232.3	-	232.3
- Debt securities	-	108.6	0.4	109.0
- Equity securities	388.9	-	-	388.9
- Open Ended Investment Companies	9,605.0	1,585.4	1.2	11,191.6
- Cash attributable to unit-linked contract holders	4.0	7.6	-	11.6
- Investment Property	-	-	34.5	34.5
<b>Total assets</b>	<b>9,997.9</b>	<b>1,934.0</b>	<b>36.1</b>	<b>11,967.9</b>
<b>Liabilities</b>				
Investment contract liability	-	7,282.2	-	7,282.2
<b>Total liabilities</b>	<b>-</b>	<b>7,282.2</b>	<b>-</b>	<b>7,282.2</b>

No assets were transferred between Level 1 and Level 2 in the current year (2023: nil).

During the year ended 31 December 2024, a number of the funds suspended in the prior year have disposed of or transferred assets which are not directly linked to Russia. As a result, the remaining component of each of these funds are now entirely linked to Russia and so are impaired to nil, reducing the value of the Level 3 Open Ended Investment

**NOTES TO THE FINANCIAL STATEMENTS  
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Company funds by £1.2m. The sale or transfer of the assets in question has reduced the carrying value of the funds identified as Level 3.

In addition, the Investment Property classed as Level 3 has seen an increase in valuation of £5.8m. Debt securities with a value of £0.4m as at 31 December 2023 were transferred from Level 3 to Level 2 during the year.

During the year, assets with a value lower than £0.1m were reclassified from Level 2 to Level 3 (2023: £0.4m).

The Investment Property classified as Level 3 is held in Argentina and is impacted by the movements in exchange rates used to translate these balances.

Investment contract liabilities are considered to be Level 2 as a result of their value being determined by the underlying assets.

In the prior year, a net amount of £5.4m was transferred from Level 3 to Level 1, the key component of this related to funds that had been suspended in the prior year as the underlying assets are adversely impacted by the ongoing situation in Ukraine. The primary cause was that the funds hold some component of Russian assets and these can't be freely traded as a result of sanctions. As a result of some asset managers segregating Russian and non-Russian assets into separate funds, some assets have now returned to a position of being openly traded and therefore have been moved to Level 1.

**Valuation techniques and significant unobservable inputs**

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the Statement of Financial Position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable input	Sensitivity to changes in unobservable inputs
Suspended assets £0.0m (2023: £1.6m)	Benchmarking funds against funds that are holding equivalent assets and where valuations are freely available	Comparison basis and level of exact matching within funds	If the NAV was higher/lower, the fair value would be higher/lower. If the discount factor was higher/lower, the fair value would be lower/higher. A 10% (2023: 10%) variation in the valuation would result in no movement in the asset valuation as it is currently £nil (2023: £1m).
Asset backed securities (ABS) / Buildings held for investment £40.3m (2023: £34.5m)	Market comparison, including, for example, external appraisals. Purchase prices plus investment income where there is no available active market.	Underlying volatility.	Significant increases / decreases in this input in isolation would result in a higher / lower fair value. A 10% (2023: 10%) variation in the valuation would result in a £4m (2023: £3m) movement in the asset valuation.

The reconciliation between opening and closing balances of Level 3 assets are presented in the table below:

	2024 £m	2023 £m
Opening balance	36.1	63.7
Transfers into Level 3 from Level 1	-	(5.4)
Transfers into Level 3 from Level 2	(0.4)	0.4
Impairments and revaluations	4.6	(22.6)
<b>Closing balance</b>	<b>40.3</b>	<b>36.1</b>



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5. Insurance revenue

	2024 £m	2023 £m
<b>Amounts relating to the changes in the liability for remaining coverage</b>		
Expected insurance service expenses incurred in the period (note (a))	191.2	176.3
Change in the risk adjustment for non-financial risk (note (b))	7.3	6.2
Amount of CSM recognised in profit or loss (note (c))	121.7	104.2
Premiums experience adjustments	1.1	1.9
<b>Amounts relating to recovery of insurance acquisition cash flows</b>		
Allocation of the portion or premiums that relate to the recovery of insurance acquisition cash flows (note (d))	137.1	132.9
	<u>458.4</u>	<u>421.5</u>

Notes:

- (a) Expected insurance service expenses incurred in the period comprise claims and other expenses which the Company expects to pay on insured events that occurred during the period.
- (b) Change in risk adjustment shows amount of risk which expired during the period.
- (c) The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units.
- (d) Acquisition cash flows are allocated over the coverage period of the corresponding group of contracts based on coverage units.

6. Net Fee Result

The fee result comprises the following items.

	2024 £m	2023 £m
<b>Fee income</b>		
Initial fees, including net movement in deferred fees	4.8	4.6
Policy administration service fees	14.9	20.0
Asset management fees	30.5	27.5
	<u>50.2</u>	<u>52.1</u>
<b>Fee business expense</b>		
Commission, including net movement in deferred fees	(6.9)	(5.7)
Other origination costs	(6.5)	(8.3)
Fee service related expenses	(20.8)	(19.4)
	<u>(34.2)</u>	<u>(33.4)</u>
<b>Net Fee Result</b>	<u>16.0</u>	<u>18.7</u>

7. Net investment return on shareholder investments

Shareholder investments are those for which the company bears part or all of the investment risk.

	2024 £m	2023 Restated £m
Interest on cash	15.8	12.6
Interest on bonds	28.5	14.9
Net gains on bonds	0.8	-
Net foreign exchange expense	(62.0)	(18.6)
Other income/(expense)	0.9	(3.8)
<b>Net investment return on shareholder investments</b>	<u>(16.0)</u>	<u>5.1</u>

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**8. Other income**

Other income includes income not specifically related to either insurance revenue or fee income and includes the following items.

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Other technical income	(0.2)	0.2
<b>Total other income</b>	<b>(0.2)</b>	<b>0.2</b>

**9. Other expenses**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Underwriting and acquisition expenses	8.0	8.2
Costs associated with lease liabilities	(1.2)	(1.0)
Depreciation of property, plant and equipment	1.2	1.5
Employee expenses	7.5	6.8
Other administrative expenses	7.4	8.8
<b>Total other operating and administrative expenses</b>	<b>22.9</b>	<b>24.4</b>

Audit fees of £1.0m (2023: £1.5m) are included within other administrative expenses.

The Executive Directors do not receive fees in respect of their services to the Company. Non-executive directors' fees for the year are less than £0.1m (2023: less than £0.1m).

**10. Tax expense**

The Company recognises current tax expense according to the tax laws of each jurisdiction in which it operates. Deferred income taxes are recorded for temporary differences, which are based on the difference between financial statements' carrying amounts and the income tax bases of assets and liabilities using enacted or substantively enacted tax rates applicable in the respective tax jurisdictions. Deferred tax assets on taxable losses carried forward are recognised to the extent it is probable that they can be utilised against future taxable profits in the respective jurisdictions.

Taxes paid by certain branches of the Company's life insurance businesses are based on the investment result less allowable expenses. To the extent these taxes exceed the amount that would have been payable in relation to the shareholders' share of taxable profits, it is normal practice for certain of the Company's businesses to recover this portion from policyholders. While the relevant branch has the contractual right to charge policyholders for the taxes attributable to their share of the investment result less expenses, the obligation to pay the tax authority rests with the branch and therefore, the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense therefore includes an element attributable to policyholders.

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The major components of the tax expense for the years ended 31 December 2024 and 2023 are:

**Income Tax expense**

	<b>2024 £m</b>	<b>2023 £m</b>
<b>Current tax</b>		
Charge in respect of prior period	4.5	0.8
Current taxes on income for the current year	(19.8)	(1.3)
<b>Total current tax</b>	(15.3)	(0.5)
<b>Deferred tax</b>		
Deferred tax charge (note 11)	(8.3)	(12.0)
<b>Total deferred tax</b>	(8.3)	(12.0)
<b>Total income tax</b>	(23.6)	(12.5)

**Factors affecting the charge in the year**

The Company is required to pay a profit tax in Hong Kong. The basis of taxation in Hong Kong has changed during the year as a result of the change of regulatory regime. From 1 January to 30 June 2024, the taxable profit is calculated by taking a percentage of the profits which is based on Hong Kong premium income as a percentage of the Company's premium income. From 1 July to 31 December 2024, the taxable profit is the movement in the Company's own funds under the risk based capital assessment, which is determined using the financial positions specific to the Hong Kong branch.

The tax rate used to compute Hong Kong tax on the amount calculated is 16.5% (2023: 16.5%). The Hong Kong total tax charge in the current year is £4.2m (2023: £1.1m). The total Hong Kong tax charge for 2024 includes a £4.5m tax recovery for prior years and a £12.2m charge for the current year in relation to the change of regulatory reporting basis in Hong Kong. The Hong Kong tax charge includes a one off adjustment, which arises on the change of basis detailed above.

The Company is required to pay a profit tax in Qatar. The tax rate used to compute Qatar tax is 10% (2023: 10%). The Qatar current year tax is a net charge of £0.1m (2023: net refund of £0.7m).

With effect from 1 January 2024, the Company is required to pay a profit tax in the UAE. The tax rate is 9% (2023: n/a). The tax charge for the current financial year is £4.4m (2023: n/a).

The Company is required to pay a profit tax in Argentina. In Argentina branches are charged taxation on profits at a rate of 35% (2023: 35%). The Company is required to pay a turnover tax in Argentina on the local premium less change in mathematical reserves. The turnover tax was charged at a rate of 5.5% in 2024 (2023: 5.5%). The Argentina total tax charge for the current year amounts to £14.6m (2023: £13.5m), which includes the effects of hyperinflation.

In the current financial year, the Company has recognised a tax charge of £1.2m (2023: n/a) in respect of withholding tax suffered on the repatriation of funds from its Argentina branch. The charge represents 7% of the amount remitted.

No provision has been made for Isle of Man taxation as the Company's profits are liable to Isle of Man tax at 0% (2023: 0%).

The Company has adopted the amendments to IAS 12 "Income Taxes" for the financial year commencing on 1 January 2023, and has applied the exemption to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two minimum income taxes proposed by the Economic Co-operation and Development (OECD) Framework on Base Erosion and Profit Shifting (BEPS).

**OECD Global Anti-Base Erosion (GloBE) Rules**

The Company falls within the definition of a Constituent Entity (CE) of a Multi-National Group under the Global Anti-Base Erosion (GloBE) Rules. The OECD's Pillar Two Global Minimum Tax Model Rules aim to ensure that the profits of large multinational enterprises are taxed at a minimum effective tax rate of 15% in each of the jurisdictions in which they operate.

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BEPS-Pillar II is assessed on a jurisdictional basis. Top-up taxes with respect to the Isle of Man Company incurring tax at a lower rate than the 15% minimum effective tax rate mandated under the BEPS-Pillar II rules, will be recognised on the basis of the introduction of applicable legislation in each jurisdiction.

Switzerland, the jurisdiction in which Zurich Insurance Group Ltd as the Ultimate Parent Entity of the Group is incorporated, has implemented a Qualifying Domestic Top-up Tax ("QDMTT") with effect from 1 January 2024 and an Income Inclusion Rule ("IIR") with effect from 1 January 2025.

*Isle of Man*

On 14th November 2024, the Isle of Man Government approved the Global Minimum Tax (Pillar Two) Order 2024. The legislation introduces a Multinational Top-up Tax equivalent to an IIR and a Domestic Top-up Tax which is anticipated will obtain Qualifying status as a QDMTT. This legislation is applicable for fiscal years commencing 1 January 2025 and is therefore not applicable in the current financial year. The legislation is generally in line with the OECD Model Rules.

For future accounting periods beginning on or after 1 January 2025, the Company will be within scope of the Isle of Man BEPS Pillar II legislation and the Company is currently in the process of assessing the impact of the implementation of BEPS Pillar II legislation. On the basis the Company is currently taxed at a rate of 0% on its profits in the Isle of Man, the implementation of the BEPS Pillar II legislation in the Isle of Man is expected to impact the Company going forward, however, the full extent of this impact on the Company's results has yet to be determined. Based on the jurisdictional information for the year ended 31 December 2024, it is estimated that the top up tax due in the Isle of Man would have been £4.8m.

*UAE*

The UAE has issued Cabinet Decision No (142) of 2024 that implements a Domestic Minimum Top-up Tax ("DMTT") in the UAE. The DMTT will apply to Multinational Enterprises ("MNEs") that are within scope of Pillar Two based on the OECD GloBE Model Rules and will be imposed in cases where the MNE's effective tax rate ("ETR") in the UAE is below 15%. The DMTT is effective for financial years starting on or after 1 January 2025. For the current financial year, the UAE has introduced a 9% corporation tax rate and the Company expects to account for top up tax on the difference between the corporation tax rate, of 9%, and the minimum 15% BEPS Pillar II tax rate. Based on the jurisdictional information for the year ended 31 December 2024, it is estimated that the top up tax due in the UAE would have been £1.3m.

*Qatar*

Qatar's Council of Ministers reported approved draft amendments to the Income Tax Law on 4 December 2024 to introduce measures for the Pillar 2 global minimum tax. This includes the introduction of a Qualified Domestic Minimum Top-up Tax (QDMTT) of 15% payable by in-scope MNE groups. The QDMTT is effective for financial years starting on or after 1 January 2025. Qatar has a 10% corporation tax rate and the Company expects to account for top up tax on the difference between the corporation tax rate, of 10%, and the minimum 15% BEPS Pillar II tax rate. Based on the jurisdictional information for the year ended 31 December 2024, it is estimated that the top up tax due in Qatar would have been less than £0.1m.

*Bahrain*

On 1 September 2024, Bahrain's National Bureau for Revenue (NBR) published Decree-Law No. (11) of 2024 regarding the Implementation of Tax on Multinational Enterprises (Law). The Law introduces a Domestic Minimum Top-Up Tax to ensure that constituent entities of multinational enterprises situated in Bahrain pay a global minimum tax of 15% on their profits. The DMTT will be effective for fiscal years starting on or after 1 January 2025. At present there is no corporation tax in Bahrain and therefore the Company expects to account for the DMTT on its profits in this jurisdiction. Based on the jurisdictional information for the year ended 31 December 2024, it is estimated that the top up tax due in Bahrain would have been £0.5m.

*Hong Kong*

On 27 December 2024, Hong Kong published the draft bill to implement domestic Hong Kong minimum top-up tax in (HKMTT) and the Income Inclusion Rule under Pillar II of the Base Erosion and Profit Shifting 2.0 initiative. Upon passage of the bill, the IIR and the HKMTT will be effective retroactively from 1 January 2025. Hong Kong has a corporate tax rate of 16.5% and for insurance entities this is based on the profits reported under the regulatory reporting regime. The Company will account for HKMTT where applicable, however further analysis is required as to the potential impact due to the Pillar II top up tax position being based on IFRS results, whilst the local corporation tax is based on profits under regulatory reporting. Based on the jurisdictional information for the year ended 31 December 2024, it is estimated that there would have been no additional top up tax in Hong Kong.

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*Argentina*

Argentina has not yet confirmed the implementation of applicable legislation for Pillar II. The corporation tax rate in Argentina is currently 35% and therefore the implementation of a 15% minimum tax rate would not be expected to have any impact on the financial results.

**Income tax expense**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Current tax	(15.3)	(0.5)
Deferred tax	<u>(8.3)</u>	<u>(12.0)</u>
<b>Total income tax expense</b>	<b><u>(23.6)</u></b>	<b><u>(12.5)</u></b>

A note showing the effects of tax expense relating to Other Comprehensive Income has not been presented as there is no difference between the pre-tax and post-tax positions for items presented in Other Comprehensive Income for both years.

**Reconciliation of tax expenses**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Profit before income tax	45.9	103.7
Tax at the domestic rate of 0%	-	-
Income not subject to tax	-	-
Expenses not deductible for tax purposes	-	-
Effect of higher rates on overseas income and repatriation of that income	<u>(23.6)</u>	<u>(12.5)</u>
<b>Income tax expense</b>	<b><u>(23.6)</u></b>	<b><u>(12.5)</u></b>

**11. Deferred tax**

**Deferred tax asset**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Deferred tax asset at start of year	-	-
Movement through income statement	<u>2.5</u>	<u>-</u>
<b>Deferred tax asset at end of year</b>	<b><u>2.5</u></b>	<b><u>-</u></b>

The deferred income tax asset generated relates to the Hong Kong branch.

In the current year a deferred tax asset was created in relation to the Hong Kong branch. The deferred tax asset of £2.5m (2023: £nil, there was a deferred tax liability of £2.2m) represents a timing difference between the taxable income under the Hong Kong regulatory reporting regime, which the tax charge is based on, and the recognition of taxable profits on an IFRS basis.

**Deferred tax liability**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Deferred tax liability at start of year	(6.9)	(9.8)
Movement through income statement	(10.8)	(12.0)
Movement through other comprehensive income	2.8	(0.2)
Effect of exchange rates, including hyper inflation	<u>0.7</u>	<u>15.1</u>
<b>Deferred tax liability at end of year</b>	<b><u>(14.2)</u></b>	<b><u>(6.9)</u></b>

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The deferred income tax liability generated relates to the Argentina branch.

In respect of Argentina, the deferred income tax liability originally originated by the difference in the valuation criterion adopted for Argentina's investment funds as of May 2016 which has resulted in a temporary difference. A further temporary difference has been generated on the implementation of IFRS 17. The deferred tax liability has been provided for at a rate of 35% (2023: 35%). The deferred tax liability in respect of Argentina was £14.2m (2023: £3.8m).

On the implementation of IFRS17 a deferred tax liability was created in respect of the Hong Kong branch. Following the change of regulatory reporting regime, to a risk based capital approach, the deferred tax position has been reassessed and there is no longer a deferred tax liability. As reported earlier in this note a deferred tax asset position has now been created. There is currently no deferred tax liability in respect of Hong Kong (2023: £2.2m).

On the implementation of IFRS17 a deferred tax liability was created in respect of the Qatar branch. As there is now more clarity over the tax position in Qatar, this has been released in the current year leaving no deferred tax liability in respect of Qatar (2023: £0.9m).

At the balance sheet date the Company has unrecognised tax losses relating to other Branches of an amount of £nil (2023: £nil).

**12. Property, plant and equipment**

Property, plant and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Leasehold improvements	7 years
Motor vehicles	4 years
Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	10 years

The assets' residual values, useful economic lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the Statement of Comprehensive Income unless the asset in question has previously been revalued and the impairment losses are recognised in Other Comprehensive Income.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised. Leasehold improvement balances are less than £0.1m (2023: less than £0.1m).

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£m	Leasehold Improvement	Equipment, Fixtures and Fittings	Motor Vehicles	Right of use Assets Properties	Total
<b>At 1 January 2023</b>					
Cost	-	0.6	0.4	10.5	11.5
Accumulated depreciation	-	(0.2)	(0.1)	(4.6)	(5.0)
<b>Net book amount</b>	<b>-</b>	<b>0.4</b>	<b>0.3</b>	<b>5.9</b>	<b>6.5</b>
<b>Year ended 31 December 2023</b>					
Opening net book amount	-	0.4	0.3	5.9	6.5
Exchange differences	-	(0.4)	-	(0.5)	(0.8)
Additions	-	-	0.5	-	0.6
Depreciation charge	-	-	-	(1.0)	(1.1)
<b>Closing net book amount</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>4.4</b>	<b>5.2</b>
<b>As 1 January 2024</b>					
Cost	-	0.2	0.9	10.0	11.1
Accumulated depreciation	-	(0.2)	(0.1)	(5.7)	(6.0)
<b>Net book amount</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>4.3</b>	<b>5.1</b>
<b>Year ended 31 December 2024</b>					
Opening net book amount	-	-	0.8	4.3	5.1
Exchange differences	-	-	0.3	(0.2)	0.1
Additions	-	-	0.1	1.0	1.1
Disposals	-	-	-	(0.8)	(0.8)
Depreciation charge	-	-	(0.1)	(1.1)	(1.2)
Depreciation on disposals	-	-	-	0.8	0.8
<b>Closing net book amount</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>4.0</b>	<b>5.1</b>

**13. Intangible assets**

The Company holds several agreements to distribute its products with a number of financial institutions. An intangible asset is recognised in the Statement of Financial Position for the total value of each agreement and is amortised over the life of the contracts, which range between 10-15 years.

The Company amortises the cost of intangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned and is included in “other operating and administrative expenses” in the Statement of Comprehensive Income. An impairment review over the assets is performed annually to determine whether there is any indication of a change in the realisable value of the remaining assets. If there is any indication of impairment, the asset’s carrying value is revised.

£m	2024	2023
<b>At 1 January</b>		
Acquisition costs	35.5	35.6
Accumulated amortisation and impairment	(29.3)	(27.7)
<b>Net book amount</b>	<b>6.2</b>	<b>7.9</b>
<b>Year ended 31 December</b>		
Opening net book amount	6.2	7.9
Additions	0.4	-
Amortisation and impairment	(1.6)	(1.6)
<b>Closing net book amount</b>	<b>5.0</b>	<b>6.2</b>

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**14. Financial investments held at fair value**

The Company's financial assets are summarised by the following categories:

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
<b>Financial investments held at fair value</b>	<u>13,332.2</u>	<u>11,967.9</u>

**Equity and debt instruments measured at fair value through profit or loss**

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
<b>Fair value</b>		
Bond securities	5.6	5.5
Debt securities	161.3	109.0
Equity securities	452.5	388.9
Open ended investment companies	12,369.3	11,191.4
Cash attributable to unit-linked contract holders	5.3	11.6
Investment property	40.3	34.5
Receivables and other UL assets	17.4	-
<b>Total equity and debt instruments at FVPL</b>	<u>13,051.7</u>	<u>11,740.9</u>

**Debt instruments measured at fair value through other comprehensive income**

The breakdown of debt instruments measured at FVOCI is set out in the table below. For information relating to impairment refer to note 4.2.

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
<b>Debt instruments measured at FVOCI</b>		
Bond Securities	280.5	227.0
<b>Total debt instruments measured at FVOCI</b>	<u>280.5</u>	<u>227.0</u>

Any loss allowance for debt investments at FVOCI does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite item in OCI.

**15. Receivables and other assets**

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
Deferred origination costs	22.8	27.3
Amounts due from brokers	19.0	24.9
Other receivables	34.2	43.7
Interest receivable	3.7	5.8
Income tax and other tax receivables	12.6	6.7
Prepaid expenses	0.6	0.4
<b>Total receivables and other assets</b>	<u>92.9</u>	<u>108.8</u>
Current	75.4	87.5
Non-current	17.5	21.3
	<u>92.9</u>	<u>108.8</u>



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All non-current receivables are due within five years from the end of the accounting period.

Expected credit losses are calculated in accordance with IFRS9 and are applied against other receivables. The current ECL applied is £0.3m (2023: £0.2m).

There is no concentration of credit risk with respect to receivables and other assets, as the Company has a large number of internationally dispersed debtors.

**Deferred Origination Costs (“DOC”)**

Those incremental costs incurred during the financial period directly attributable to securing investment contracts (under which the Company will render asset management services), are deferred and recognised as an asset, to the extent that they can be identified separately, measured reliably and it is probable that they will be recovered from future revenue margins. An incremental cost is a cost that would not have been incurred if the Company had not secured the investment contract. All other origination costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised on a straight line basis over the lifetime of the contract or over 20 years from the contract commencement date. Amortisation is recorded as “fee result” in the Statement of Comprehensive Income. Under IFRS9, an Expected Credit Loss (ECL) is considered for inclusion in the Statement of Comprehensive Income where a contract ceases or lapses before the fixed contractual terms, or 20 years, as appropriate.

An impairment review is performed at each reporting date, or more frequently, when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment recognised in the Statement of Comprehensive Income. No impairment requirement was identified in either 2024 or 2023.

£m	2024	2023
<b>At 1 January</b>	27.3	32.2
Origination costs deferred	2.0	1.3
Amortisation	(6.5)	(6.2)
<b>As at 31 December</b>	<u>22.8</u>	<u>27.3</u>

**16. Cash and cash equivalents**

Total cash and cash equivalents are shown net of short-term overdraft positions where a right of set-off exists. The carrying amounts disclosed for cash above approximate to their fair value at the reporting date.

Deposits held for regulatory purposes do not meet the definition of cash and cash equivalents as there are regulatory restrictions over their use.

	2024 £m	2023 £m
Cash at bank and in hand	<u>286.9</u>	<u>297.0</u>
<b>Total cash and cash equivalents</b>	<u>286.9</u>	<u>297.0</u>

	2024 £m	2023 £m
Deposits held for regulatory purposes	<u>15.9</u>	<u>43.3</u>
<b>Total deposits held for regulatory purposes</b>	<u>15.9</u>	<u>43.3</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**17. Insurance and reinsurance contracts**
**Life Insurance contracts issued**

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in life insurance unit, is disclosed in the table below:

2024				
£m	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Life insurance contract liabilities as at 1 January	4,304.2	39.5	154.3	4,498.0
Life insurance contract assets as at 1 January	(7.2)	-	-	(7.2)
<b>Net life insurance contract liabilities as at 1 January</b>	<b>4,297.0</b>	<b>39.5</b>	<b>154.3</b>	<b>4,490.8</b>
<b>Insurance revenue</b>				
Contracts under modified retrospective approach	(129.7)	-	-	(129.7)
Contracts under fair value approach	(12.0)	-	-	(12.0)
Other contracts	(315.9)	-	(0.8)	(316.7)
	<b>(457.6)</b>	<b>-</b>	<b>(0.8)</b>	<b>(458.4)</b>
<b>Insurance service expenses</b>				
Incurred claims and other expenses	(1.2)	-	154.6	153.4
Amortisation of insurance acquisition cash flows	134.3	-	-	134.3
Changes that relate to past service	-	-	27.3	27.3
Losses on onerous contracts and reversals of those losses	-	(9.9)	-	(9.9)
Changes to liabilities for incurred claims	-	-	-	-
	<b>133.1</b>	<b>(9.9)</b>	<b>181.9</b>	<b>305.1</b>
<b>Gross Insurance service result</b>	<b>(324.5)</b>	<b>(9.9)</b>	<b>181.1</b>	<b>(153.3)</b>
<b>Insurance finance expenses</b>	a 894.5	6.5	0.7	901.7
<b>Effect of movements in exchange rates</b>	(262.9)	0.5	-	(262.4)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>307.1</b>	<b>(2.9)</b>	<b>181.8</b>	<b>486.0</b>
<b>Cash flows</b>				
Premiums received	818.8	-	-	818.8
Claims and other expenses paid including investment component	(2.7)	-	(813.0)	(815.7)
Insurance acquisition cash flows	b (71.9)	-	-	(71.9)
<b>Net cash flows</b>	<b>744.2</b>	<b>-</b>	<b>(813.0)</b>	<b>(68.8)</b>
<b>Other movements</b>				
Investment components	(645.6)	-	645.6	-
Acquisitions/(divestments) and transfers	-	-	-	-
Other changes	1.4	(0.4)	-	1.0
<b>Net life insurance contract liabilities as at 31 Dec</b>	<b>4,704.1</b>	<b>36.2</b>	<b>168.7</b>	<b>4,909.0</b>
Life insurance contract liabilities as at 31 December	4,711.8	36.2	168.7	4,916.7
Life insurance contract assets as at 31 December	(7.7)	-	-	(7.7)
<b>Net life insurance contract liabilities as at 31 Dec</b>	<b>4,704.1</b>	<b>36.2</b>	<b>168.7</b>	<b>4,909.0</b>

ZURICH INTERNATIONAL LIFE LIMITED

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2023

£m	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Life insurance contract liabilities as at 1 January	4,452.7	48.6	152.0	4,653.3
Life insurance contract assets as at 1 January	(7.0)	-	-	(7.0)
<b>Net life insurance contract liabilities as at 1 January</b>	<b>4,445.7</b>	<b>48.6</b>	<b>152.0</b>	<b>4,646.3</b>
<b>Insurance revenue</b>				
Contracts under modified retrospective approach	(125.7)	-	-	(125.7)
Contracts under fair value approach	(11.5)	-	-	(11.5)
Other contracts	(284.3)	-	-	(284.3)
	<b>(421.5)</b>	<b>-</b>	<b>-</b>	<b>(421.5)</b>
<b>Insurance service expenses</b>				
Incurred claims and other expenses	-	-	130.9	130.9
Amortisation of insurance acquisition cash flows	130.1	-	-	130.1
Changes that relate to past service	-	-	21.4	21.4
Losses on onerous contracts and reversals of those losses	2.3	(16.0)	4.5	(9.1)
Changes to liabilities for incurred claims	-	-	-	-
	<b>132.5</b>	<b>(16.0)</b>	<b>156.9</b>	<b>273.4</b>
<b>Gross Insurance service result</b>	<b>(289.0)</b>	<b>(16.0)</b>	<b>156.9</b>	<b>(148.1)</b>
<b>Insurance finance expenses</b>	a			
	900.3	9.2	19.3	928.8
<b>Effect of movements in exchange rates</b>	(933.4)	(2.8)	(14.8)	(951.0)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(332.1)</b>	<b>(9.5)</b>	<b>161.3</b>	<b>(170.2)</b>
<b>Cash flows</b>				
Premiums received	695.3	-	-	695.3
Claims and other expenses paid including investment component	(1.7)	-	(619.6)	(621.3)
Insurance acquisition cash flows	b			
	(60.2)	-	-	(60.2)
<b>Net cash flows</b>	<b>633.4</b>	<b>-</b>	<b>(619.6)</b>	<b>13.8</b>
<b>Other movements</b>				
Investment components	(460.8)	-	460.8	-
Acquisitions/(divestments) and transfers	-	-	-	-
Other changes	0.9	0.3	(0.3)	0.9
<b>Net life insurance contract liabilities as at 31 Dec</b>	<b>4,297.0</b>	<b>39.5</b>	<b>154.3</b>	<b>4,490.8</b>
Life insurance contract liabilities as at 31 December	4,304.2	39.5	154.3	4,498.0
Life insurance contract assets as at 31 December	(7.2)	-	-	(7.2)
<b>Net life insurance contract liabilities as at 31 Dec</b>	<b>4,297.0</b>	<b>39.5</b>	<b>154.3</b>	<b>4,490.8</b>

Notes:

- The Company allocates expected total insurance finance income or expenses as per the above sections “Measurement under BBA” and “Measurement under variable fee approach”, see note 2a.
- Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

**NOTES TO THE FINANCIAL STATEMENTS  
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**Reinsurance contracts held**

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising business ceded to reinsurers in the life insurance unit is disclosed in the table below:

2024				
£m	Assets for remaining coverage	Loss-recovery component	Amounts recoverable: incurred claims	Total
Reinsurance contract assets as at 1 Jan	4.2	0.1	92.8	97.1
Reinsurance contract liabilities as at 1 Jan	(48.4)	2.2	13.1	(33.1)
<b>Net reinsurance contract assets/(liabilities) as at 1 January</b>	<b>(44.2)</b>	<b>2.4</b>	<b>105.8</b>	<b>64.0</b>
Reinsurance premiums a	(136.3)	-	-	(136.3)
Amounts recovered from reinsurance, consisting of:				
- ceded incurred claims and other incurred insurance service expenses	-	-	27.1	27.1
- ceded changes that relate to past service	-	-	27.6	27.6
- changes that relate to onerous underlying contracts b	-	(1.3)	-	(1.3)
<b>Gross reinsurance service result</b>	<b>(136.3)</b>	<b>(1.3)</b>	<b>54.7</b>	<b>(82.9)</b>
<b>Cash flows</b>				
Reinsurance premiums paid	150.0	-	(0.4)	149.6
Amounts recovered under reinsurance contracts held	-	-	(55.1)	(55.1)
<b>Total cash flows</b>	<b>150.0</b>	<b>-</b>	<b>(55.5)</b>	<b>94.5</b>
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Reinsurance finance income or expense recognised in profit and loss	(0.4)	0.1	2.2	1.9
Reinsurance finance income or expense recognised in OCI	6.5	-	(3.4)	3.1
Effect of movements in exchange rates	(1.9)	0.1	1.7	(0.1)
Acquisitions/(divestments) and transfers	-	-	-	-
Other changes	(1.6)	(0.2)	1.5	(0.3)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>2.6</b>	<b>-</b>	<b>2.0</b>	<b>4.6</b>
<b>Net reinsurance contract assets/(liabilities) as at 31 December</b>	<b>(27.9)</b>	<b>1.0</b>	<b>107.1</b>	<b>80.2</b>
Reinsurance contract assets as at 31 December	15.6	0.1	95.5	111.2
Reinsurance contract liabilities as at 31 December	(43.5)	0.9	11.6	(31.0)
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>	<b>(27.9)</b>	<b>1.0</b>	<b>107.1</b>	<b>80.2</b>

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2023

£m	Assets for remaining coverage	Loss- recovery component	Amounts recoverable: incurred claims	Total
Reinsurance contract assets as at 1 Jan	8.1	3.4	90.1	101.6
Reinsurance contract liabilities as at 1 Jan	(28.6)	0.2	12.9	(15.5)
<b>Net reinsurance contract assets/(liabilities) as at 1 January</b>	<b>(20.4)</b>	<b>3.6</b>	<b>103.0</b>	<b>86.1</b>
Reinsurance premiums a	(120.1)	-	-	(120.1)
Amounts recovered from reinsurance, consisting of:				
- ceded incurred claims and other incurred insurance service expenses	-	-	17.1	17.1
- ceded changes that relate to past service	-	-	30.5	30.5
- changes that relate to onerous underlying contracts b c	-	(1.2)	-	(1.2)
<b>Gross reinsurance service result</b>	<b>(120.1)</b>	<b>(1.2)</b>	<b>47.6</b>	<b>(73.7)</b>
<b>Cash flows</b>				
Reinsurance premiums paid	95.6	-	-	95.6
Amounts recovered under reinsurance contracts held	-	-	(43.3)	(43.3)
<b>Total cash flows</b>	<b>95.6</b>	<b>-</b>	<b>(43.3)</b>	<b>52.4</b>
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Reinsurance finance income or expense recognised in profit and loss	2.1	0.2	1.7	4.0
Reinsurance finance income or expense recognised in OCI	(1.6)	-	1.5	(0.1)
Effect of movements in exchange rates	0.2	(0.2)	(5.5)	(5.5)
Acquisitions/(divestments) and transfers	-	-	-	-
Other changes	-	-	0.8	0.8
<b>Total changes in the statement of profit or loss and OCI</b>	<b>0.6</b>	<b>-</b>	<b>(1.4)</b>	<b>(0.8)</b>
<b>Net reinsurance contract assets/(liabilities) as at 31 December</b>	<b>(44.2)</b>	<b>2.4</b>	<b>105.8</b>	<b>64.0</b>
Reinsurance contract assets as at 31 December	4.2	0.1	92.8	97.1
Reinsurance contract liabilities as at 31 December	(48.4)	2.2	13.1	(33.1)
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>	<b>(44.2)</b>	<b>2.4</b>	<b>105.8</b>	<b>64.0</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**Notes:**

- a. A loss-recovery component was set up upon the initial recognition of an onerous group of underlying insurance contracts. It has been adjusted subsequently to reflect changes in the loss component of the related onerous group of underlying insurance contracts, such that the loss-recovery component does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.
- b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.
- c. The Company disaggregates net reinsurance finance income between profit or loss and other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
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**Roll-forward of the net asset or liability for life insurance contracts issued showing estimates of the present value of future cash flows (PVFCF), risk adjustment and Contractual Service Margin (CSM)**

**Life Insurance contracts issued**

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit.

		2024			
		PVFCF	CSM	Risk Adj	Total
		£m	£m	£m	£m
Life insurance contract liabilities as at 1 January		3,856.3	574.8	66.8	4,498.0
Life insurance contract assets as at 1 January		(38.6)	30.6	0.8	(7.2)
<b>Net life insurance contract (assets)/liabilities as at 1 January</b>		<b>3,817.7</b>	<b>605.4</b>	<b>67.6</b>	<b>4,490.8</b>
Changes that relate to current services					
Contractual service margin recognised for services provided		(1.3)	(115.9)	-	(117.2)
Risk adjustment recognised for the risk expired		-	-	(7.1)	(7.1)
Experience adjustment		(44.9)	-	-	(44.9)
Changes that relate to future services					
Contracts initially recognised in the period	a	(84.1)	78.2	6.1	0.2
Changes in estimates that adjust the contractual service margin		(95.3)	95.0	0.2	(0.1)
Changes in estimates that do not adjust the contractual service margin		(11.3)	-	(0.2)	(11.5)
Changes that relate to past services					
Adjustments to liabilities for incurred claims		27.3	-	-	27.3
<b>Gross Insurance service result</b>		<b>(209.6)</b>	<b>57.3</b>	<b>(1.0)</b>	<b>(153.3)</b>
Insurance finance expenses	b	895.4	3.7	2.6	901.7
Effect of movements in exchange rates		(279.5)	15.7	1.4	(262.4)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>406.3</b>	<b>76.7</b>	<b>3.0</b>	<b>486.0</b>
<b>Cash flows</b>					
Premiums received		818.8	-	-	818.8
Claims and other insurance service expenses paid		(815.7)	-	-	(815.7)
Insurance acquisition cash flows	c	(71.9)	-	-	(71.9)
<b>Total cash flows</b>		<b>(68.8)</b>	<b>-</b>	<b>-</b>	<b>(68.8)</b>
Investment components		-	-	-	-
Other movements		1.5	(0.5)	-	1.0
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>		<b>4,156.7</b>	<b>681.6</b>	<b>70.7</b>	<b>4,909.0</b>
Life insurance contract liabilities as at 31 December		4,184.5	662.1	70.1	4,916.7
Life insurance contract assets as at 31 December		(27.8)	19.5	0.6	(7.7)
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>		<b>4,156.7</b>	<b>681.6</b>	<b>70.7</b>	<b>4,909.0</b>

ZURICH INTERNATIONAL LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

2023				
	PVFCF	CSM	Risk Adj	Total
	£m	£m	£m	£m
Life insurance contract liabilities as at 1 January	4,036.4	553.6	63.3	4,653.3
Life insurance contract assets as at 1 January	(34.7)	26.9	0.7	(7.0)
<b>Net life insurance contract (assets)/liabilities as at 1 January</b>	<b>4,001.7</b>	<b>580.5</b>	<b>64.0</b>	<b>4,646.3</b>
Changes that relate to current services				
Contractual service margin recognised for services provided	-	(96.3)	-	(96.3)
Risk adjustment recognised for the risk expired	-	-	(5.9)	(5.9)
Experience adjustment	(102.0)	-	-	(102.0)
Changes that relate to future services				
Contracts initially recognised in the period a	(63.2)	59.0	5.3	1.1
Changes in estimates that adjust the contractual service margin	(75.8)	80.1	1.4	5.7
Changes in estimates that do not adjust the contractual service margin	(36.1)	-	1.3	(34.8)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	84.0	-	-	84.0
<b>Gross Insurance service result</b>	<b>(193.2)</b>	<b>42.9</b>	<b>2.2</b>	<b>(148.1)</b>
Insurance finance expenses b	929.6	(3.7)	2.9	928.8
Effect of movements in exchange rates	(935.5)	(14.0)	(1.5)	(951.0)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(199.1)</b>	<b>25.2</b>	<b>3.6</b>	<b>(170.2)</b>
<b>Cash flows</b>				
Premiums received	695.3	-	-	695.3
Claims and other insurance service expenses paid	(621.3)	-	-	(621.3)
Insurance acquisition cash flows c	(60.2)	-	-	(60.2)
<b>Total cash flows</b>	<b>13.8</b>	<b>-</b>	<b>-</b>	<b>13.8</b>
Investment components	-	-	-	-
Other movements	1.2	(0.3)	-	0.9
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>	<b>3,817.7</b>	<b>605.4</b>	<b>67.6</b>	<b>4,490.8</b>
Life insurance contract liabilities as at 31 December	3,856.3	574.8	66.8	4,498.0
Life insurance contract assets as at 31 December	(38.6)	30.6	0.8	(7.2)
<b>Net life insurance contract (assets)/liabilities as at 31 December</b>	<b>3,817.7</b>	<b>605.4</b>	<b>67.6</b>	<b>4,490.8</b>

Notes:

- Please refer to note 17 for a detailed breakdown of initially recognised contracts.
- The Company made an accounting policy choice in respect of the portfolios included in the life insurance unit to disaggregate insurance finance expense between profit or loss and other comprehensive income.
- Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.



**ZURICH INTERNATIONAL LIFE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024****FV of the underlying items for participating contracts**

<b>Composition of underlying item</b>	<b>2024 £m</b>	<b>2023 £m</b>
Cash and cash equivalents	1.7	145.7
Equity securities	453.4	388.9
Debt securities	161.6	111.1
Unit-linked investments	4,178.4	3,810.2
Real estate	40.4	34.5
	<hr/>	<hr/>
<b>Total unit linked assets</b>	<b>4,835.5</b>	<b>4,490.3</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**
**Reinsurance contracts held**

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios included in the life insurance unit.

2024					
		PVFCF	CSM	Risk Adj	Total
		£'000	£'000	£'000	£'000
Reinsurance contract assets as at 1 January		84.2	11.6	1.3	97.1
Reinsurance contract liabilities as at 1 January		(85.8)	41.2	11.4	(33.1)
Net life insurance contract (assets)/ liabilities as at 1 January		(1.6)	52.9	12.7	64.0
Changes that relate to current services					
Contractual service margin recognised for services received		1.4	(49.4)	-	(48.0)
Risk adjustment recognised for the risk expired		-	-	(2.5)	(2.5)
Experience adjustment		(61.8)	-	-	(61.8)
Changes that relate to future services					
Contracts initially recognised in the period	a	(43.6)	41.3	2.3	-
Changes in estimates that adjust the contractual service margin	b	(46.1)	46.3	(0.3)	(0.1)
Changes in estimates that relates to losses		(1.2)	-	-	(1.2)
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims		30.7	-	-	30.7
Reinsurance finance income	c	2.0	3.0	-	5.0
Effect of changes in non-performance risk of reinsurers		-	-	-	-
Effect of movements in exchange rates		(3.1)	2.7	0.3	(0.1)
Total changes in the statement of profit or loss and OCI		(121.7)	43.9	(0.2)	(78.0)
Cash flows					
Reinsurance premiums paid		149.6	-	-	149.6
Amounts recovered under reinsurance contracts held		(55.1)	-	-	(55.1)
Total cash flows		94.5	-	-	94.5
Other movements		(0.1)	(0.2)	-	(0.3)
Net reinsurance contract assets/(liabilities) as at 31 December		(28.9)	96.6	12.5	80.2
Reinsurance contract assets as at 31 December		96.9	13.1	1.2	111.2
Reinsurance contract liabilities as at 31 December		(125.8)	83.5	11.3	(31.0)
Net reinsurance contract (assets)/liabilities as at 31 December		(28.9)	96.6	12.5	80.2

ZURICH INTERNATIONAL LIFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

2023					
		PVFCF	CSM	Risk Adj	Total
		£'000	£'000	£'000	£'000
Reinsurance contract assets as at 1 January		95.7	1.0	4.8	101.6
Reinsurance contract liabilities as at 1 January		(76.9)	54.1	7.3	(15.5)
Net life insurance contract (assets)/ liabilities as at 1 January		18.8	55.1	12.1	86.1
Changes that relate to current services					
Contractual service margin recognised for services received		-	(52.3)	-	(52.3)
Risk adjustment recognised for the risk expired		-	-	(2.3)	(2.3)
Experience adjustment		(31.1)	-	-	(31.1)
Changes that relate to future services					
Contracts initially recognised in the period	a	(39.2)	43.7	2.4	6.9
Changes in estimates that adjust the contractual service margin	b	(10.1)	9.4	0.6	-
Changes in estimates that relates to losses		(7.3)	-	0.4	(6.9)
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims		11.9	-	-	11.9
Reinsurance finance income	c	1.0	2.8	0.1	3.9
Effect of changes in non-performance risk of reinsurers		-	-	-	-
Effect of movements in exchange rates		(1.6)	(3.2)	(0.6)	(5.5)
Total changes in the statement of profit or loss and OCI		(76.5)	0.5	0.7	(75.3)
Cash flows					
Reinsurance premiums paid		95.6	-	-	95.6
Amounts recovered under reinsurance contracts held		(43.3)	-	-	(43.3)
Total cash flows		52.4	-	-	52.4
Other movements		3.7	(2.8)	(0.1)	0.8
Net reinsurance contract assets/(liabilities) as at 31 December		(1.6)	52.9	12.7	64.0
Reinsurance contract assets as at 31 December		84.2	11.6	1.3	97.1
Reinsurance contract liabilities as at 31 December		(85.8)	41.2	11.4	(33.1)
Net reinsurance contract (assets)/liabilities as at 31 December		(1.6)	52.9	12.7	64.0

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

Notes:

- a. Please refer to note 17 for a detailed breakdown of initially recognised contracts.
- b. A loss-recovery component was set up upon the initial recognition of an onerous group of underlying insurance contracts. It has been adjusted subsequently to reflect changes in the loss component of the related onerous group of underlying insurance contracts, such that the loss-recovery component does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
- c. The Company disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to note 2a for details.

**The impacts on the current period of transition approaches adopted to establishing CSMs**

**Life Insurance contracts issued**

The impact on the current period of the transition approaches adopted to establishing CSMs for insurance contracts portfolios included in the life insurance unit is disclosed in the table below:

	2024			
	Contracts using the modified retrospective approach £m	Contracts using the fair value approach £m	All other contracts £m	Total £m
<b>Contractual Service Margin at 1 January 2024</b>	<b>202.5</b>	<b>1.4</b>	<b>401.5</b>	<b>605.4</b>
Changes that relate to future services				
changes in estimates that adjust the CSM	32.5	8.4	54.1	95.0
effects of contracts initially recognised in the period	11.7	5.7	60.8	78.2
Changes that relate to current services				
Amount of the CSM recognised in profit and loss	(33.4)	(9.1)	(73.4)	(115.9)
Experience adjustment				
<b>Insurance service result</b>	<b>10.8</b>	<b>5.0</b>	<b>41.5</b>	<b>57.3</b>
<b>Effect of movements in exchange rates</b>	<b>6.6</b>	<b>-</b>	<b>9.1</b>	<b>15.7</b>
<b>Insurance finance expenses</b>	<b>0.7</b>	<b>0.4</b>	<b>2.6</b>	<b>3.7</b>
<b>Other movements</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.5)</b>
<b>Contractual Service Margin at 31 Dec 2024</b>	<b>220.5</b>	<b>6.7</b>	<b>454.4</b>	<b>681.6</b>

**ZURICH INTERNATIONAL LIFE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2023			
	Contracts using the modified retrospective approach £m	Contracts using the fair value approach £m	All other contracts £m	Total £m
<b>Contractual Service Margin at 1 January 2023</b>	<b>199.0</b>	<b>0.4</b>	<b>381.1</b>	<b>580.5</b>
Changes that relate to future services				
changes in estimates that adjust the CSM	2.1	(0.8)	(17.3)	(15.9)
effects of contracts initially recognised in the period	9.3	1.4	48.3	59.0
Changes that relate to current services				
Amount of the CSM recognised in profit and loss	(19.8)	(1.6)	(45.0)	(66.4)
Experience adjustment	(8.4)	(1.0)	(14.0)	(23.3)
<b>Insurance service result</b>	<b>(8.4)</b>	<b>(1.0)</b>	<b>(14.0)</b>	<b>(23.3)</b>
<b>Effect of movements in exchange rates</b>	<b>(0.6)</b>	<b>0.1</b>	<b>(13.5)</b>	<b>(14.0)</b>
<b>Insurance finance expenses</b>	<b>0.7</b>	0.1	2.7	3.5
<b>Other movements</b>	<b>11.7</b>	1.8	45.2	58.7
<b>Contractual Service Margin at 31 Dec 2023</b>	<b>202.5</b>	<b>1.4</b>	<b>401.5</b>	<b>605.4</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

**Reinsurance contracts held**

The impacts on the current period of the transition approaches adopted to establishing CSMs for reinsurance contracts held portfolios included in life insurance unit is disclosed in the table below:

£m	2024			
	Contracts using the modified retrospective approach	Contracts using the fair value approach	All other contracts	Total
<b>Contractual Service Margin at 1 January 2024</b>	<b>(9.1)</b>	<b>(1.2)</b>	<b>(42.5)</b>	<b>(52.9)</b>
Changes that relate to future services				
- changes in estimates that adjust the CSM	(9.9)	(1.1)	(35.3)	(46.3)
- effects of contracts initially recognised in the period	(8.8)	(0.9)	(31.6)	(41.3)
Changes that relate to current services				
- amount of the CSM recognised in profit and loss	10.5	1.1	37.8	49.4
- experience adjustment				
<b>Insurance service result</b>	<b>(8.2)</b>	<b>(0.9)</b>	<b>(29.1)</b>	<b>(38.2)</b>
Effect of movements in exchange rates	(0.6)	(0.1)	(2.0)	(2.7)
Reinsurance finance expenses	(0.6)	(0.1)	(2.3)	(3.0)
Other movements	-	-	0.2	0.2
<b>Contractual Service Margin at 31 December 2024</b>	<b>(18.5)</b>	<b>(2.3)</b>	<b>(75.8)</b>	<b>(96.6)</b>

  

£m	2023			
	Contracts using the modified retrospective approach	Contracts using the fair value approach	All other contracts	Total
<b>Contractual Service Margin at 1 January 2023</b>	<b>(10.3)</b>	<b>(2.2)</b>	<b>(42.6)</b>	<b>(55.1)</b>
Changes that relate to future services				
- changes in estimates that adjust the CSM	(3.8)	(2.5)	(3.1)	(9.4)
- effects of contracts initially recognised in the period	(17.8)	(11.5)	(14.5)	(43.8)
Changes that relate to current services				
- amount of the CSM recognised in profit and loss	21.2	13.8	17.3	52.3
- experience adjustment				
<b>Insurance service result</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.9)</b>
Effect of movements in exchange rates	1.6	1.2	0.4	3.2
Reinsurance finance expenses	(1.1)	(0.7)	(0.9)	(2.8)
Other movements	1.1	0.7	0.9	2.7
<b>Contractual Service Margin at 31 December 2023</b>	<b>(9.1)</b>	<b>(1.2)</b>	<b>(42.5)</b>	<b>(52.9)</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

The components of new business

Life Insurance contracts issued and reinsurance contracts held

The components of new business for insurance contracts issued included in the life insurance unit is disclosed in the table below:

2024				
£m	Insurance contracts issued			Reinsurance contracts held
	Profitable contracts	Onerous contracts	Total	Total
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	(432.1)	(3.0)	(435.1)	107.3
Estimates of insurance acquisition cash flows	(66.8)	(1.1)	(67.9)	-
Estimates of present value of future cash inflows	583.1	4.0	587.1	(63.7)
Risk adjustment for non-financial risk	(6.0)	(0.1)	(6.1)	(2.3)
CSM	(78.2)	-	(78.2)	(41.3)
<b>Amount included in insurance contract liabilities for the period</b>	-	(0.2)	(0.2)	-
2023				
£m	Insurance contracts issued			Reinsurance contracts held
	Profitable contracts	Onerous contracts	Total	Total
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	(313.9)	0.2	(313.7)	93.1
Estimates of insurance acquisition cash flows	(57.2)	-	(57.2)	-
Estimates of present value of future cash inflows	434.5	(0.2)	434.3	(61.0)
Risk adjustment for non-financial risk	(5.2)	-	(5.2)	(1.4)
CSM	(58.1)	-	(58.1)	(30.7)
<b>Amount included in insurance contract liabilities for the period</b>	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**
**Contractual Service Margin expected recognition in profit or loss**

The disclosure of when the CSM is expected to be in income in future years is presented below:

**2024**

	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
<b>Insurance contracts issued</b>	66.6	53.7	49.1	45.3	41.7	425.2	681.6
<b>Reinsurance contracts held</b>	(22.1)	(11.9)	(11.1)	(4.7)	(4.3)	(42.5)	(96.6)

**2023**

	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
<b>Insurance contracts issued</b>	79.3	61.1	39.3	47.9	42.4	335.5	605.4
<b>Reinsurance contracts held</b>	(14.4)	(5.1)	(4.2)	(3.8)	(3.3)	(22.1)	(52.9)

The long-term nature of some of the contracts in force means that the period for recognising the CSM in profit or loss will exceed 30 years.

The expected timeline for the CSM recognition for reinsurance contracts held is in line with insurance contracts issued.

**18. Investment contract liabilities & Deposits received under ceded reinsurance contracts**
**Investment contracts**

Investment contracts represent contracts held by external clients where there is no significant risk transfer assumed by the Company.

	2024 £m	2023 £m
At beginning of year	7,282.2	6,521.2
Impact on unit reserves of:		
- Premiums	822.2	883.1
- Fees, charges and funding	(18.5)	(32.4)
- Maturities, surrenders and claims	(665.3)	(600.4)
- Net gains and losses	761.8	511.3
- Other movements	0.1	(0.6)
<b>At end of year</b>	<b>8,182.5</b>	<b>7,282.2</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**Deposits received under ceded reinsurance contracts**

The Company separately identifies unit-linked contract liabilities which it assumed from a related party. These are identified as ‘Deposits received under ceded reinsurance contracts’ in the Statement of Financial Position. These contracts have similar characteristics to unit-linked investment contract liabilities but are identified separately as they are assumed from a related party. The current arrangements reported under Deposits received under ceded reinsurance contracts’ is closed to new business.

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
At beginning of year	29.3	29.7
- Net outflows	(1.2)	(0.4)
<b>At end of year</b>	<b>28.1</b>	<b>29.3</b>

**19. Other liabilities**

	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
Deferred Origination Fees	22.8	27.6
Amounts due to investment contract holders	66.5	65.3
Amounts due to intermediaries	27.6	39.3
Provisions for other liabilities and charges	9.9	11.7
Lease liabilities	4.8	5.3
Current income tax payables	20.8	5.0
Other financial liabilities	33.6	25.9
Other accrued liabilities	1.5	0.9
	<b>187.5</b>	<b>181.0</b>
	<b>2024</b> <b>£m</b>	<b>2023</b> <b>£m</b>
Current	168.9	158.5
Non-current	18.6	22.5
	<b>187.5</b>	<b>181.0</b>

Other payable balances are considered to be payable within 12 months.

**Deferred Origination Fees (“DOF”)**

The Company charges its customers for asset management and other related services using the following different approaches:

- front-end fees are charged to the contract holders on inception. This approach is used particularly for single premium investment contracts; and
- regular fees to cover origination costs are charged to the customer periodically (daily, monthly, quarterly or annually) either directly or by making a deduction from invested funds.

Subsequent to initial recognition as a liability, origination fees are amortised on a straight line basis over the lifetime of the contract, or over 20 years where there is no contract term, in either case from the contract commencement date. Origination costs’ and origination fees’ amortisation periods are now aligned for a given contract.

Amortisation is recorded in the Statement of Comprehensive Income. A write down is recorded in the Statement of Comprehensive Income when a contract ceases or lapses before the fixed contractual terms, or 20 years, as appropriate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**
**Provisions for other liabilities and charges**

	Other	Policyholder compensation	Total
	£m	£m	£m
<b>Year ended 31 December 2024</b>			
At beginning of year	2.2	9.5	11.7
Charged to Statement of Comprehensive Income			
- Additional provisions	-	6.3	6.3
- Unused amounts reversed	(0.5)	(3.3)	(3.8)
Exchange differences	-	-	-
Used during year	(0.3)	(4.0)	(4.3)
<b>At end of year</b>	<b>1.4</b>	<b>8.5</b>	<b>9.9</b>
<b>Year ended 31 December 2023</b>			
At beginning of year	10.9	11.4	22.3
Charged to Statement of Comprehensive Income			
- Additional provisions	1.0	2.0	3.0
- Unused amounts reversed	-	(0.4)	(0.4)
Exchange differences	(0.4)	(0.1)	(0.5)
Used during year	(9.3)	(3.4)	(12.7)
<b>At end of year</b>	<b>2.2</b>	<b>9.5</b>	<b>11.7</b>
		<b>2024</b>	<b>2023</b>
		<b>£m</b>	<b>£m</b>
Analysis of total provisions:			
- Current		9.9	11.7
- Non-current		-	-
<b>At end of year</b>		<b>9.9</b>	<b>11.7</b>

**Policyholder compensation**

Provisions for policyholder compensation represents the cost of rectifying policies caused by administration or pricing errors or the cost of compensating policyholders as a result of the Company's decision to cease doing business in or with certain territories. Policyholder compensation provisions are reviewed on a quarterly basis, and revalued in accordance with any new information.

As all provisions are considered to be current, no discounting has been applied.

**Other provisions**

Other provisions include provisions for legal costs linked to remediation for regulatory changes in overseas jurisdictions and costs related to exiting a third party administration agreement. Other provisions are reviewed on a quarterly basis, and updated in accordance with any new information.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024

20. Issued share capital

	2024 £m	2023 £m
<b>Authorised share capital</b>		
175,000,000 ordinary shares of £1 each	<u>175.0</u>	<u>175.0</u>
<b>Called up share capital, allotted and fully paid</b>		
123,375,755 ordinary shares of £1 each	<u>123.4</u>	<u>123.4</u>
(2023: 123,375,755 ordinary shares of £1 each)		

All ordinary shares issued are fully paid. All ordinary shares are held by Zurich Insurance Company Ltd.

21. Contingencies and commitments

**Legal proceedings and regulations**

**(a) Policyholders Compensation Scheme**

The Company is a member of the Isle of Man Policyholders Compensation Scheme governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the Scheme is to provide a compensation scheme for policyholders should an authorised insurer be unable to satisfy its liabilities. In the event of a levy being charged on Scheme members, the Company would be obliged to satisfy the liability arising at that time. The maximum levy payable under the scheme in respect of the insolvency of any insurer is 2% of the insurance and investment contract liabilities. No amount is accrued in relation to the Scheme (2023: no amount was accrued).

**(b) Letters of credit and liens**

Letters of credit and other contingent liabilities are not recognised on the balance sheet by virtue of their contingent nature. Any liabilities would be recognised when an obligation for a liability crystallises.

With effect from 1 January 2020 the Company entered into reinsurance agreements with Minnesota Life Insurance Company ("Minnesota Life") and Securian Life Insurance Company ("Securian Life") whereby the Company will act as the reinsurer on their group risk business.

The Company's obligations, under these agreements, are secured by providing Minnesota Life and Securian Life with clean, irrevocable and unconditional letters of credit ("LOC") issued by an independent United States banking institution.

For each calendar year the amount of the LOC in favour of Minnesota Life is to be 209% of their annual ceded premium £1.2m (2023: 265% of their annual ceded premium £0.9m). The LOC in favour of Securian Life is to be 105% of their annual ceded premium £2.8m (2023: 130% of their annual ceded premium £3.4m).

The Company has entered into a Letter of Credit Facilities Reimbursement Agreement with Zurich Insurance Company Ltd. This agreement confirms that Zurich Insurance Company Ltd will enter into letter of credit facilities on behalf of the Company. In consideration for the establishment and maintenance of these LOC facilities the Company will be charged a quarterly fee. The Company agrees to reimburse Zurich Insurance Company Ltd in the event that any amount is drawn by the beneficiary under a LOC taken out on the Company's behalf.

With effect from 3 May 1999 the Company has entered into an unconditional standby Letter of Credit in favour of Saudi American Bank for US Dollar \$2m in relation to a distribution agreement.

As at 31 December 2024, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to £1.7m (2023: £1.2m).

With effect from 31 May 2024, the UAE Branch entered into an irrevocable letter of bank guarantee for AED 100.0m as required by the UAE Federal Insurance Law. On behalf of the Company, Credit Agricole Corporate and Investment Bank undertook to pay to the Central Bank of the UAE an amount equal to the financial guarantee upon its first demand.

## ZURICH INTERNATIONAL LIFE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

#### 22. Related party transactions

The Company's immediate parent company is Zurich Insurance Company Ltd which is incorporated in Switzerland. The Company's ultimate parent company and controlling party is Zurich Insurance Group Ltd which is incorporated in Switzerland. Zurich Insurance Group Ltd is the parent company of the smallest and largest group of companies, of which the Company is a wholly owned subsidiary, for which consolidated financial statements are drawn up. Copies of the consolidated financial statements of Zurich Insurance Group Ltd can be obtained from:

Zurich Insurance Group Ltd  
Mythenquai 2  
8002 Zurich  
Switzerland

The following transactions were carried out with related parties.

#### Sales and purchases of insurance contracts and other services

	2024 £m	2023 £m
Purchase of administrative services	(96.7)	(93.9)
Purchase of reinsurance contracts from related parties	(133.2)	(125.7)
Provision of reinsurance contracts to related parties	49.9	41.2
	<u>(180.0)</u>	<u>(178.4)</u>

Reinsurance contracts are sold on the basis of the prices in force with non-related parties. Services are usually negotiated with related parties on a cost-plus basis. All transactions are with other group companies, excluding the parent company.

#### Receivables from related parties

	2024 £m	2023 £m
Zürich Versicherungs-Gesellschaft AG	0.3	0.1
Zurich Assurance Ltd	3.4	2.5
Zurich Financial Services (Isle of Man) Group Services Limited	-	4.3
Zurich Workplace Solutions (Middle East) Limited	0.1	-
Zurich Insurance Company Ltd. (DIFC Branch)	0.1	-
	<u>3.9</u>	<u>6.8</u>

#### Payables to related parties

	2024 £m	2023 £m
Zurich Life Assurance plc	(0.1)	(0.2)
Zurich Financial Services (Isle of Man) Group Services Limited	(6.0)	(8.2)
Zurich Financial Services (Isle of Man) Holdings Limited	(0.2)	(0.2)
Zurich International Pensions Administration Limited	(0.2)	(2.9)
	<u>(6.5)</u>	<u>(11.5)</u>

Interest received on receivables from related parties amounted to £nil (2023: £nil).

Amounts due from reinsurers includes balances with related parties amounting to £12.5m (2023: £13.6m).

Amounts due to reinsurers includes balances with related parties amounting to £20.3m (2023: £38.7m).

## ZURICH INTERNATIONAL LIFE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

All transactions are with other group companies, excluding the parent companies.

#### Key management compensation

The amounts reported below represent the gross amounts paid to the Company's Directors as a result of the services they have provided to the Company and other Group companies.

	2024 £m	2023 £m
Salaries and other short term employee benefits	0.8	0.7
Other long-term benefits	0.1	0.1
	<u>0.9</u>	<u>0.8</u>

#### Group share participation schemes

Group shares issued to key management may be restricted by up to three years.

Details of the schemes at 31 December 2024 and 2023 are shown below: -

Zurich Insurance Group Ltd	CHF10 Ordinary Shares 2024	CHF10 Ordinary Shares 2023
W Lui	5,506	2,528
E. Bridge	938	309
C Milne	-	-
H Pickford (resigned 27 September 2023)	-	2,860
M Kajiji	732	-
W J Clarke	-	-
B Pearson	346	21

#### Share-based payments

ZIG has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the ZIG group and to encourage employee share ownership. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. Share-based plans are based on the provision of shares in the ultimate parent, ZIG. The ZIG group encourages employees to own shares of ZIG and has set up a framework based on the implementation of either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

The explanations below give an overview of the plans of the ZIG group which are applicable to the Company's employees.

#### Share-based compensation plans for employees

##### Share Incentive Plan

The ZIG group operates a profit-sharing element of the Share Incentive Plan ("Reward Shares") with annual share allocations being made in May each year subject to business performance. The awards are based on the performance of the participating employee's business unit for the year, subject to a maximum award of 5% of participant's base salary (before any flexible benefit adjustments) or £3,600.

##### Partnership Share Scheme

As part of the approved Share Incentive Plan, a Partnership Share Scheme was launched. Participants also benefit from making the deductions from their gross salary up to a maximum of £1,800 or 10% of their gross earnings.

##### Dividend Shares Scheme

A Dividend Reinvest scheme was introduced to allow employees to purchase shares with their dividend payments from Partnership Shares and Reward Shares.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**
**Share-based compensation plans for executives**

The ZIG group operates a long-term incentive plan (“LTIP”) for selected executives. This plan comprises the allocation of a target number of performance shares with the vesting of these performance shares being subject to the achievement of specific financial performance goals. The number of target shares is calculated as a percentage of annual base salary of each participant.

Performance shares allocated each year will vest after a period of three years following the year of allocation with the actual level of vesting between 0 and 200% of the target shares allocated, depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Group’s return on shareholder’s equity, the position of its relative total shareholder return measured against an international peer group of insurance companies, and the achievement of cash remittance targets.

The vesting level of target shares depends on the achievement of pre-defined performance criteria over a three-year performance period. The three pre-defined performance criteria are each assessed over a period of three consecutive financial years starting in the year of allocation. To further align the participants with the interests of the shareholders, the target shares are credited with dividend equivalent shares during the vesting period to compensate participants in LTIP for dividends paid to shareholders. On the vesting date, the ownership of the shares is transferred to the participant less any tax and national insurance deductions the individual is liable for.

**23. Leases**

The Company leases various properties for use in its operating activities in the Middle East. The length of the lease contracts vary from 3 to 10 years. Lease terms are negotiated on an individual basis. Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The assets and liabilities are initially measured on a present value basis. The right of use asset is depreciated over the lease term on a straight-line basis. Each lease payment is allocated between the liability and operating expenses and discounted by a relevant interest rate, the weighted average interest rate used as at 31 December 2024 was 1.12% (2023: 0.55%). The finance cost is charged to the profit and loss over the lease period.

The Statement of Financial Position shows the following amounts relating to leases:

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Right of use assets</b>		
Properties*	4.0	4.3
<b>Total</b>	<u>4.0</u>	<u>4.3</u>

\* Included in the line “Property and equipment” in the Statement of Financial Position.

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Lease liabilities</b>		
Current**	1.6	1.0
Non-current**	3.2	3.8
<b>Total</b>	<u>4.8</u>	<u>4.8</u>

\*\* Included in the line item “Other liabilities” in the Statement of Financial Position.

The Statement of Comprehensive Income shows the following amounts relating to leases:

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Depreciation charge of right of use assets</b>		
Properties	1.1	1.1
<b>Total</b>	<u>1.1</u>	<u>1.1</u>
Interest expense included in “Other expenses”	<u>-</u>	<u>0.3</u>

The total cash outflow for leases in 2024 was £1.5m (2023: £1.3m).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**24. Principal subsidiaries**

The Company's principal subsidiaries at 31 December 2024 and 2023 are Zurich Workplace Solutions (Middle East) Limited ("ZWS") and Zurich International Pensions Administration Limited ("ZIPAL"). The principal activity of ZWS, incorporated in the Dubai International Financial Centre, is to act as the administrator of an Employee Money Purchase Scheme. ZIPAL is incorporated in the Isle of Man and registered with the Isle of Man Financial Services Authority. Its principal activity is to provide pension scheme administration services.

The Company has elected to apply an exemption to the consolidation of ZWS and ZIPAL in its financial statements, as permitted by IFRS 10. Exemption is permitted as both entities are consolidated in the financial statements of its ultimate parent undertaking, Zurich Insurance Group Ltd. The consolidated financial statements of Zurich Insurance Group Ltd are prepared in accordance with IFRS and can be obtained from:

Zurich Insurance Group Ltd  
Mythenquai 2  
8002 Zurich  
Switzerland

Exemption is also permitted as neither entities hold any debt or equity instruments, nor have they filed financial statements with a securities commission or other regulatory organisation for the purpose of issuing any instruments on the public market.

Investments in subsidiary companies are held at cost and subsequently adjusted for any impairment.

**25. Discontinued operations**

The Company signed an agreement to transfer all assets and liabilities relating to its Singapore business in December 2020. The transaction was completed on 1<sup>st</sup> November 2022 and was accounted for under the prevailing accounting standards at the time. The disposal calculation was then updated and restated under IFRS17 in the prior year financial statements.

The net gain on transfer of business of £0.1m in 2023 represents an adjustment to the overall disposal loss as reported in the prior year financial statements.

**26. Subsequent events**

**Dividend**

The Company intends to propose a dividend, following the approval of the annual financial statements. The amount of the dividend currently proposed is £154.0m, (2023: £76.0m), subject to approval at the annual general meeting.

While this would reduce the free assets of the Company at the reporting date, the required minimum margin of the Company would be maintained regardless and is not deemed to be a solvency risk.