Zurich Insurance Company Group

Annual Report 2024

Contents

About us

Zurich Insurance Group (Zurich) is a leading global multi-line insurer founded more than 150 years ago, which has grown into a business serving more than 75 million customers in more than 200 countries and territories, while delivering industry-leading total shareholder returns.

Reflecting its purpose to 'create a brighter future together,' Zurich offers protection services that go beyond traditional insurance, to support its customers in building resilience. Since 2020, the Zurich Forest project supports reforestation and biodiversity restoration in Brazil's Atlantic Forest.

The Group has more than 63,000 employees and is headquartered in Zurich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

Risk review

Contents

Risk management

Basis of presentation

The risk review is an integral part of the consolidated financial statements.

Risk and capital are managed at the Zurich Insurance Group (Zurich or Group), segment, region and business unit level according to Zurich's risk and capital management framework. The principles of the Group enterprise risk management described in the risk management and capital management sections, as well as in respect of the Swiss Solvency Test and associated sensitivities, are equally applicable to Zurich Insurance Company Ltd (ZIC) and its consolidated subsidiaries (collectively the ZIC Group).

The Zurich Insurance Group Ltd Board of Directors, Chief Executive Officer, and Chief Risk Officer equally serve as Board of Directors, Chief Executive Officer, and Chief Risk Officer for Zurich Insurance Company Ltd.

Objectives of risk management

Taking and managing risk is an integral part of the insurance business. Zurich takes risks in order to support the achievement of its strategy and serve its customers in global and local markets. Risk management contributes to enhancing the value of Zurich by embedding disciplined and conscious risk taking, where risk-reward trade-offs are transparent and understood, and risks are appropriately rewarded.

The Group's objectives in managing risks are to:

- Support achievement of its business strategy and objectives, and protect capital, liquidity, earnings and reputation by identifying, assessing, responding to, monitoring and reporting risks in line with the Group's risk appetite and tolerance.
- Enable the Board of Directors (the 'Board'), senior management and other stakeholders charged with governance and oversight to discharge their risk management responsibilities, including risk reporting and external disclosures.
- Support transparency in decision-making processes by providing consistent, reliable and timely risk information.
- Embed risk culture by promoting risk awareness, and disciplined and informed risk-taking.

Enterprise Risk Management framework

To achieve its risk management objectives, the Group manages risk according to an established Enterprise Risk Management (ERM) framework, which is comprised of six components: risk governance and risk culture, risk appetite and tolerance, risk identification and risk assessment, risk response, risk monitoring, and risk reporting. The Group's ERM framework is documented by both policy and non-policy documents, including the Zurich Risk Policy (ZRP) and related risk policy manuals, and is complemented by training and guidance materials.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings, and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

The ZRP is a Group policy that articulates Zurich's approach to risks and sets mandatory requirements for risk management throughout the Group. The policy describes the Group's ERM framework and provides a standardized set of risk types. Risk-specific policy manuals provide requirements and procedures to implement the principles outlined in the ZRP.

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. This methodology allows Zurich to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

To foster transparency about risk, the Group regularly reports on its risk profile at business, Group, and Board levels. The Group has procedures to refer risk topics to senior management and the Board in a timely manner

ZIC's solvency position is disclosed on the basis of the Swiss Solvency Test (SST) ratio. The Group's SST internal model is approved by the Swiss Financial Supervisory Authority (FINMA).

The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. The Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Risk-based remuneration

Based on the Group's remuneration rules, the Board approves the design and structure of remuneration arrangements that support the achievement of strategic and financial objectives, without encouraging inappropriate risk-taking. Group Risk Management's role in respect of remuneration and its interaction with Board committees is described in the remuneration report.

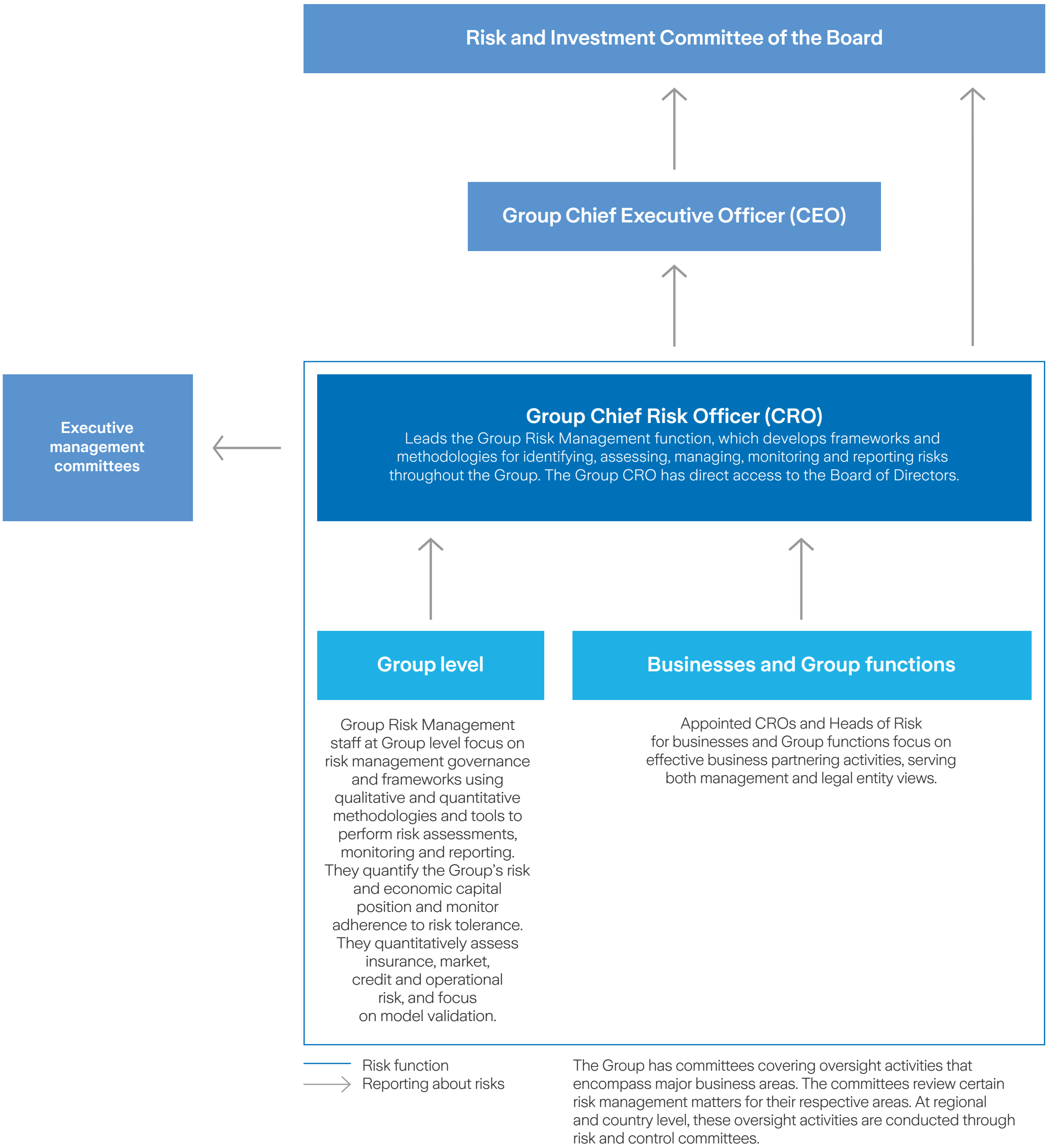
Risk management (continued)

Risk governance and risk management organization

For information on the Group's overall governance, including the Board and Group executive level, see the Zurich Insurance Group corporate governance report (unaudited).

Risk management organization

The Group Risk Management function is a global function, led by the Group Chief Risk Officer (CRO).



The risk function is independent of the business by being a vertically integrated function. Unless otherwise required by local laws or regulations, CROs and Heads of Risk report into the Group CRO, except for the Farmers CRO, who has a matrix reporting line to the Group CRO. They independently challenge, support and advise management on business decisions from a risk perspective.

Capital management

Objectives of capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2024, shareholders' equity based on International Financial Reporting Standards (IFRS) Accounting Standards of USD 25.6 billion and subordinated debt of USD 8.9 billion were part of the capital available in ZIC's Swiss Solvency Test (SST) available financial resources (AFR). Further adjustments to derive SST AFR typically include deductions for proposed dividends and share buybacks, goodwill and intangible assets, deferred tax assets and liabilities, as well as the market-consistent valuation of insurance liabilities, which includes market value margin (MVM) and the value of in-force business. The MVM, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and regularly reported to the Executive Committee (ExCo) and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification.

The Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy. Group Treasury and Capital Management executes the strategy.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities. Such actions include paying and receiving dividends, capital repayments, share buybacks, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain a balance between returns for shareholders and the security that a sound capital position provides, also for its customers. Dividends, share buybacks, and issuances and redemption of debt have a significant influence on capital levels. During 2024, the Group:

- paid a dividend out of retained earnings,
- bought own shares, and
- issued senior and subordinated debt to refinance maturing and callable debt.

The Swiss Code of Obligations stipulates that dividends may only be paid out of freely distributable reserves or retained earnings. Apart from what is specified by the Swiss Code of Obligations, Zurich Insurance Company Ltd faces no legal restrictions on dividends it may pay to its shareholders. The ability of the Group's subsidiaries to pay dividends may be restricted or indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations or considerations include foreign exchange control restrictions in some countries, and rating agencies' methodologies.

For more information on issuances and redemptions of debt, see note 17 of the ZIC Group consolidated financial statements. For more information on acquisitions and divestments, see note 4 of the ZIC Group consolidated financial statements.

Risk and solvency assessment

Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Regulatory solvency regimes

Regulatory requirements in Switzerland

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST results as per December 31 must be submitted to the Swiss Financial Market Supervisory Authority (FINMA) annually.

Regulatory requirements in the European Economic Area (EEA)

The main regulatory framework governing the Group's subsidiaries in the EEA is Solvency II. This is an economic and risk-based framework which covers assets and liabilities valuation as well as capital requirements (pillar 1), governance and risk management (pillar 2), and supervisory reporting and public disclosure (pillar 3). All EEA-based legal entities of the Group use the Solvency II standard formula for their pillar 1 requirements with the exception of Zurich Insurance Europe AG (ZIE), which applies an approved internal model.

Effective January 2, 2024, Zurich Insurance plc moved to Germany, by means of a cross-border conversion under the European Directive on cross-border conversions, mergers and divisions, and changed the name to Zurich Insurance Europe AG (ZIE). The head office move had no material impact on ZIE's organization, customer-facing and business activities in the local markets ZIE operates in.

Starting in 2020, the European Commission has undertaken a review of the Solvency II Directive based on technical advice provided by the European Insurance and Occupational Pensions Authority (EIOPA). The amended text to the Solvency II Directive has been published in the EU Official Journal on January 8, 2025. Member States of the EU must transpose the amending Directive into their national laws by January 29, 2027, and apply the measures from January 30, 2027.

Regulatory requirements in the United Kingdom (UK)

The UK operates under the Solvency UK regime which is tailored to the UK market. The regime has been simplified and allows more flexibility to UK firms while maintaining strong prudential standards. The Solvency UK and Solvency II regimes are still substantially aligned but divergences could be expected over the coming years.

Regulatory requirements in the U.S.

In the U.S., required capital is determined using the National Association of Insurance Commissioners' risk-based capital model. This method, which builds on statutory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile.

Regulatory requirements in other jurisdictions

Every country has a capital standard for insurance companies. Several jurisdictions (e.g., Brazil, Mexico, and Hong Kong) have implemented approaches similar to Solvency II.

Risk and solvency assessment (continued)

Swiss Solvency Test (SST)

Methods and assumptions used in the SST sensitivity analysis

The use of SST sensitivities for assessing the nature and extent of risks arising from insurance contracts is deemed appropriate as the SST represents a comprehensive framework that takes into account the interdependencies between risks and is used by the Group to assess and manage risks.

The sensitivity analysis provides information on how the Group's SST available financial resources (AFR) and solvency ratio are affected by changes in risk variables. The SST AFR and solvency ratio sensitivities are presented before tax and net of external reinsurance.

The SST AFR and related sensitivities are evaluated as instantaneous market or insurance shocks. All elements of the economic balance sheet and the required capital sensitive to a market or insurance parameter shock are recalculated. For example, values of all balance sheet and risk components change in the event of foreign exchange moves of 10 percent. However, in the event of a shock to equity markets, the Property & Casualty (P&C) net insurance liabilities and risks remain constant.

To assess the SST AFR and ratio sensitivities, the SST balance sheet positions are fully revalued under the specific shock scenarios. Each instrument is revalued separately, taking relevant product features into account. Non-linear valuation effects, where they exist, are reflected in the calculations. Valuation of the insurance liabilities under the shock scenarios is based on the replicating portfolios representing the insurance liabilities in the SST market risk model. Life business replicating portfolios are portfolios of assets that replicate the cash flows or present values of the life insurance liabilities under stochastic scenarios from the local life valuation models, according to the methodology approved by FINMA. The replicating portfolios are calibrated to match dependencies of life insurance liabilities on financial market developments in respect of interest rates, equity and property. The options and guarantees of the underlying life insurance liabilities are captured through inclusion of options in the replicating portfolios. The P&C replicating portfolios are represented by zero coupon bonds and are sensitive to interest rate shocks.

The SST required capital and market value margin (MVM) are fully recalculated using parameters of a market shock as input to the risk calculations and taking into account impact of the market parameters on the base exposure, e.g., impact of the interest rate shocks on the insurance risk is reflected via revaluation of the risk exposure due to discounting effect.

In calculating the impact of a shock on the SST AFR and ratio, insurance liabilities' replicating portfolios, risk exposure (where not dependent on market parameters), and model parameters remain unchanged from the base case.

The SST AFR and related sensitivities aim to provide Zurich's investors with guidance on how its AFR and solvency ratio would move in a different economic environment. Such shocks are linear, and they are a simplified representation of reality as the various market parameters never move in isolation or in sync within the same market class (e.g., equites).

Risk and solvency assessment (continued)

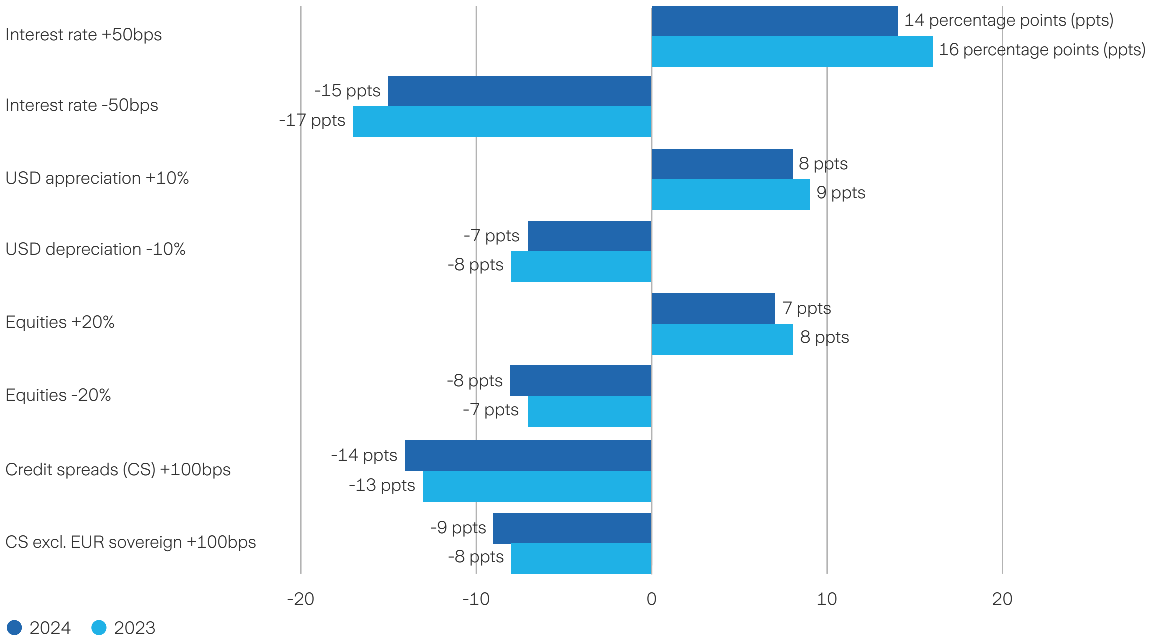
Sensitivity and scenario analysis

The Group evaluates sensitivities to, and stress scenarios on, the SST ratio, and assesses results relative to Zurich's risk appetite and tolerance. The sensitivities in the chart below capture impact on the Group SST ratio due to sensitivities to financial market movements.

Market risk sensitivities show the estimated impact on the Group's SST ratio of a half percentage-point (50 basis points, or bps) increase or decrease in yield curves, a 10 percent appreciation or depreciation in the U.S. dollar, a 20 percent rise or decline in all stock markets, and a 100 bps increase in credit spreads, with and without euro-denominated sovereign bonds. The sensitivities are considered as separate but instantaneous shocks. They are a best estimate and non-linear, for example, a change to the size of the market movement could result in disproportionally higher or lower impact on the SST ratio depending on the prevailing market conditions at the time.

SST sensitivities
as of September 30[1]

Impact on the SST ratio due to sensitivities to financial market conditions:[2]



1 Base ratio and sensitivities as of September 30, 2024 are calculated reflecting the Chile Life annuity transaction completed in the fourth quarter of 2024. Base ratio and sensitivities as of September 30, 2023 are calculated reflecting the separation of the legacy traditional back book in Germany.
2 Sensitivities are best estimates and reflect the impact on the pension plans in the UK. For the interest rate sensitivities, shocks are applied to the liquid part of the yield curve. Credit spreads (CS) include mortgages, including and excluding euro sovereign spreads. CS sensitivities of available capital include changes to the volatility adjustment applied to interest rate curves.

Insurance financial strength rating (IFSR)

Zurich reached the top of the league table of European peers for its financial strength rating across the three rating agencies with which it had interactive relations in 2024, following upgrades by Moody's and AM Best.

The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important indicator of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

ZIC's Moody's rating was upgraded to 'Aa2' from 'Aa3' in September 2024 as a reflection of the "Group's track record of strong and stable earnings along with its conservative risk and capital management, which support the Group's balance sheet resilience and enhance its financial flexibility".

In November 2024, ZIC's AM Best Long-Term Issuer Credit Rating (ICR) was upgraded to 'aa' from 'aa–' as a result of "continued resilience of the Group's balance sheet strength, underpinned by excellent financial flexibility, and strong operating returns from its diverse profit centers". AM Best's Financial Strength Rating, which is on a less granular scale, is at 'A+ (Superior)'.

S&P's IFSR remained at the 'AA' level.

As of January 2025, the IFSR of ZIC was 'AA/Stable' by S&P Global Ratings, 'Aa2/Stable' by Moody's, and 'A+ (Superior)/Stable' by AM Best. The AM Best ICR was 'aa/Stable'.

Analysis by risk type

Insurance risk

Insurance risk is the risk of deviations from what is expected in the timing, frequency or severity of insured events, leading to loss, including adverse change in the value of insurance liabilities (Life and Property & Casualty (P&C)). This may result from inherent uncertainty of insured events or losses, inadequate or ineffective underwriting or accumulation management, inappropriate product development, pricing, claims management, reserving or reinsurance. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. Zurich manages insurance risk through:

- Specific underwriting and claims standards and controls.
- Robust reserving processes.
- External reinsurance.

Property & Casualty (P&C) insurance risk

P&C insurance risk arises from coverage provided for motor, property, liability, special lines and worker injury. It comprises premium and reserve (P&R) risk, catastrophe risk, and business risk. P&R risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Catastrophe risk predominantly relates to uncertainty around natural catastrophes. Business risk predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting, and administration.

Management of Property & Casualty (P&C) insurance risk

The Group's underwriting strategy takes advantage of the diversification of property and casualty risks across lines of business, customers and geographic regions. Zurich defines Group-wide governance for insurance risk including for new products. Underwriting discipline is a fundamental part of managing insurance risk. The Group sets limits on underwriting capacity and delegates authority to individuals based on their specific expertise and sets appropriate underwriting and pricing guidelines. Technical reviews assure that underwriters perform within authorities and adhere to underwriting policies.

P&C insurance reserves are regularly estimated, reviewed and monitored by qualified and experienced actuaries at local, regional and Group levels. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest information regarding loss payments, as well as related trends and patterns.

Economic inflation has generally softened during 2024; however, it continues to pose challenges in some areas, including motor portfolios. Inflation is monitored with insights feeding into actuarial reserving models as well as Zurich's underwriting processes and pricing, and the monitoring of and response to loss trends are a key focus. Additionally, the potential increase in litigation abuse is a risk that the Group closely follows. The Group's existing risk management and governance processes continue to monitor and respond to developments in the environment. Several actions related to inflation, identified through the Group's Total Risk Profiling™, have been implemented, including the enhancement of virtuous circle discussions. Moreover, measures beyond rate changes, such as in claims and portfolio management, continue.

Additionally, there is a concerted effort to foster communication between functions that extends beyond inflation challenges. To ensure a common understanding of business insights and new trends for reserve analysis, financial plans, underwriting and pricing decisions, the Group has established a culture of continuous cross-functional collaboration. For this, underwriting, actuarial (pricing and reserving), claims, finance, sales and distribution, risk engineering and risk management contribute to quarterly meetings at local and Group levels.

Zurich's Emerging and Sustainability Risk Committee (ESRC) – with cross-functional expertise from core insurance functions such as underwriting, claims and risk management – identifies, assesses and recommends actions for emerging risks.

Governance is in place to ensure appropriate focus on top-line targets and profitability. Reinsurance is deployed to help manage insurance risk. Group Risk Management also provides independent assurance through risk reviews.

The Group is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to executive management.

Analysis by risk type (continued)

Natural catastrophes

The Group uses third-party models, adjusted to Zurich's view, to manage its underwriting, monitor accumulations relative to intended exposure limits, and assess the capital requirement for natural catastrophes. Consistent with this view on natural catastrophes, Zurich performs profitability assessments and strategic capacity allocations, which inform the type and quantity of reinsurance it buys.

To ensure global consistency, exposures to natural catastrophes are modeled by a dedicated Group function. Potential losses from property, engineering, motor and marine policies with material exposure in hazard-prone geographical areas are probabilistically modeled, as are worker injury policies with material exposure in U.S. seismic zones. Where material, losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses weather-induced perils such as wind, flood, tornado, and hail, and geologically-induced perils such as earthquake. The most important peril regions for natural catastrophes are North Atlantic hurricane, California earthquake and European windstorm.

Zurich regularly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Zurich continues to invest in a diversified, multi-vendor-based catastrophe modeling ecosystem and in expanding its catastrophe research and development capabilities to complement existing expertise in natural catastrophe risk management. This applies for example to a shifting risk landscape due to climate change.

Zurich supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes) and is a shareholder of PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. Zurich is a governor sponsor of the Global Earthquake Model (GEM) Foundation and is also a member of the open-source initiative, Oasis Loss Modelling Framework.

For further details on the integration of climate risks into Zurich's modeling approach, refer to the section 'managing risks from climate-related natural catastrophes' in the Group's sustainability report (unaudited). For more information on the assessment of the resilience of Zurich's business model to potential climate risks beyond the financial cycle, refer to the section 'portfolio level, scenario-based climate risk analysis' of the Group's sustainability report (unaudited).

Man-made catastrophes

Man-made catastrophes include events such as industrial accidents, terrorism and cyber-attacks. For terrorism, worker injury and property risk exposures are analyzed to identify areas with significant risk concentration. Other lines of business are assessed, although the potential exposure is not as significant. An internal scenario model is used to evaluate potential exposures in every major U.S. city. The Group's analysis for the P&C business has shown that its exposures outside of North America are lower, in a large part due to government-provided pools. Outside the modeled areas, exposure concentrations are identified in Zurich's Risk Exposure Data Store (REDS). Exposure concentrations for location-based man-made scenarios, other than terrorism, are also identified in REDS, for example, industrial explosions at global ports.

The Group uses third-party and internally developed models through a dedicated Group function to manage its underwriting and accumulations for cyber and casualty catastrophe risks. The Group actively monitors and manages its cyber exposure, assessing accumulations against intended limits, and continues to refine products to ensure their appropriateness. Improving modeling capabilities and data quality for cyber and casualty catastrophe risks remain key focus areas.

Concentration of Property & Casualty (P&C) insurance risk

The Group defines concentration risk in the P&C business as the risk of increased losses resulting from exposure aggregation. Concentration risk for a P&C insurer may arise due to a concentration of business written within a geographical area or of underlying risks covered.

The P&C business segment constitutes the largest overall allocation of risk capital, with U.S. and Caribbean hurricane consuming the most risk capital in terms of SST ratio sensitivity. The relative significance of premium and reserve (P&R) risk (unaudited) marginally increased from 26 percent of the total SST risk capital as of December 31, 2023, to 27 percent as of December 31, 2024.

The relative significance of natural catastrophe risk (unaudited) has remained stable at 6 percent of the total SST risk capital as of December 31, 2023, and 2024, respectively. However, some portfolio actions and the reduction of exposure in high accumulation zones have led to a more favorable view on U.S. hurricane and California earthquake.

For more information about the ZIC Group's P&C business by geographic region, using International Financial Reporting Standards (IFRS) Accounting Standards as a basis, see the segment information in note 26 of the ZIC Group's consolidated financial statements as of December 31, 2024.

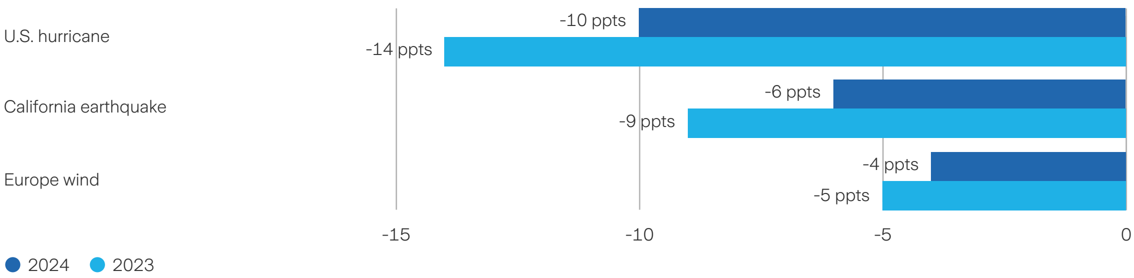
Analysis by risk type (continued)

Analysis of sensitivities for Property & Casualty (P&C) risks

The chart below shows the three largest natural catastrophe events to which the Group is exposed. Insurance risk scenarios are defined as events that have a small probability of occurring but could, if realized, negatively affect the Group's SST ratio. The impact of insurance-specific scenarios on the target capital is not taken into account.

SST P&C-specific scenarios
as of September 30

Impact on the SST ratio due to P&C risk-specific scenarios:[1]



1 Scenario impact comparable to the modeled 250-year net occurrence loss for the respective peril (equivalent to a 99.6 percent probability of non-exceedance.)

Tables 1.a and 1.b show the sensitivity of net income before tax and net assets based on IFRS Accounting Standards, using the ZIC Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. The sensitivities do not indicate the probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 1.a and 1.b, each additional percentage-point increase in the loss ratio would have a linear impact on net income before tax and net assets.

The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

For further information about the development of net insurance losses by financial year, see note 7 of the ZIC Group's consolidated financial statements.

Insurance risk sensitivity for the Property & Casualty business – current period

Table 1.a

in USD millions, for the year ended December 31, 2024	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in loss ratio[1]						
Net income before tax	(187)	(210)	(38)	(32)	(8)	(448)
Net assets	(141)	(158)	(29)	(24)	(6)	(338)

Insurance risk sensitivity for the Property & Casualty business – prior period

Table 1.b

in USD millions, for the year ended December 31, 2023	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in loss ratio[1]						
Net income before tax	(172)	(206)	(34)	(28)	(8)	(423)
Net assets	(129)	(155)	(26)	(21)	(6)	(317)

1 The 1 percent change in loss ratio is defined as a 1 percent change in the insurance revenue.
2 Total is inclusive of consolidation eliminations.

Analysis by risk type (continued)

Life insurance risk

The risks associated with Life insurance include:

Life liability risk

- Mortality risk: when, on average, the death incidence among policyholders is higher than expected.
- Longevity risk: when, on average, annuitants live longer than expected.
- Morbidity risk: when, on average, the incidence of disability due to sickness or accident among policyholders is higher than expected, or recovery from disability is lower than expected.

Life business risk

- Policyholder behavior risk: when, on average, policyholders discontinue or reduce contributions, or withdraw benefits prior to the maturity of contracts at a rate that is different from expected.
- Expense risk: when expenses incurred in acquiring and administering policies are higher than expected.
- New business risk: when volumes of new business are insufficient to cover fixed acquisition expenses.

Market risk

- Market risk: the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the 'market risk, including investment credit risk' section.

Credit risk

- Credit risk: the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'market risk, including investment credit risk' and 'other credit risk' sections.

Management of Life insurance risk

The Group's Life underwriting results are based on the assumptions relating to life insurance risks. The actual experience may differ to that expected at the time of writing the business. For example, mortality could be either higher or lower than anticipated due to an unexpectedly harsh or benign flu season.

To understand the potential impact of experience differing from expectations, Zurich uses models to perform sensitivity analyses. The impact of changing the assumptions is considered under different scenarios across the risk types and products. Changes relating to absolute level and trend development in assumptions are considered by product category. For example, Zurich looks at the impact of an increase in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analyses assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diversified portfolio of risks and products. Changes in the same assumption can have a positive impact on one product and a negative impact on another. For example, people living longer than expected may have a positive impact on products that offer life cover, as claims are then paid later than expected, but could have a negative impact on annuity products as payments are made for longer than expected. At Zurich, Life liability risks are managed through established processes with requirements described in the Zurich Risk Policy (ZRP).

The Group has local product development and approval committees and a Group-level committee to review potential new life products that could significantly increase or change the nature of the risks or introduce new risks. The Group also regularly reviews the continued suitability and the potential risks of existing life products open to new business to ensure sustainability of the business.

Product pricing involves setting assumptions relating to life insurance risks. Local teams have the responsibility for the pricing of the products in line with the experience and emerging trends observed in each market. The emerging experience is regularly monitored and compared against expectations. Where permitted, premiums are adjusted for factors such as age, gender, and health-related conditions to reflect the corresponding risks. Policy terms and conditions and disclosure requirements are designed to mitigate the risk arising from non-standard and unpredictable risks that could result in a severe financial loss.

The underwriting process forms an important part of risk management and risk selection for life insurance risks. This process is supported through setting standards in the ZRP and providing support through additional underwriting guidelines.

Where required and appropriate, life insurance risks are also managed using reinsurance.

Analysis by risk type (continued)

Unit-linked products are designed to reduce much of the market and credit risk associated with the Group's traditional business offerings. Risks that are inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees is linked to the value of funds under management, and hence is at risk if fund values decrease. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. Other life insurance liabilities include conventional life insurance products, such as protection and life annuity products.

Protection products (including disability products) provide benefits linked to policyholders' life and health and mainly carry mortality and morbidity risks. Changes in, and availability of, medical treatments and lifestyle changes are among the most significant factors that could result in earlier or more claims than expected or customers claiming for longer than expected. The risk selection process is informed by medical, lifestyle and financial parameters of applicants. Access to health information can potentially be restricted through regulation or undocumented health results. Advancements in biological and genetic testing may give individuals health information inaccessible to insurers. This in turn could lead to an inability to reflect the true risk profile in pricing products, adverse claims experience and a reduced product offering. Disability, when defined in terms of the ability to perform an occupation, could also be affected by adverse economic conditions. This impact could come through, for example, an increase in claims relating to mental health conditions triggered by an economic downturn.

Life annuity products provide benefits that are paid to the customer either for a certain number of years, or until they die. Therefore, these products carry longevity risk as people living longer than expected can have a material impact on these products. Medical advances and improved social conditions that lead to increased longevity are significant risk drivers for these products. Annuitant (beneficiary) mortality assumptions include allowance for future mortality improvements. The trends in mortality improvements are monitored to ensure that changes in experience are considered. The exposure to longevity risk at a Group level is measured regularly and compared against the limit set by the Group.

The Group is exposed to risks posed by policyholder behavior and fluctuating expenses. These are mitigated by designing products that, as closely as possible, match revenue and expenses associated with the contract.

The Group is also exposed to investment and surrender risks related to bank-owned Life insurance contracts sold in the U.S. See heading 'other assets at amortized cost' in note 5 of the ZIC Group's consolidated financial statements for more information.

In the past, low interest rates have led to an increase in both Life business risks and Life liability risks (especially longevity risk). Furthermore, interest rate guarantees (with concentration in traditional guaranteed business in Germany and Switzerland) expose Zurich to financial losses that may arise as a result of adverse movements in interest rates combined with potential increases in policyholders surrendering their policies. These guarantees are managed through a combination of asset-liability management and hedging.

The Group has a dynamic hedging strategy to reduce the investment risk associated with the closed book of variable annuities written by its U.S. subsidiary, Zurich American Life Insurance Company.

Higher than expected inflation could affect Life insurance business through, for example, customer affordability issues and reduced demand. The expenses to administer Life insurance business could be higher than expected, leading to higher product expense loads. This could result in a combination of higher customer premiums and reduced profitability. Potential actions to manage the effects of higher-than-expected inflation include assumption updates, customer behavior monitoring, product reviews, as well as design and customer retention initiatives.

Diversification across regions and businesses, as further described, contributes to reducing the impacts of the risks associated with the Life business described above.

Concentration of Life insurance risk

The Group defines concentration risk in the Life business as the risk of increased losses resulting from exposure aggregation. 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 product type, or of underlying risks covered. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time.

In respect of the Life liability risk profile, on a non-diversified basis, mortality risk accounts for almost half, concentrated predominantly in the EMEA region, morbidity risk accounts for over one third, with roughly equal concentrations in the APAC and EMEA regions, and longevity risk accounts for approximately a fifth, concentrated predominantly in the EMEA region.

Analysis by risk type (continued)

In respect of the Life business risk profile, on a non-diversified basis, lapse up risk accounts for almost three quarters, concentrated predominantly in the EMEA region, expense risk accounts for approximately one fifth, concentrated predominantly in the EMEA region, and lapse down risk accounts for less than a tenth, with roughly equal concentrations in EMEA and APAC regions.

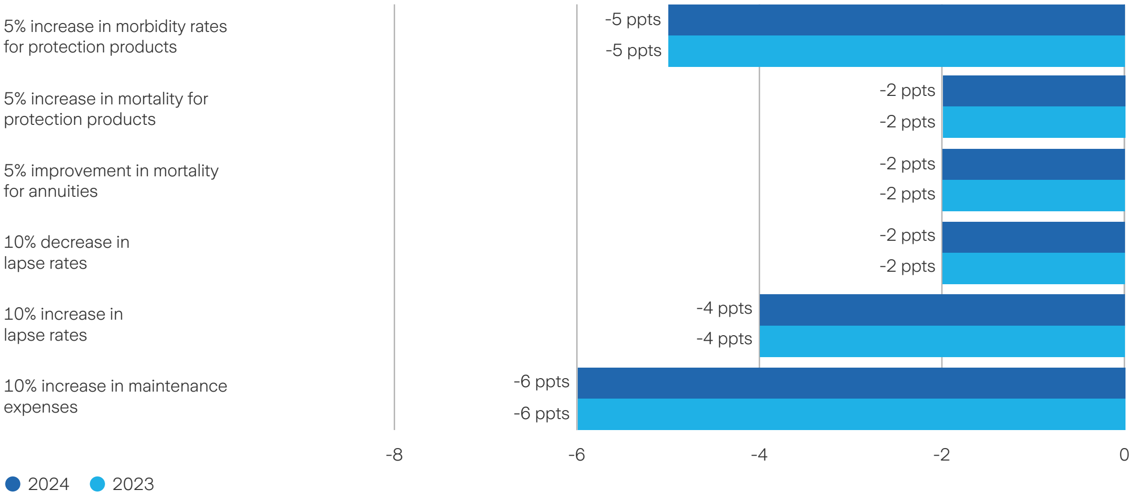
For more information about the Group's concentration of risk within the Life business by geographic region, on an International Financial Reporting Standards (IFRS) Accounting Standards basis, see the segment information in note 26 of the ZIC Group's consolidated financial statements as of December 31, 2024.

Analysis of sensitivities for Life insurance risks

The chart below shows the sensitivity of the SST ratio to changes in the key risk drivers.

SST life-specific scenarios
as of September 30

Impact on the SST ratio due to Life risk-specific scenarios:[1, 2]



1 SST ratios under sensitivities do not include recalculated target capital under the scenarios.
2 Sensitivities are calculated analogous to those sensitivities used to calculate SST Risk Capital. For increased and decreased lapse rate sensitivities, only policies for which there is a reduction in the available capital due to the change in lapse rate, are subjected to the sensitivity and contribute to the change in the SST ratio shown. Policies which will show an increase in available capital due to the change in lapse rate, are not considered in the respective sensitivities and do not contribute to the change in SST ratio shown.

Reinsurance for Property & Casualty (P&C) and Life businesses

The Group's objective in purchasing reinsurance is to provide market-leading capacity for customers while protecting the balance sheet, supporting management of earnings volatility, and achieving capital efficiency. In addition, reinsurance supports the Group underwriting strategy and risk appetite. The Group follows a centralized reinsurance purchasing strategy for both P&C and Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. To align country capacity with the Group's risk appetite and tolerance, internal reinsurance is applied.

The Group has specific facultative P&C reinsurance facilities to actively manage and reduce potential claims-recovery risks on facultative cessions and to support the strategy on operational excellence.

The Group uses traditional and collateralized reinsurance to protect itself against extreme single events, multiple event occurrences across regions, and increased frequency of events.

The Group participates in the underlying risks through its retention and co-participation in excess layers. The Group reviews its reinsurance programs on an annual basis to reflect its risk appetite and market conditions.

A global property catastrophe program is in place and includes both regional and global capacity as well as both annual and multi-year capacity.

To complement existing treaties, the Group purchases catastrophe reinsurance specific to life insurance for its exposure to natural and man-made catastrophes.

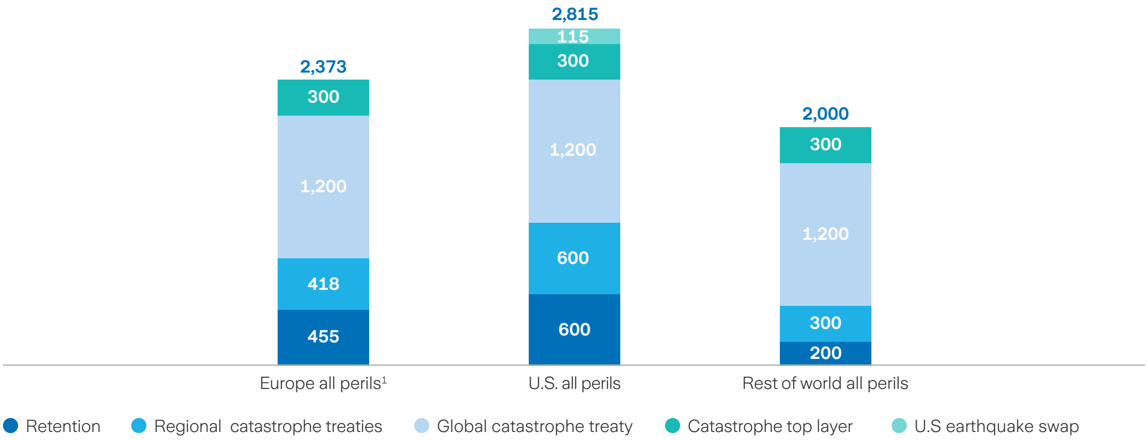
Analysis by risk type (continued)

While property catastrophe and property per risk treaties continue to face pricing pressure, this has somewhat eased for property catastrophe treaties, particularly for most extreme events. When it comes to liability, reinsurers remain concerned about U.S. casualty risk. While reinsurance capacity is generally accessible, reinsurers are selectively deploying their capacity to the best and most sophisticated insurance companies.

Strategic partnerships and long-term relationships continue to provide an effective path for Zurich to execute on its reinsurance strategy.

Zurich follows a strategy of diversification of reinsurance placements in order to manage its counterparty exposure. The Group's reinsurance counterparty exposure as of December 31, 2024 was within the Group's risk tolerance. For further information on these counterparty limits, refer to section 'other credit risk'.

Group catastrophe reinsurance protection
as of July 1, 2024 (in USD millions)



1 Calculated with EUR/USD exchange rate of EUR 1 = USD 1.0715 as of July 1, 2024.

Analysis by risk type (continued)

Market risk, including investment credit risk

Market risk relates to the possibility of loss of value due to changes in financial market conditions. Risk factors include:

- Equity market price changes.
- Real estate market price changes.
- Interest rate changes.
- Credit and swap spread changes.
- Defaults of issuers.
- Changes in currency exchange rates.

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the Group's risk tolerance and local regulatory constraints.

The Group has policies and limits to manage market risk and keep its strategic asset allocation in line with its risk capacity. Zurich centrally manages certain asset classes to control aggregation of risk and provides a consistent approach to constructing portfolios and selecting external asset managers. It diversifies portfolios, investments and asset managers, and regularly measures and manages market risk exposure. The Group defines limits on concentration of investments in single issuers and certain asset classes, as well as the degree to which asset interest rate sensitivities may deviate from liability interest rate sensitivities. The Group regularly reviews its capacity to hold illiquid investments.

The Asset/Liability Management Investment Committee reviews and monitors the Group's strategic asset allocation and tactical boundaries, and monitors Group asset/liability exposure. The Group oversees the activities of local asset/liability management investment committees and regularly assesses market risks at both Group and local business levels. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregate positions with risk limits. The Group follows processes to manage market risks and to analyze market risk hotspots. Actions to mitigate risks are taken, if necessary, to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group may use derivative financial instruments to mitigate market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets, and from commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes.

In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of so-called 'in-and-out trading' activity without any reference to an underlying position. The Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the ZIC Group's investment result, including the treatment of selected financial instruments, see note 5 of the ZIC Group's consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 6 of the ZIC Group's consolidated financial statements. For more information on the development of expected credit loss allowance by type of financial asset, see note 23 of the ZIC Group's consolidated financial statements.

Risk from equity securities and real estate

The Group is exposed to risks from price fluctuations on equity securities and real estate. These could affect the Group's liquidity, reported income, economic surplus and regulatory capital position. Equity risk exposure includes common stocks (including equity unit trusts), private equity, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. Exposure to real estate risk includes direct holdings in property and property company shares and funds. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. The Group is however indirectly exposed to market movements from unit-linked contracts with respect to both earnings and economic capital; market movements affect the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively affected by adverse movements in equity and real estate markets.

Analysis by risk type (continued)

The Group manages its risks related to equity securities and real estate as part of the overall investment risk management process and applies limits as expressed in policies and guidelines. Specifically, Zurich limits holdings in equities, real estate and alternative investments. To realize an optimal level of risk diversification, the strategy for equities is defined through a composite of market benchmark indices. The Group has the capability and processes in place to change the exposure to key equity markets via the use of derivatives, or purchase or sale of securities within a short time frame.

For additional information on equity securities and investment property, see note 5 of the ZIC Group's consolidated financial statements.

Risk from interest rates and credit spreads

Interest rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves. Yield curve changes affect the value of interest rate-sensitive investments and derivatives as well as the fair value of insurance liabilities. Other balance sheet items, such as liability investment contracts, debt issued by the Group, commercial and residential mortgages, employee benefit plans, loans and receivables, are also affected.

The Group manages credit spread risk, which is the variation in economic value due to changes in the level or the volatility of credit spreads over the risk-free interest rate. Movements of credit spreads are driven by several factors including changes in expected default probability, default losses, risk premium, liquidity and other effects.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates and credit spreads insofar as they affect the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Analysis of market risk sensitivities for interest rate, equity and credit spread risks

Group SST available financial resources sensitivities

The following section presents the sensitivities of Group available financial resources (AFR) under SST assumptions with respect to certain standard financial market scenarios.

The SST AFR impact – the difference between the impact on Group SST assets and liabilities – represents the economic risk related to changes in market risk factors to which the Group is exposed. Positive values represent an increase in the SST AFR, and values in parentheses represent a decrease.

SST AFR sensitivities are shown split by segment. The heading 'Rest of the business' includes Farmers, Group Finance and Operations, and Non-Core Businesses.

Analysis of economic sensitivities for interest rate risk

Table 2 shows the estimated impact on SST AFR of a 50 basis point (bps) increase or decrease in yield curves after consideration of hedges in place.

Economic interest rate sensitivities on the Group's SST AFR

Table 2

in USD millions, as of September 30	**2024**	2023
50 bps increase in the interest rate yield curves		
Property & Casualty	(91)	(88)
Life	250	260
Rest of the business	80	61
50 bps decrease in the interest rate yield curves		
Property & Casualty	87	109
Life	(356)	(410)
Rest of the business	(87)	(62)

Analysis by risk type (continued)

Analysis of economic sensitivities for equity risk

Table 3 shows the estimated impact on SST AFR from a 20 percent decline in stock markets, after consideration of hedges in place.

Table 3

Economic equity price sensitivities on the Group's SST AFR

in USD millions, as of September 30	**2024**	2023
20% decline in stock markets		
Property & Casualty	(1,356)	(1,183)
Life	(1,464)	(1,168)
Rest of the business	(71)	(81)

Analysis of economic sensitivities for credit spread risk

Table 4 shows the estimated impact on SST AFR from a 100 basis point increase in corporate credit spreads. The sensitivities apply to all fixed-income instruments, excluding government, supranational and similar debt securities.

Table 4

Economic credit spread sensitivities on the Group's SST AFR

in USD millions, as of September 30	**2024**	2023
100 bps increase in credit spreads		
Property & Casualty	(1,656)	(1,404)
Life	(1,676)	(1,449)
Rest of the business	(185)	(169)

Risks from defaults of counterparties

Debt securities

The ZIC Group is exposed to credit risk from third-party counterparties where the ZIC Group holds securities issued by those entities. Default risk is controlled by ZIC Group counterparty concentration risk limits which aim to keep the size of potential losses to an acceptable level.

Exposure level limits are in place and are based on default and recovery rates. Limits tighten progressively for lower-rated exposures. Where the ZIC Group identifies investments that are expected to trigger limit breaches, appropriate mitigating actions are implemented.

For information on the ZIC Group's debt securities by rating of issuer and the corresponding allowance for expected credit losses, see note 23 of the ZIC Group's consolidated financial statements.

As of December 31, 2024, the largest concentration in the ZIC Group's debt securities portfolio was government-related at 53 percent of all debt securities. In all other categories, a total of USD 20 billion (36 percent) was secured. As of December 31, 2023, 51 percent of the ZIC Group's debt portfolio was invested in government-related securities. In all other categories, a total of USD 20 billion (38 percent) was secured.

The second-largest concentration in the ZIC Group's debt securities portfolio was financial institutions, comprising investments mainly in banking, finance companies and insurance.

Cash and cash equivalents

To reduce credit concentration, settlement and operational risks, the ZIC Group limits the amount of cash that can be deposited with a single counterparty. The ZIC Group also maintains an authorized list of acceptable cash counterparties.

Cash and cash equivalents amounted to USD 6.8 billion as of December 31, 2024 and USD 7.3 billion as of December 31, 2023. The risk-weighted average rating of the overall cash portfolio was 'A–' as of both December 31, 2024, and December 31, 2023. The 10 largest bank exposures represented 52 percent of the total cash and cash equivalents amount, of which the risk-weighted average rating was 'A–' as of both December 31, 2024, and December 31, 2023.

Mortgage loans and other loans

Mortgage loans amounted to USD 4.0 billion as of December 31, 2024 and USD 4.3 billion as of December 31, 2023. The ZIC Group's largest mortgage loan portfolios are held in Switzerland (USD 2.7 billion), in Italy (USD 0.5 billion) and in Germany (USD 0.6 billion); these are predominantly secured against residential property but also include mortgages secured by commercial property.

Analysis by risk type (continued)

Derivatives

The replacement value of outstanding derivatives represents a credit risk to the Group. These instruments include interest rate and cross-currency swaps, forward contracts and purchased options. A potential exposure could also arise from possible changes in replacement values. The Group regularly monitors credit risk exposures arising from derivative transactions. To limit credit risk, derivative financial instruments are executed with counterparties rated 'BBB' or higher as per Zurich Risk Policy (ZRP) requirements. The Group's standard practice is to only transact derivatives with those counterparties for which the Group has in place an International Swaps and Derivatives Association (ISDA) Master Agreement, with a Credit Support Annex. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position exceeds an agreed threshold. The Group further mitigates credit exposures from derivative transactions by using exchange-traded or centrally cleared instruments whenever possible.

Risk from currency exchange rates

The Group operates internationally and is therefore exposed to the financial impact of changes in the exchange rates of various currencies.

Assets, liabilities, income and expenses are denominated in multiple currencies, predominantly the euro, Swiss franc, British pound and U.S. dollar. On entity balance sheets, a currency mismatch may cause a balance sheet's net asset value to fluctuate, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on entity balance sheets within prescribed limits. Residual mismatches are reported centrally to take advantage of netting effects across the Group. Zurich hedges these residual mismatches within an established limit through a central balance sheet. For information on net gains/losses on foreign currency transactions included in the consolidated income statements, see notes 1 and 3 of the ZIC Group's consolidated financial statements. The monetary currency risk exposure on entity balance sheets is considered immaterial.

Additionally, the Group applies net investment hedge accounting to mitigate translation differences that arise when the results and positions of selected net investments are translated into the Group's presentation currency, the U.S. dollar.

Table 5 shows the sensitivity of total equity based on International Financial Reporting Standards (IFRS) Accounting Standards to changes in exchange rates for the main functional currencies to which the ZIC Group is exposed. Positive values represent an increase in the value of the ZIC Group's total equity.

Table 5

Sensitivity of the ZIC Group's total equity to exchange rate fluctuations

in USD millions, as of December 31	**2024**	2023
10% increase in		
EUR/USD rate	440	313
GBP/USD rate	32	18
CHF/USD rate	(333)	(591)
BRL/USD rate	94	128
AUD/USD rate	284	311
JPY/USD rate	96	104
Other currencies/USD rates	577	472

The sensitivities show only the effects of a change in exchange rates, while other assumptions remain unchanged. The sensitivity analysis does not consider management actions that might be taken to mitigate such changes. The sensitivities do not indicate the likelihood of such events occurring in the future and do not necessarily represent Zurich's expectations of future market changes. While table 5 shows the effect of a 10 percent increase in exchange rates, a 10 percent decrease would have the converse effect.

For additional information about foreign currency translation and transactions, see notes 1, 3 and 6 of the ZIC Group's consolidated financial statements.

Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. See section 'risks from defaults of counterparties' for more information. The Group's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets.
- Receivables.

Analysis by risk type (continued)

The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives, and its risk appetite and tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage specific risks within various subcategories of credit risk. To assess counterparty credit risk, the Group uses ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. If the ratings of external rating agencies differ, the Group generally applies the lowest, unless other indicators justify an alternative, which may be an internal credit rating.

The Group actively uses collateral to mitigate credit risks. Underlying credit risks are managed independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance, captives, deductible programs, trade credit and surety.

The Group has counterparty limits which are regularly monitored. Exposure to counterparties' parent companies and subsidiaries is aggregated to include reinsurance assets, investments, derivatives, and certain insurance products. Group aggregate concentration limits and relevant exception approvals are monitored in line with risk policy requirements.

On-balance sheet exposures are the main source of credit risk. Off-balance sheet credit exposures are related primarily to certain insurance products, reinsurance and collateral used to protect underlying credit exposures on the balance sheet. The ZIC Group had no material amount of off-balance sheet exposures related to undrawn loan commitments as of December 31, 2024. See note 21 of the ZIC Group's consolidated financial statements for undrawn loan commitments.

Credit risk related to reinsurance assets

The Group's Corporate Reinsurance Security Committee oversees the credit quality of cessions and reinsurance assets. The Group typically only cedes new business to authorized reinsurers with a minimum rating of 'A–.' Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 52 percent was collateralized as of December 31, 2024 and 60 percent as of December 31, 2023. Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 69 percent was ceded to captive insurance companies in 2024, and 62 percent in 2023.

Reinsurance assets included reinsurance recoverables (the reinsurers' share of reserves for insurance contracts) of USD 27.9 billion and USD 27.1 billion, and receivables arising from ceded reinsurance of USD 2.5 billion and USD 2.1 billion as of December 31, 2024 and 2023, respectively, gross of allowance for impairment. Reserves for potentially uncollectible reinsurance assets amounted to USD 98 million as of December 31, 2024 and USD 117 million as of December 31, 2023. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g., financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance recoverables in table 6 are shown before taking into account collateral, such as cash or bank letters of credit, and deposits received under ceded reinsurance contracts. Unsecured reinsurance recoverables shown are after deducting collateral. Bank issuing letters of credit for the benefit of the ZIC Group are, on average, 'A' rated. The value of the collateral received amounts to USD 18.5 billion and USD 17.2 billion as of December 31, 2024 and 2023, respectively.

Table 6 shows reinsurance recoverables and unsecured reinsurance recoverables split by rating.

Table 6

Reinsurance recoverable and unsecured reinsurance recoverable by rating of reinsurer and captive

as of December 31	2024				2023			
	Reinsurance recoverable		Unsecured reinsurance recoverable		Reinsurance recoverable		Unsecured reinsurance recoverable	
	USD millions	% of total	USD millions	% of total	USD millions	% of total	USD millions	% of total
Rating								
AAA	4	0.0%	1	0.0%	5	–	–	–
AA	5,870	21.0%	4,832	28.7%	4,969	18.4%	4,493	29.4%
A	12,988	46.5%	7,599	45.2%	14,669	54.2%	7,804	51.1%
BBB	3,990	14.3%	2,250	13.4%	2,563	9.5%	586	3.8%
BB	437	1.6%	225	1.3%	822	3.0%	419	2.7%
B and below	296	1.0%	116	0.7%	172	0.6%	70	0.5%
Unrated	4,354	15.6%	1,801	10.7%	3,873	14.3%	1,915	12.5%
Total	**27,939**	**100.0%**	**16,824**	**100.0%**	**27,073**	**100.0%**	**15,287**	**100.0%**

Analysis by risk type (continued)

Credit risk related to receivables

The largest amount of the ZIC Group's credit risk exposure to receivables is related to third-party agents, brokers and other intermediaries.

Receivables are diversified across a large number of counterparties and do not pose significant single name concentration risk. The biggest individual exposures are related to the large global insurance brokers; however, exposure to these brokers is small if compared to total receivables, and these brokers are not among the top individual counterparties where the Group has significant concentration of credit risk. The Group has policies and standards to manage and monitor credit risk related to intermediaries.

The Group strives to keep the balance of past-due positions as low as possible.

Receivables from ceded reinsurance are part of reinsurance assets and managed accordingly. For more information about receivables, see note 14 of the ZIC Group's consolidated financial statements, and for more information about the calculation of expected credit losses, see notes 3 and 23 of the ZIC Group's consolidated financial statements. For information about reinsurance assets, see note 7 of the ZIC Group's consolidated financial statements.

Operational risk

Operational risk is the risk of financial loss, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events, including external fraud, catastrophes, or failure in outsourcing arrangements. Zurich has a framework to identify, assess, manage, monitor, and report operational risk within the Group. Within this framework, the Group:

- Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances. This approach allows information to be compared across the Group and highlights the main scenarios contributing to the capital required under Zurich Economic Capital Model (Z-ECM).
- Documents and reviews operational events exceeding a threshold determined by the Zurich Risk Policy (ZRP). Remedial action is taken to avoid the recurrence of such operational events.
- Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed to be above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, the Group uses sources of information such as the Total Risk Profiling™ process, internal control effectiveness, and audit findings, as well as scenario modeling and operational event data.

The Group has specific processes and systems in place to focus on high-priority operational matters such as managing information security and business resilience, as well as combating fraud.

Preventing, detecting and responding to fraud are embedded in Zurich's business processes. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. For Zurich's internal model calculations, claims fraud is part of insurance risk and non-claims fraud is part of operational risk.

Liquidity risk

Liquidity risk is the risk that an entity within the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

Group-wide liquidity management policies and specific guidelines govern how entities plan, manage and report their entity liquidity and include regular stress tests for all major legal entities and branches within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential drain on liquidity should the Group have to recapitalize entity balance sheets. Similar guidelines apply at the Group level, and detailed liquidity forecasts are regularly conducted, based on entities' input and the Group's forecasts. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high-quality, liquid investment portfolios to meet outflows under expected and stressed conditions.

The Group also maintains internal liquidity sources that cover the potential liquidity needs within the Group, including those that might arise in times of stress. The Group takes into account the amount, availability and speed at which these sources can be accessed. The Group has access to diverse funding sources to cover contingencies, including asset sales, external debt issuance and making use of committed borrowing facilities or letters of credit.

Analysis by risk type (continued)

The Group maintains a range of maturities for external debt securities. A potential source of liquidity risk is the effect of a downgrade of the credit rating of the Group. This could affect the Group's commitments and guarantees, potentially increasing liquidity needs. This risk – and mitigating actions that might be employed – are assessed on an ongoing basis within the Group's liquidity framework.

The Group regularly analyzes the liquidity of the investment assets and ensures that the liquidity of assets remains in line with liquidity requirements. In 2024, the Group's holdings in illiquid assets were within its capacity.

For more information on debt obligation maturities, see note 17 of the ZIC Group consolidated financial statements, and for information on commitments and guarantees, see note 21 of the ZIC Group consolidated financial statements.

The Group's ongoing liquidity monitoring includes regular reporting to the executive management and quarterly reporting to the Risk and Investment Committee of the Board, covering aspects such as the Group's liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under conditions of stress.

For more information on the ZIC Group's other financial liabilities, see note 15 of the ZIC Group consolidated financial statements. See note 5 of the ZIC Group consolidated financial statements for information on the maturity of debt securities.

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty during the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 21 of the ZIC Group consolidated financial statements for more information.

Strategic risk and risks to the Group's reputation

Strategic risk

Zurich defines strategy as the long-term plan of action designed to position the Group to achieve its goals and aspirations, aligned with Zurich's purpose and values. Strategic risk is defined as the risk that the strategy, or parts of it, may become sub-optimal or unachievable. Strategic risks can arise from:

- Internal triggers, such as inadequate risk-reward assessments of strategic plans or changes to underlying assumptions.
- External triggers, including macroeconomic or geopolitical events or trends, regulatory or legal changes, or developments in the competitive landscape.

The Group manages risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. As part of the annual assessment of strategic risks, the Executive Committee (ExCo) assesses potential risks from both external and internal factors, looking at the current year and beyond. The ExCo members define appropriate response actions and review the status of these actions, along with changes to key risks, at least quarterly.

The Group evaluates the risks of mergers and acquisitions (M&A) transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to integrating acquired businesses.

Risks to the Group's reputation (unaudited)

Many factors can affect Zurich's reputation including the Group's market conduct, relationship with customers, brand image, workplace culture, corporate strategy, underwriting practices, marketing efforts, claims handling, corporate responsibility, regulatory compliance, financial performance, communications, and crisis management.

Every risk type has potential consequences for Zurich's reputation. Effectively managing these risks supports the prevention of adverse reputational outcomes.

The Group aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of the Group's code of conduct, which promote integrity and good business practice. The Group centrally manages certain aspects of risk to reputation, for example, communications, through functions with the appropriate expertise. Potential risks to Zurich's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

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Financial overview

Contents

The information contained within the financial overview is unaudited and is based on the consolidated results of Zurich Insurance Company Ltd and its subsidiaries (collectively, the Zurich Insurance Company Group or ZIC Group) for the years ended December 31, 2024 and 2023. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the 2024 Annual Results of the ZIC Group and in particular with its consolidated financial statements for the year ended December 31, 2024.

In addition to the figures stated in accordance with IFRS Accounting Standards, the ZIC Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 26 (table 26.4) of the audited consolidated financial statements for the years ended December 31, 2024.

Financial overview (continued)

Financial highlights

in USD millions, for the years ended December 31	2024	2023	Change[1]
Business operating profit	**7,593**	7,286	4%
Net income attributable to shareholders	**5,883**	4,270	38%
P&C business operating profit	**4,204**	3,893	8%
P&C insurance revenue	**44,792**	42,293	6%
P&C combined ratio	**94.2%**	94.5%	0.2 pts
Life business operating profit	**2,235**	2,060	8%
Life contractual service margin (CSM)[2]	**11,657**	11,526	1%
Life present value of new business premiums (PVNBP)[3]	**16,891**	16,384	3%
Life new business CSM (NB CSM)[2]	**1,094**	1,037	5%
Life new business margin (as % of PVNBP)[4]	**6.5%**	6.3%	0.1 pts
Farmers business operating profit	**2,187**	2,195	(0%)
Managed gross earned premium margin	**7.0%**	7.0%	(0.0 pts)
Average Group investments[5]	**149,550**	144,480	4%
Net investment result on Group investments[5]	**6,997**	4,620	51%
Net investment return on Group investments[5,6]	**4.7%**	3.2%	1.5 pts
Total return on Group investments[5,6]	**4.4%**	6.2%	(1.7 pts)
Shareholders' equity	**25,590**	25,329	1%
Swiss Solvency Test ratio[7]	**252%**	232%	20 pts
Return on common shareholders' equity (ROE)[8]	**25.3%**	17.6%	7.7 pts
Core ROE[8]	**24.6%**	22.6%	2.0 pts

1 Parentheses around numbers represent an adverse variance.
2 CSM is net of external reinsurance and before the effect of non-controlling interests.
3 Present value of new business premiums (PVNBP) is gross of reinsurance and before the effect of non-controlling interests.
4 Calculated as new business CSM divided by PVNBP.
5 Including investment cash and derivatives.
6 Calculated on average Group investments.
7 Estimated Swiss Solvency Test (SST) ratio as of December 31, 2024, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of December 31 has to be filed with FINMA by end of April in the subsequent year and is subject to review by FINMA.
8 Shareholders' equity used to determine NIAS and Core ROE is adjusted for net unrealized gains/(losses). Core ROE previously referred to as BOPAT ROE.

Overall, ZIC Group business operating profit (BOP) increased 4 percent to USD 7.6 billion in 2024, driven by strong momentum in all areas of the business.

Net income attributable to shareholders (NIAS) increased 38 percent in 2024, mainly due to the strong increase in BOP and higher net capital gains.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31	Total		
	2024	2023	Change
Insurance revenue	44,792	42,293	6%
Insurance service result	3,500	3,186	10%
Net investment result	1,539	1,529	1%
Fee result	98	115	(15%)
Other result	(779)	(807)	3%
Business operating profit	**4,204**	**3,893**	**8%**
Loss ratio	65.6%	66.2%	0.6 pts
Expense ratio	28.6%	28.3%	(0.4 pts)
Combined ratio	**94.2%**	**94.5%**	**0.2 pts**

Insurance revenue in Property & Casualty (P&C) for the year ended December 31, 2024 increased 6 percent, benefiting from growth across all regions.

The insurance service result increased USD 315 million compared with the prior year, driven by higher insurance revenue and a lower combined ratio.

The net investment result for 2024 increased USD 10 million compared with the prior year, mainly driven by additional investment income of USD 312 million above prior year levels due to higher yields as well as higher realized capital gains of USD 44 million coming from the ZIC Group's hedge fund portfolio. This was partially offset by higher insurance finance expenses of USD 346 million compared with the previous year due to an increase in the unwind of discount expenses.

The contribution of the fee and other result increased by USD 10 million in 2024 compared with the prior year.

Business operating profit increased 8 percent to USD 4.2 billion for the year ended 2024 compared with the prior year, driven by a strong performance in EMEA which was partially offset by higher catastrophe losses in North America.

The combined ratio of 94.2 percent in 2024 decreased 0.2 percentage points compared with the prior year. The loss ratio improved by 0.6 percentage points to 65.6 percent, mainly driven by improvement in the underlying loss experience. The expense ratio of 28.6 percent in 2024 was 0.4 percentage points higher than the previous year, mainly driven by an increase in commission expenses.

BOP by segment

in USD millions, for the years ended December 31	Business operating profit (BOP)		
	2024	2023	Change
Europe, Middle East & Africa (EMEA)	1,487	816	82%
North America	2,313	2,647	(13%)
Asia Pacific	343	290	18%
Latin America	223	181	23%
Group Reinsurance	(162)	(42)	nm
Total	**4,204**	**3,893**	**8%**

Operating update (continued)

EMEA business operating profit increased USD 672 million compared with the prior year, mainly due to premium growth, a strong Retail recovery and an improved investment result.

North America business operating profit for 2024 decreased 13 percent or USD 334 million compared with the prior year mainly due to higher catastrophe losses of approximately USD 400 million.

Asia Pacific business operating profit for 2024 was 18 percent above the prior year, mainly driven by higher premiums, a more favorable loss experience and increased investment income.

Latin America business operating profit for 2024 was up 23 percent compared with the prior year due to premium growth and an improved combined ratio.

Combined ratio

in %, for the years ended December 31	Combined ratio		
	2024	2023	Change
Europe, Middle East & Africa (EMEA)	95.5%	98.0%	2.5 pts
North America	92.8%	91.5%	(1.3 pts)
Asia Pacific	92.9%	93.6%	0.7 pts
Latin America	95.1%	96.3%	1.1 pts
Group Reinsurance			
Total	**94.2%**	**94.5%**	**0.2 pts**

In EMEA, the combined ratio improved 2.5 percentage points compared with the prior year, driven by lower levels of catastrophe losses compared to the previous year.

In North America, the combined ratio deteriorated 1.3 percentage points compared with the prior year, mainly due to an increase in the catastrophe loss ratio.

The Asia Pacific combined ratio improved 0.7 percentage points compared with the prior year where an overall improvement in the loss ratio was partially offset by higher commission expenses.

The Latin America combined ratio improved 1.1 percentage points compared with the prior year, as the result benefited from lower losses and expenses.

Operating update (continued)

Life

in USD millions, for the years ended December 31	2024	2023	Change
Insurance service result	2,409	2,281	6%
Net investment result	604	592	2%
Fee result	306	256	20%
Business operating profit	**2,235**	**2,060**	**8%**
Assets under management[1]	278,600	259,476	7%
Contractual service margin	11,657	11,526	1%

1 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

In 2024, the ZIC Group's Life business generated a business operating profit of USD 2.2 billion, 8 percent higher compared with the prior year, driven by underlying growth and favorable experience.

Assets under management (AuM) increased 7 percent in 2024 to USD 278.6 billion, driven by favorable market movements and net inflows.

The contractual service margin (CSM) increased 1 percent to USD 11.7 billion on a reported basis in 2024, with improvements coming from model refinements and economic variances, which benefited from favorable market movements, as well as new business added in 2024, offset by amortization and an unfavorable impact of foreign currency movements.

BOP by segment

in USD millions, for the years ended December 31	2024	2023	Change
Europe, Middle East & Africa (EMEA)	1,575	1,268	24%
North America	57	108	(47%)
Asia Pacific	243	275	(12%)
Latin America	357	404	(12%)
Group Reinsurance	3	5	(49%)
Total	**2,235**	**2,060**	**8%**

In EMEA, business operating profit of USD 1.6 billion was 24 percent higher compared with the prior year, driven by the strong performance of fee businesses, primarily from Ireland and Switzerland, and a strong contribution from protection, as well as non-recurring impacts driven by reserve releases and the non-completion of the disposal of a legacy back book in Germany.

In North America, business operating profit decreased by USD 50 million to USD 57 million, with the impact of improved mortality experience more than offset by a less favorable impact from assumption updates.

In Asia Pacific, business operating profit decreased 12 percent to USD 243 million, mainly driven by a favorable non-recurring impact from re-pricing actions in Australia in the prior year.

In Latin America, business operating profit decreased 12 percent compared with the prior year, with growth in the technical result of short-term protection offset by a lower investment result and the impacts of inflation and currency depreciation in Argentina.

Operating update (continued)

NB CSM, PVNBP and NBM by Segment[1]

in USD millions, for the years ended December 31	Present value of new business premiums (PVNBP)[2]		New business contractual service margin (NB CSM)[3]		New business margin (as % of PVNBP) (NBM)[4]	
	2024	2023	**2024**	2023	**2024**	2023
Europe, Middle East & Africa (EMEA)	8,605	8,818	643	600	7.5%	6.8%
North America	694	333	19	7	2.5%	(1.1%)
Asia Pacific	2,779	2,939	319	326	11.5%	11.1%
Latin America	4,828	4,296	112	105	2.3%	2.4%
Total	**16,891**	**16,384**	**1,094**	**1,037**	**6.5%**	**6.3%**

1 For long-term life insurance contracts. Does not include short-term life insurance contracts, which are accounted for with premium allocation approach (PAA), or investment contracts, which are accounted for with IFRS 9.
2 Present value of new business premiums (PVNBP) is gross of reinsurance and before the effect of non-controlling interests.
3 New business CSM is net of external reinsurance and before the effect of non-controlling interests.
4 Calculated as new business CSM divided by PVNBP.

Present value of new business premiums (PVNBP) increased 3 percent on a reported basis and 5 percent on a like-for-like basis (adjusting for currency movements, reclassifications and excluding Argentina which was impacted by inflation and currency depreciation), driven by growth in protection and unit-linked business.

In EMEA, PVNBP decreased 3 percent on a like-for-like basis. The reduction was driven by lower sales in retail savings, which reflect exceptional sales volumes in Spain in the prior year period. This was mostly offset by higher sales of protection and unit-linked products.

In North America, PVNBP more than doubled from a low base, benefiting from large corporate contracts.

In Asia Pacific, PVNBP was 2 percent lower on a like-for-like basis compared with the prior year, which benefited from large corporate schemes in Australia.

In Latin America, PVNBP was 19 percent higher on a like-for-like basis compared with the prior year, driven by strong sales of unit-linked pension products.

New business written in 2024 added USD 1.1 billion, 5 percent more than in the prior year on a like-for-like basis, reflecting sales growth and a slightly improved new business margin of 6.5 percent (compared with 6.3 percent in 2023) mainly due to a more favorable business mix.

PVNBP and NB CSM do not include short-term life insurance and investment contracts, which are accounted for under the premium allocation approach (PAA) and IFRS 9, respectively. Insurance revenues from short-term life insurance, which is mainly related to protection business in Latin America, grew 7 percent on a like-for-like basis. Fee revenues for investment contracts, which are mainly written in EMEA, grew 10 percent on a like-for-like basis compared with the prior year, benefiting from higher assets under management.

Operating update (continued)

Farmers

in USD millions, for the years ended December 31	**2024**	2023	Change
Farmers Management Services (FMS)	1,978	1,879	5%
Farmers Re	190	116	64%
Farmers Life	19	200	(91%)
Total business operating profit	**2,187**	**2,195**	**–**

Farmers Management Services (FMS) business operating profit increased 5 percent compared with the prior year, driven by the higher gross earned premium base of the Farmers Exchanges and from the brokerage entities which were acquired in December 2023. The managed gross earned premium margin was 7 percent, consistent with the prior year.

Farmers Re reported a business operating profit of USD 192 million for 2024, due to improved underwriting results at the Farmers Exchanges and a higher reinsurance participation percentage of 10.0 percent, compared with 8.5 percent in the prior year, as well as higher interest income.

Farmers Life business operating profit was USD 189 million lower than the prior year and reflected the reinsurance agreement to cede its individual life in-force book to Resolution Life which was completed in August 2023.

Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group, and certain of its subsidiaries, provide certain non-claims and ancillary services to the Farmers Exchanges as their attorney-in-fact and receive fees for their services.

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the years ended December 31	**2024**	2023	Change
Gross written premiums	28,371	27,351	4%
Gross earned premiums	28,004	26,702	5%

The Farmers Exchanges reported growth in gross written premiums of 4 percent in 2024, reflecting growth in most books of business. Gross earned premiums increased 5 percent over the same period.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	**2024**	2023	Change
Holding and Financing	(486)	(471)	(3%)
Headquarters	(425)	(325)	(31%)
Zurich Global Ventures[1]	(20)	(29)	32%
Total business operating profit	**(931)**	**(825)**	**(13%)**

1 Includes only central initiatives.

Group Functions and Operations reported net expenses of USD 931 million for 2024, a 13 percent increase compared with the prior year.

Non-Core Businesses

in USD millions, for the years ended December 31	**2024**	2023	Change
Zurich Legacy Solutions	(53)	4	nm
Other run-off	(49)	(41)	(18%)
Total business operating profit	**(102)**	**(37)**	**nm**

The ZIC Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 102 million for 2024, compared with a loss of USD 37 million in 2023. The higher operating loss in 2024 includes losses from reinsurance on certain run-off portfolios.

Consolidated financial statements

Contents

Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2024	2023
Insurance revenue	9	59,507	56,099
Insurance service expense		(50,456)	(47,422)
Net expenses from reinsurance contracts held		(3,031)	(2,981)
Insurance service result		6,020	5,696
Net investment income on Group investments		5,729	5,387
Net capital gains/(losses) on Group investments		1,268	(767)
Net investment result on Group investments	5	6,997	4,620
Net investment result on unit-linked investments		16,384	14,191
Change in liabilities for investment contracts and other funds		(8,112)	(6,378)
Re-/insurance finance income/(expenses)		(12,244)	(10,963)
Net investment result		3,024	1,470
Fee income	10	6,011	5,885
Fee business expenses	10	(3,575)	(3,583)
Fee result		2,436	2,303
Other revenues		363	221
Net gains/(losses) on divestment of businesses	4	114	(104)
Interest expense on debt		(453)	(473)
Other expenses	11	(2,913)	(2,688)
Other result		(2,890)	(3,044)
Net income before income taxes		8,590	6,425
of which: Attributable to non-controlling interests		661	612
Income tax (expense)/benefit	16	(2,243)	(1,725)
attributable to policyholders		(179)	(172)
attributable to shareholders		(2,064)	(1,552)
of which: Attributable to non-controlling interests		(198)	(182)
Net income after taxes		**6,347**	**4,700**
attributable to non-controlling interests		464	430
attributable to shareholders		5,883	4,270

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31

	Net income attributable to shareholders	Net unreal. gains/ (losses) on financial assets	Change in discount rate for insurance/ reinsurance contracts	Change in fair value of underlying items through OCI	Cumulative foreign currency translation adjustment
2023					
Comprehensive income for the period	4,270	2,966	(977)	(1,250)	(693)
Details of movements during the period					
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,950	(1,401)	(1,631)	(705)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		1,289	–	–	11
Reclassification to retained earnings		–	–	–	–
Income tax (before foreign currency translation effects)		(1,106)	309	335	–
Foreign currency translation effects		(168)	116	46	
2024					
Comprehensive income for the period	5,883	(144)	82	104	(1,020)
Details of movements during the period			–	–	
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,031)	271	299	(1,019)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		390	–	–	(1)
Reclassification to retained earnings		–	–	–	–
Income tax (before foreign currency translation effects)		309	(67)	(104)	–
Foreign currency translation effects		188	(123)	(91)	–

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	45	(18)	(447)	(464)	(419)	3,851	459	4,310
	(787)	(18)	(464)	(482)	(1,269)			
	1,301	–	–	–	1,301			
	–	(5)	–	(5)	(5)			
	(462)	6	120	126	(336)			
	(6)	–	(103)	(103)	(109)			
	(978)	(1)	367	366	(612)	5,271	284	5,556
	(1,480)	(0)	394	394	(1,086)			
	389	–	–	–	389			
	–	(1)	–	(1)	(1)			
	139	0	(95)	(95)	44			
	(26)	–	68	68	42			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	2024	2023
Assets			
Cash and cash equivalents		**6,762**	**7,273**
Total Group investments	5	153,661	142,200
Equity securities		15,280	14,452
Debt securities		118,415	105,924
Investment property		11,734	13,684
Mortgage loans		4,047	4,324
Other financial assets		4,039	3,682
Investments in associates and joint ventures		146	135
Investments for unit-linked contracts		148,535	141,144
Total investments		**302,196**	**283,344**
Insurance contract assets	7	768	580
Reinsurance contract assets	7	21,450	21,942
Receivables and other assets	14	11,712	10,385
Deferred tax assets	16	1,703	1,700
Assets held for sale[1]	4	1,203	23,758
Property and equipment	12	1,867	2,091
Attorney-in-fact contracts	13	2,650	2,650
Goodwill	13	4,805	4,541
Other intangible assets	13	3,977	4,337
Total assets		**359,093**	**362,601**

1 As of December 31, 2024, the ZIC Group had USD 1.2 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4). In 2023, the ZIC Group had USD 23.8 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of December 31	Notes	2024	2023
Liabilities			
Liabilities for investment contracts	8	66,507	60,270
Insurance contract liabilities	7	230,479	216,962
Reinsurance contract liabilities	7	437	504
Obligation to repurchase securities		1,123	796
Other liabilities[1]	15	16,699	17,096
Deferred tax liabilities	16	2,446	2,300
Liabilities held for sale[2]	4	1,162	23,860
Senior debt	17	4,030	5,202
Subordinated debt	17	8,871	8,559
Total liabilities		**331,754**	**335,549**
Equity			
Share capital	18	660	660
Additional paid-in capital	18	11,761	11,761
Net unreal. gains/(losses) on financial assets		(4,450)	(4,306)
Change in discount rate for (re)insurance contract		4,369	4,288
Change in fair value of underlying items		1,157	1,053
Cumulative foreign currency translation adjustment		(9,585)	(8,946)
Revaluation reserves		254	254
Retained earnings		21,425	20,566
Shareholders' equity		25,590	25,329
Non-controlling interests		1,749	1,724
Total equity		**27,339**	**27,052**
Total liabilities and equity		**359,093**	**362,601**

1 Includes restructuring provisions, litigation and regulatory provisions (see note 15) and other provisions.
2 As of December 31, 2024, the ZIC Group had USD 1.2 billion of liabilities held for sale based on agreements signed sell portfolios of Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4). In 2023, the ZIC Group had USD 23.9 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the years ended December 31	2024	2023
Cash flows from operating activities		
Net income attributable to shareholders	5,883	4,270
Adjustments for:		
Net (gains)/losses on divestment of businesses	(114)	104
(Income)/expense from equity method accounted investments	3	(2)
Depreciation, amortization and impairments of fixed and intangible assets	911	852
Other non-cash items	33	39
Underwriting activities:	16,983	11,101
Net changes in insurance contracts assets/liabilities	7,352	5,063
Net changes in reinsurance contracts assets/liabilities	217	(1,357)
Net changes in liabilities for investment contracts	9,414	7,395
Investments:	(16,749)	(5,242)
Net capital (gains)/losses on total investments	(16,479)	(12,316)
Net changes in derivatives	63	(56)
Net changes in money market investments	(1,252)	(429)
Sales and maturities		
Debt securities	75,237	63,555
Equity securities	68,566	53,763
Other	4,679	9,044
Purchases		
Debt securities	(76,490)	(60,812)
Equity securities	(67,662)	(52,493)
Other	(3,412)	(5,498)
Net changes in sale and repurchase agreements	395	(355)
Net changes in receivables and payables	(448)	(797)
Net changes in other operational assets and liabilities	424	(2,451)
Net changes in deferred tax assets and liabilities	278	(209)
Net cash provided by/(used in) operating activities	7,599	7,311

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the years ended December 31	**2024**	2023
Cash flows from investing activities		
Additions to tangible and intangible assets	(370)	(418)
Disposals of tangible and intangible assets	9	57
(Acquisitions)/disposals of equity method accounted investments, net	(85)	(39)
Acquisitions of companies, net of cash acquired	(1,078)	(734)
Divestments of companies, net of cash divested	115	–
Dividends from equity method accounted investments	5	2
Net cash provided by/(used in) investing activities	(1,404)	(1,132)
Cash flows from financing activities		
Dividends paid	(5,770)	(6,105)
Net movement in treasury shares	–	–
Issuance of debt	738	556
Repayment of debt	(1,129)	(1,202)
Lease principal repayments	(207)	(211)
Net cash provided by/(used in) financing activities	(6,368)	(6,962)
Foreign currency translation effects on cash and cash equivalents	(382)	278
Change in cash and cash equivalents[1]	(554)	(505)
Cash and cash equivalents as of January 1	7,638	8,143
Cash and cash equivalents as of December 31	**7,084**	**7,638**
of which: Cash and cash equivalents	6,762	7,273
of which: Unit-linked[2]	322	365
Other supplementary cash flow disclosures[3]		
Other interest income received	5,119	5,004
Dividend income received	1,240	1,164
Other interest expense paid	(521)	(551)
Income taxes paid	(1,684)	(1,644)

1 Includes USD 0 million and USD 56 million as of December 31, 2024 and 2023, respectively, of cash and cash equivalents reclassified to assets held for sale (see note 4), which has been recognized in net changes in other operational assets and liabilities.
2 These amounts are included within 'Investments for unit-linked contracts' on the balance sheet.
3 These amounts are primarily included in the operating activities of the cash flow statement.

Cash and cash equivalents

in USD millions, as of December 31	**2024**	2023
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	5,720	6,553
Cash equivalents	1,364	1,085
Total	**7,084**	**7,638**

For the periods ended December 31, 2024 and 2023, cash and cash equivalents held to meet local regulatory requirements were USD 305 million and USD 373 million, respectively.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital	Net unreal. gains/(losses) on financial assets
Balance as of December 31, 2022 after the adoption of IFRS 17	660	11,761	(7,775)
Effect of adoption IFRS 9[1]	–	–	503
Effect of adoption IAS 29 and restatement under IFRIC 7[2]	–	–	–
Balance as of January 1, 2023 after the adoption of IFRS 9, IAS 29 and restatement under IFRIC 7	660	11,761	(7,272)
Issuance of share capital	–	–	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	–	–
Treasury share transactions	–	–	–
of which: share buy-back program	–	–	–
Cumulative foreign currency translation adj. hyperinflation	–	–	–
Reclassification from revaluation reserves	–	–	–
Total comprehensive income for the period, net of tax	–	–	2,966
Net income	–	–	–
Net unreal. gains/(losses) on financial assets	–	–	2,966
Change in discount rate for insurance/reinsurance contracts	–	–	–
Change in fair value of underlying items through OCI	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2023	660	11,761	(4,306)
Balance as of December 31, 2023 as previously reported	660	11,761	(4,306)
Issuance of share capital	–	–	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	–	–
Treasury share transactions	–	–	–
of which: share buy-back program	–	–	–
Cumulative foreign currency translation adj. hyperinflation	–	–	–
Reclassification from revaluation reserves	–	–	–
Total comprehensive income for the period, net of tax	–	–	(144)
Net income	–	–	–
Net unreal. gains/(losses) on financial assets	–	–	(144)
Change in discount rate for insurance/reinsurance contracts	–	–	–
Change in fair value of underlying items through OCI	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2024	**660**	**11,761**	**(4,450)**

1 Impacts to retained earnings include the impact of deferred tax revaluations of USD 6 million, and exclude the effect of USD 522 million related to the overlay approach applied in 2022 for presentation of the comparative period balances for certain financial assets backing direct participating insurance contracts.
2 Effect of adoption of IAS 29 'Financial Reporting in Hyperinflation Economies' and restatement under IFRIC 7 in Turkey.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Change in discount rate for insurance/ reinsurance contracts	Change in fair value of underlying items through OCI	Cumulative foreign currency translation adjustment	Revaluation reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
5,264	2,041	(8,846)	272	22,927	26,304	1,549	27,853
–	262	–	–	(391)	374	2	376
–	–	226	–	(86)	139	–	139
5,264	2,303	(8,621)	272	22,450	26,817	1,552	28,369
–	–	–	–	–	–	–	–
–	–	–	–	(5,796)	(5,796)	(309)	(6,105)
–	–	–	–	115	115	–	115
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	368	–	(31)	336	22	358
–	–	–	–	5	5	–	5
(977)	(1,250)	(693)	(18)	3,823	3,851	459	4,310
–	–	–	–	4,270	4,270		
–	–	–	–	–	2,966		
(977)	–	–	–	–	(977)		
–	(1,250)	–	–	–	(1,250)		
–	–	(693)	–	–	(693)		
–	–	–	(18)	–	(18)		
–	–	–	–	(447)	(447)		
–	–	–	–	–	–	–	–
4,288	1,053	(8,946)	254	20,566	25,329	1,724	27,052
4,288	1,053	(8,946)	254	20,566	25,329	1,724	27,052
–	–	–	–	–	–	–	–
–	–	–	–	(5,364)	(5,364)	(406)	(5,770)
–	–	–	–	(73)	(73)	–	(73)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	382	–	44	426	30	456
–	–	–	–	1	1	–	1
82	104	(1,020)	(1)	6,251	5,271	284	5,556
–	–	–	–	5,883	5,883		
–	–	–	–	–	(144)		
82	–	–	–	–	82		
–	104	–	–	–	104		
–	–	(1,020)	–	–	(1,020)		
–	–	–	(1)	–	(1)		
–	–	–	–	367	367		
–	–	–	–	–	–	117	117
4,369	**1,157**	**(9,585)**	**254**	**21,425**	**25,590**	**1,749**	**27,339**

Consolidated financial statements (continued)

Zurich Insurance Company Ltd (ZIC) and its subsidiaries (collectively the Zurich Insurance Company Group or ZIC Group) is a provider of insurance products and related services. The ZIC Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Company Ltd is incorporated in Zurich, Switzerland. The registered office address is Mythenquai 2, 8002 Zurich, Switzerland. Zurich Insurance Company Ltd is a wholly owned subsidiary of Zurich Insurance Group Ltd and together with its subsidiaries forms part of the Zurich Insurance Group (collectively, the Group).

On March 19, 2025, the Board of Directors of Zurich Insurance Company Ltd authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 9, 2025.

1. Basis of presentation

General information

The consolidated financial statements of the ZIC Group have been prepared in accordance with IFRS Accounting Standards and comply with Swiss Law. The accounting policies used to prepare the consolidated financial statements comply with IFRS Accounting Standards, including the adoption and implementation of new accounting standards and amendments for the financial year beginning January 1, 2024 as set out in note 2.

The accounting policies applied by the reportable segments are the same as those applied by the ZIC Group. The ZIC Group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices. Dividends and realized capital gains and losses, as well as gains and losses on the transfer of net assets, are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the consolidated financial statements, intersegment revenues and transfers are eliminated.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance and reinsurance contract assets and liabilities, investment valuations, interest rates and other factors. For more information about significant judgments applied, please see note 3.

All amounts in the consolidated financial statements, unless otherwise stated, are shown in U.S. dollars rounded to the nearest million, 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 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, goodwill, attorney-in-fact contracts, 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.

Effective January 2, 2024, the registered head office of Zurich Insurance plc (ZIP) was moved from Dublin, Ireland to Frankfurt, Germany by means of a cross-border conversion under the European Directive on cross-border conversions, mergers and divisions. While ZIP has converted to a German AG known as Zurich Insurance Europe AG (ZIE), it has preserved its legal personality in the conversion (i.e., no transfer of assets, dissolution or winding up were involved in this move).

Capital management and the effect of regulatory frameworks

The ZIC Group manages capital to maximize long-term value while meeting regulatory, solvency and rating agency requirements. The ZIC Group's capital management framework forms the basis for actively managing capital using a number of different capital models, taking into account economic, regulatory and rating agency constraints. The ZIC Group's capital and solvency position is monitored and regularly reported to the Executive Committee and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification. The ZIC Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy, which is carried out by Group Treasury and Capital Management.

Consolidated financial statements (continued)

The ZIC Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth activities. Such activities include paying and receiving dividends, capital repayments, share buybacks, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The ZIC Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the ZIC Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the ZIC Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements. In addition, the ZIC Group is subject to minimum capital requirements in Switzerland.

Principle exchange and discount rates

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (153) million and USD (99) million for the years ended December 31, 2024 and 2023, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 370 million and USD (226) million for the years ended December 31, 2024 and 2023, respectively.

Table 1.1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	12/31/2024	12/31/2023	**12/31/2024**	12/31/2023
Euro	1.0353	1.1053	1.0821	1.0813
Swiss franc	1.1035	1.1874	1.1365	1.1132
British pound	1.2520	1.2737	1.2781	1.2434
Brazilian real	0.1619	0.2059	0.1865	0.2003
Australian dollar	0.6189	0.6817	0.6599	0.6644
Japanese yen	0.0064	0.0071	0.0066	0.0071

Tables 1.2 and 1.3 summarize the closing discount rates used for ZIC Group's most relevant insurance portfolios in the measurement of the (re-)insurance contract assets and liabilities as of December 31, 2024 and 2023, by major currency:

Table 1.2

Discount rates by major currency – liquid products

as of December 31	**2024**				2023			
	U.S. dollar	**Swiss franc**	**Euro**	**British pound**	U.S. dollar	Swiss franc	Euro	British pound
1 year	4.18%	0.05%	2.24%	4.46%	4.76%	1.17%	3.36%	4.73%
5 years	4.02%	0.17%	2.14%	4.04%	3.50%	1.05%	2.32%	3.35%
10 years	4.07%	0.38%	2.27%	4.07%	3.45%	1.16%	2.39%	3.28%
20 years	4.10%	0.89%	2.26%	4.30%	3.46%	1.49%	2.41%	3.43%
40 years	3.65%	1.46%	2.54%	4.03%	3.18%	1.86%	2.69%	3.16%

Table 1.3

Discount rates by major currency – more illiquid products

as of December 31	**2024**				2023			
	U.S. dollar	**Swiss franc**	**Euro**	**British pound**	U.S. dollar	Swiss franc	Euro	British pound
1 year	4.55%	0.50%	2.48%	4.70%	5.23%	1.53%	3.55%	5.03%
5 years	4.39%	0.62%	2.38%	4.28%	3.97%	1.41%	2.51%	3.65%
10 years	4.44%	0.83%	2.51%	4.31%	3.92%	1.52%	2.58%	3.58%
20 years	4.47%	1.32%	2.50%	4.54%	3.93%	1.83%	2.60%	3.73%
40 years	3.99%	1.75%	2.70%	4.27%	3.60%	2.09%	2.82%	3.46%

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early adopted as of January 1, 2024 and relevant for the ZIC Group's operations

Table 2.1 shows new accounting standards or amendments to, and interpretations of, standards relevant to the ZIC Group that have been implemented for the financial year beginning January 1, 2024, with no material impact on the ZIC Group's consolidated financial statements.

Table 2.1

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

Standards, amendments and interpretations issued that are not yet effective or adopted by the ZIC Group

Table 2.2 shows new accounting standards or amendments to, and interpretations of, standards relevant to the ZIC Group, which are not yet effective or adopted by the ZIC Group. These standards, amendments and interpretations are not expected to have a material impact on the ZIC Group's financial position or performance. Furthermore, amendments resulting from the annual improvements Volume 11 will have no material impact on the ZIC Group's financial statements.

Table 2.2

Standard/ Interpretation		Effective date
New standards/interpretations		
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amended standards		
IAS 21	Lack of Exchangeability	January 1, 2025
IFRS 9/IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 9/IFRS 7	Contracts Referencing Nature-dependent Electricity	January 1, 2026

3. Summary of material accounting policies and critical accounting estimates and judgments

Material accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Other accounting policies are presented as part of the respective note disclosures.

Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management.

Such critical accounting estimates are of significance to consolidation principles, measurement of insurance contracts issued and reinsurance contracts held, the determination of fair value for financial assets and liabilities, expected credit losses, impairment of goodwill and attorney-in-fact contracts, employee benefits and deferred taxes.

a) Consolidation principles

The ZIC Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Company Ltd and its subsidiaries. A subsidiary is an entity that Zurich Insurance Company Ltd either directly or indirectly controls. Generally, control is achieved by holding the majority of the voting rights which allows the ZIC Group to control relevant activities of the subsidiary. The ZIC Group may hold significant interests in investment entities, where the voting rights are not the dominant factor of control. To the extent the ZIC Group is involved in the design and has significant exposure to the risks and variable returns from such investment entities, the ZIC Group is deemed to have control and consolidates such investment entities. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition or from the date on which control is obtained. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All intra-Group balances, profits and transactions are eliminated.

Changes in ownership interests in a subsidiary that do not result in a change in control are recorded within equity.

Non-controlling interests are shown separately in equity, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in equity.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases, information is included with a time lag of up to three months. The impact on the ZIC Group's consolidated financial statements is not material.

Critical accounting estimates and judgments

Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group, and certain of its subsidiaries, provide certain non-claims and ancillary services to the Farmers Exchanges as their attorney-in-fact and receive fees for their services (see section g) for details). Farmers Exchanges are owned by their policyholders and directed by the Board of Governors. The Group does not consolidate the Farmers Exchanges as the Group does not have control over the relevant activities of the Farmers Exchanges.

b) Foreign currency translation and transactions

Foreign currency translation

Due to the ZIC Group's economic exposure to the U.S. dollar (USD), the presentation currency of the ZIC Group's consolidated financial statements is the U.S. dollar. Many ZIC Group companies have a different functional currency, being that of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements, statements of comprehensive income and statements of cash flows are translated at average exchange rates for the period. The resulting foreign currency translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustments (CTA). The functional currency of the ZIC Group corresponds to the functional currency of the ultimate parent, Zurich Insurance Company Ltd, which is the Swiss franc (CHF).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items that are carried at fair value are translated at end-of-period exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

- Foreign currency translation differences that are recognized in OCI in conjunction with the recognition of unrealized gains or losses on debt securities held to collect contractual cash flows and for sale, changes in the discount rate for insurance contracts and reinsurance contracts held, and changes in the fair value of underlying items for insurance contracts; and
- Foreign currency translation differences arising on monetary items that form part of net investments in foreign operations, as well as foreign currency translation differences arising from monetary items that are designated as hedging instruments in a qualifying net investment hedge relationship, are included directly in OCI as CTA.

Hyperinflation

The ZIC Group 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 restated financial statements of a foreign operation are translated into the ZIC Group's presentation currency at closing rates. Any translation adjustment resulting from initial application of the hyperinflationary accounting is recognized directly in equity. The ZIC Group applies hyperinflationary accounting to its foreign operations with the functional currency of Argentinian peso (from January 1, 2019) and Turkish lira (from January 1, 2023).

c) Insurance contracts issued and reinsurance contracts held

Scope

The ZIC Group applies accounting policies outlined in this section to insurance contracts issued that transfer significant insurance risk from policyholders or other insurance companies to the ZIC Group and reinsurance contracts held that transfer significant insurance risk from the ZIC Group to third-party reinsurers. The significant insurance risk transfer is determined by comparing the present value of benefits payable if an insured event occurred with the present value of benefits payable if the insured event did not occur. This assessment is made on a contract-by-contract basis at initial recognition and not subsequently reassessed unless the contract has been modified (see below). Investment contracts with discretionary participation features (DPF) are accounted for as insurance contracts if the reporting entity also issues insurance contracts. Furthermore, financial guarantee contracts and certain fixed-fee service contracts (e.g., roadside assistance) issued by the insurance entities in the normal course of business are also accounted for as insurance contracts.

Separating components

The ZIC Group assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain any of the following components which need to be separated and accounted for under another IFRS Accounting Standard:

- Derivatives embedded in insurance contracts where the economic characteristics and risks of the derivative contract are not closely related to those of the host contract, and a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- Investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction are accounted for as investment contracts; or
- Distinct service components, such as unattached risk engineering service contracts, claims handling service contracts provided to policyholders within their layer of risk retention or captive fronting services, are accounted for as service contracts.

Level of aggregation

Generally, a single contract is the smallest unit of account. However, under certain circumstances, a single contract contains components that are separated and treated as if they were stand-alone contracts, provided the criteria below are fulfilled:

- The insurance components are priced separately and are, or could be, sold separately in the same jurisdiction;
- The substance of the contract to be separated is the same as issuing multiple separate contracts; or
- There is no interdependency between the different risks covered and a lapse or cancellation of one insurance component does not cause a lapse or cancellation of another insurance component.

Similarly, for insurance and reinsurance contracts entered into with the same counterparty, the ZIC Group makes an evaluation of whether they are designed to achieve an overall commercial effect and therefore need to be combined and treated as one contract. The ZIC Group combines certain captive arrangements, where the policyholder and the captive reinsurer are the same counterparty, that are designed to achieve an overall commercial effect, which results in the net retention by the ZIC Group presented both on balance sheet and in profit or loss.

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; (ii) contracts with no significant possibility of becoming onerous, if any; and (iii) remaining contracts, if any. Depending on the characteristics of the portfolio, an annual cohort may consist of just one group. The ZIC Group 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 ZIC Group.

Initial recognition

The ZIC Group recognizes 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 ZIC Group can compel the policyholder to pay the premiums, or in which the ZIC Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The ZIC Group 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 ZIC Group 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 ZIC Group issues non-life products including a variety of motor, home and commercial products for individuals as well as small and large businesses on both local and global basis predominantly through its Property & Casualty (P&C) operations. The majority of such insurance contracts are short-term and either have a contract boundary of one year or less or qualify for the simplified approach (or the premium allocation approach (PAA)) because the measurement of the liability for remaining coverage under PAA does not deviate significantly from the measurement that would apply under the general model (or the building block approach (BBA)). Therefore, such contracts are measured under PAA. Some non-life entities also issue individual accident and health products with a long-term contract boundary which are accounted for under BBA. The proportion of contracts accounted for under BBA is not material in the context of P&C insurance contract assets and liabilities.

Moreover, the ZIC Group 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 of such insurance contracts are long-term and measured under BBA. Some life entities also issue short-term protection products that fulfill the eligibility criteria and are accounted for under PAA. The proportion of contracts accounted for under PAA is not material in the context of Life insurance contract assets and liabilities. Unit-linked insurance contracts and some traditional savings contracts issued in Switzerland, Germany, Italy, Portugal and Austria include policyholder participation features. Such contracts are classified as direct participating contracts and measured under the variable fee approach (VFA) if, at inception, all of the following criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The ZIC Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The ZIC Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Some participating contracts do not meet the above criteria to be measured under VFA because of either the ZIC Group's discretion over the cash flows to be paid to policyholders (either in their timing or in their amount), or absence of a clearly identifiable pool of underlying items. Those contracts are accounted for under BBA indirect participating and presented as contracts measured under BBA in note 7. Furthermore, the ZIC Group applies BBA indirect participating measurement to certain contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders. For example, BBA indirect participating approach is applied to contracts where contractual cash flows are adjusted for inflation based on a market-observable index of prices or rates.

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 ZIC Group allocates IACF to groups of insurance contracts in a systematic and rational way, differentiating between groups of contracts that have been recognized as of the reporting date and groups of contracts that will be recognized in the future, including expected contract renewals. IACF allocated to groups of insurance contracts not yet recognized as of reporting date are recognized 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 recognized. At each reporting date, the ZIC Group 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 amortized in a systematic way over the coverage period using the same pattern as for insurance revenue recognition. For contracts accounted for under PAA, certain acquisition cash flows are expensed as incurred for contracts where the coverage period of each contract in the group does not exceed one year.

Insurance service expenses

These expenses consist of claims and other insurance service expenses that the ZIC Group incurs to fulfill its obligations toward the policyholders that arise within the contract boundary of the underlying (re-)insurance contracts. They also include amortization 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., costs incurred in connection with future business opportunities) are excluded.

Investment components

Investment components that are not separated based on the requirements outlined above are accounted for as part of the underlying insurance contract. Such investment components, which are treated as non-distinct components, represent amounts that the ZIC Group is required to repay to a policyholder under the terms of the insurance contract in all circumstances, regardless of whether an insured event occurs. For most life products measured under VFA, particularly for unit-linked insurance contracts, the ZIC Group defines the cash surrender value as the non-distinct investment component. Any cash flows related to investment components are excluded from insurance revenue and insurance service expenses.

Measurement under PAA

For non-participating insurance contracts that are eligible for PAA, the measurement of the liability for remaining coverage (unexpired risk) is simplified as compared with the measurement under BBA and is accounted for separately from incurred claims (expired risk).

The liability for remaining coverage (LRC) is measured initially based on the premium received less any payments that relate to eligible IACF. Subsequently, the LRC is reduced by the amount recognized as insurance revenue for services provided in the period less any amortization of IACF recognized as an expense in the period. Insurance revenue is generally recognized on a straight-line basis, unless a different pattern represents a better approximation of the release from risk under the insurance contract. Certain insurance contracts (e.g., extended warranty contracts) may include a significant financing component when the premium from the policyholder is due more than 12 months before the ZIC Group provides insurance coverage. In this case, the LRC is adjusted for the time value of money.

Where facts and circumstances indicate that a group of contracts is onerous at initial recognition, the ZIC Group performs additional analysis to determine if a net outflow is expected. The net outflow is recorded immediately in profit or loss, resulting in the recognition of a loss component for the liability for remaining coverage and the carrying amount of the liability for the group of contracts being equal to the fulfillment cash flows.

Consolidated financial statements (continued)

The liability for incurred claims (LIC) reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows considering all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows. It includes an explicit adjustment for non-financial risk (the risk adjustment, see below). The risk adjustment is recognized as and when the claims are incurred and subsequently released to insurance service expense as the uncertainty associated with the amount and timing of claim payments is resolved.

Generally, the LIC is adjusted for the effect of time value of money and financial risk, unless the respective claims are expected to be paid within one year of being incurred. The ZIC Group selected the accounting policy to disaggregate the movement in the LIC resulting from changes in discount rates and to present this in OCI. The unwind of the discount on the LIC based on locked-in accident year discount rates is presented in profit or loss.

The ZIC Group accounts for premiums collected from the policyholders by intermediaries as future cash flows included in the measurement of corresponding groups of insurance contracts until they are settled or recovered in cash. Any premium receivables or accrued premium or claims payables that remain outstanding as of the reporting date are presented as part of the insurance contract assets or liabilities.

Measurement under BBA (including indirect participating 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 (see below), 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 ZIC Group is charging for the service it provides in addition to the compensation it requires for bearing risk. The ZIC Group requires each group of contracts to be denominated in a single predominant currency of the cash flows within the group of contracts, which is not necessarily the same as the functional currency of the reporting entity issuing such insurance contracts.

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 LRC reflecting the fulfillment cash flows related to future service; (ii) the CSM; and (iii) the LIC reflecting the fulfillment cash flows related to past service. The LIC is created when the ZIC Group has an obligation to pay valid claims for insured events that already occurred and other amounts related to past service.

The ZIC Group recognizes income and expense for the following changes in the carrying amount of the LRC:

- Insurance revenue – for the reduction in the LRC due to services provided in the period, excluding any investment components (see note 9 for the composition of insurance revenue recognized 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.

The ZIC Group recognizes income and expense for the following changes in the carrying amount of the 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 fulfillment 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 fulfillment cash flows are updated to reflect current estimates, and the changes in the fulfillment cash flows are treated as follows:

- Experience adjustments that relate to current or past service are recognized immediately in profit or loss;
- Changes related to future service adjust the CSM measured using the discount rates as described below;
- Changes resulting from changes in discount rates are presented in OCI. The ZIC Group selected the accounting policy of disaggregating the movement in fulfillment cash flows between profit or loss and OCI; and
- Changes in estimates that arise as a result of changes in the application of discretion for groups of BBA indirect participating contracts, such as changes in the crediting percentage for policyholder participation, affect the future consideration that the ZIC Group will receive from the contract and adjust the CSM.

Consolidated financial statements (continued)

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 ZIC Group 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 recognized in profit or loss as insurance revenue.

The ZIC Group may provide an investment-return service in addition to insurance contract service under some traditional savings insurance contracts without direct participating features (e.g., endowment contracts). 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 ZIC Group expects the investment component or amount the policyholder has a right to withdraw to include an investment return and the ZIC Group expects to perform investment activity to generate that investment return. Whenever the ZIC Group 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 ZIC Group 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 recognized 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; and
- For groups of contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders (e.g., savings contracts with policyholder participation based on an index or a rate or other indirect participating contracts), the systematic allocation is determined using a rate that allocates the remaining revised expected insurance finance income or expense over the remaining duration of the group of contracts at a constant rate (effective yield).

Measurement under variable fee approach (VFA)

Insurance contracts that fulfill all the participating contracts criteria specified above are measured under VFA. These criteria ensure that insurance contracts with direct participation features are contracts under which the ZIC Group'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 ZIC Group will deduct from the above in exchange for the future service provided by the insurance contract, consisting of the amount of the ZIC Group's share of the fair value of the underlying items less fulfillment 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. The underlying items for traditional savings contracts issued in Switzerland, Germany, Italy, Portugal and Austria are the net assets, or a specified subset of the net assets, of the issuing insurance entity. The net assets, or a subset of the net assets, typically include financial instruments held in the ZIC Group investment portfolio (debt securities, equity securities, investment properties, mortgage loans and other assets).

For such contracts, in addition to the insurance contract service, the ZIC Group provides an investment-related service to the policyholders managing the underlying items on their behalf. The coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period. For these direct participating contracts and other savings contracts, the sum assured in force and assets under management (or equivalent) are included to reflect the weighting for insurance and investment services and the pattern of delivery of those services.

Measurement under VFA reflects the nature of participating contracts; therefore, changes in the amount of the entity'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, except where risk mitigation applies.

Risk mitigation applies in limited circumstances where the ZIC Group hedges the risks associated with such financial guarantees using derivative financial instruments or reinsurance contracts held under a documented risk management objective and strategy. In such cases, the changes in the effect of financial guarantees are recognized immediately in profit or loss in the same way as the changes in fair value of the derivative instruments. 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 recognized immediately in profit or loss if related to current or past service. However, unlike BBA, all the adjustments are measured using current discount rates.

Where the underlying items are the net assets or a specified subset of the net assets of the issuing insurance entity, in addition to the participation in the returns from underlying financial assets, the policyholder participates in the risk and/or expense results. While the risk and expense results are included within the insurance service results, the policyholder participation thereof is included within the insurance finance income or expense.

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.

For all contracts with direct participation features where the ZIC Group holds the underlying items, the ZIC Group applies the accounting policy choice of disaggregating insurance finance income or expense for the period to include in profit or loss an amount that eliminates accounting mismatches, with income or expense included in profit or loss on the underlying items held.

Reinsurance contracts held

The ZIC Group enters into reinsurance contracts in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance contracts do not relieve the ZIC Group as the originating insurer of its liability. Reinsurance contracts held are recorded separately unless the contract combination criteria specified above are fulfilled.

Similar to insurance contracts issued, reinsurance contracts held are accounted for under PAA, if the qualifying criteria for PAA are fulfilled, or BBA in all other 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.
- Level of aggregation: Reinsurance contracts held cannot be onerous; therefore, at initial recognition, the groups of reinsurance contracts held comprise (i) contracts in a net gain position, if any; (ii) contracts with no significant possibility of turning into a net gain position subsequently, 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 recognized regardless of whether the reinsurance contract is a net gain or a net cost for the ZIC Group.
- 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.
- Presentation: The ZIC Group presents the income or expense from reinsurance contracts held, other than reinsurance finance income or expense, as a single amount in profit or loss.

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 ZIC Group 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 established if the ZIC Group enters into such reinsurance contracts at or before the date when the losses or reversals of losses on the underlying insurance contracts are recognized. 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.

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Critical accounting estimates and judgments
Non-life contracts

The ZIC Group is required to establish a LIC for payment of losses and loss adjustment expenses that arise from the ZIC Group's non-life products. These liabilities represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The ZIC Group establishes its liabilities by product line, type and extent of coverage, and year of occurrence. There are two categories of the LIC: liability for reported losses, and liability for incurred but not reported (IBNR) losses. Additionally, the LIC is held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The ZIC Group's liability for reported losses and loss adjustment expenses is based on estimates of future payments to settle reported claims. The ZIC Group bases such estimates on the facts available at the time the liability is established, considering the estimated costs of bringing pending claims to final settlement. The liability takes into account inflation, as well as other factors that can influence the amount required to fulfil the ZIC Group's obligations, some of which are subjective and some of which are dependent on future events. In determining the level of the liability, the ZIC Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the ZIC Group's estimation of the liability. Between the reporting and final settlement of a claim, circumstances may change which may result in changes to established liability. Items such as changes in law and interpretations of relevant case law, results of litigation or changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the ZIC Group reviews and reevaluates claims and their liabilities on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of liabilities originally set.

The ZIC Group establishes the liability for IBNR losses to recognize the estimated cost of losses for events which have already occurred, but for which the ZIC Group has not yet been notified. This liability is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the ZIC Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The ZIC Group uses reported claim trends, claim severities, exposure growth and other factors in estimating its IBNR liability. The liability is revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the ZIC Group's LIC. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident and are generally settled within months. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For these claims, information concerning the event, such as the required medical treatment for bodily injury claims and the required measures to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the ZIC Group does not establish a liability for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its LIC subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The ZIC Group uses a number of accepted actuarial methods to estimate and evaluate the amount of the LIC. The nature of the claims being reserved for and the geographic location of the claims influence the techniques used by the ZIC Group's actuaries. Additionally, the ZIC Group's Corporate Center actuaries perform periodic reserve reviews of the ZIC Group's businesses throughout the world. Management considers the results of these reviews and adjusts its liabilities, where necessary.

The process of establishing the amount of the LIC is complex and deals with uncertainty, requiring the use of informed estimates and judgments considering the time value of money and the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. Any changes in estimates or judgments are reflected in profit or loss in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The LIC is determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Life contracts

The measurement of life insurance contracts involves a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses, future policyholder participation (or profit sharing), discount rates and investment returns. These assumptions can vary by country, year of policy issuance and product type, and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such, the amounts included in future cash flows may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the ZIC Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the ZIC Group is exposed to longevity risk.
- Under certain contracts, the ZIC Group has offered product guarantees (or options to take up product guarantees), including fixed minimum crediting interest rate or fixed minimum annuity benefits. In determining the value of these options and/or benefits, estimates have been made as to the percentage of policyholders that may exercise them. Changes in investment conditions could result in significantly more policyholders exercising their options and/or benefits than had been assumed.
- Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions are determined with reference to current and historical customer data, as well as industry data. Assumptions also reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the ZIC Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions and available experience studies based on internal and external data. Expert judgment is involved in setting these assumptions, which are subject to a review and governance process that involves significant effort; therefore, it is generally performed on an annual basis.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the ZIC Group 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 ZIC Group 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 ZIC 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. This 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) and short-duration (predominantly non-life) (re-)insurance contracts. The confidence levels fall within the following ranges: 74–79 percent for short-duration and 90–95 percent for long-duration (re-)insurance contracts.

In line with the internal capital model used by the Group, 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 issued.

The ZIC Group 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.

Consolidated financial statements (continued)

Critical accounting estimates and judgments

The risk adjustment is the measure of the compensation required by the ZIC Group for the uncertainty arising from non-financial risks. As such, it is based on subjective considerations that take into account the ZIC Group's internal view of the capital required 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 aimed at defining ranges of justifiable percentiles for life and non-life businesses separately, determined by calculating, with different sets of assumptions, the financial compensation the Group requires on the SST capital (defined accordingly with the internal capital targets) to cover the non-financial risks over the outstanding run-off period of the insurance liabilities.

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, among others. The full list of assumptions, simplifications and expert judgments applied in the model are outlined in the documentation regularly provided to FINMA. These are validated regularly by the ZIC Group to ensure the overall adequacy of the risk model.

The ZIC Group percentiles selected for life and non-life businesses are expected to fall within the ranges described above. However, an additional uplift factor may be applied locally 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 group diversification: the risk adjustment allows for diversification of non-financial risks among the ZIC Group's reporting entities as well as diversification of non-financial risks with financial risks;
- Target capitalization under the Group's internal capital model: the Group's target capitalization under SST is used. Under SST, the Group has defined a minimum solvency ratio target requirement only (≥ 160 percent SST ratio); hence, assumptions are made on the level of capitalization that the Group would be expected to maintain on a going-concern basis over and above the minimum target;
- Level of segmentation: separate percentiles are defined for life and non-life businesses; 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 ZIC Group has concerns over the credibility of assumptions used.

Discount rates

The ZIC Group 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.

Derecognition and contract modification

The ZIC Group derecognizes an insurance contract only when the obligation specified in the insurance contract expires or is discharged or canceled, 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 a contract is not a modification.

When an insurance contract is extinguished, the entity is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. Typically, when the ZIC Group buys reinsurance, the underlying insurance contract(s) continue to be recognized as the respective obligations are not extinguished.

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 ZIC Group derecognizes the original contract and recognizes the modified contract as a new contract, if any of the conditions below are satisfied:

a) If the modified terms had been included at contract inception:

- The modified contract would not be an insurance contract; or
- The ZIC Group would have separated 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 entity 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 the cash flows expire.

Treatment of accounting estimates

The ZIC Group prepares interim financial statements semi-annually and applies an accounting policy choice to change the treatment of accounting estimates made in the first semi-annual financial statements when preparing the annual financial statements (i.e., applying a year-to-date approach). This accounting policy choice applies to all (re-)insurance contracts issued and reinsurance contracts held.

Summary of IFRS 17 transition approach and effect

IFRS 17 was applied to (re-)insurance contracts issued and reinsurance contracts held retrospectively from January 1, 2022. The ZIC Group determined the transition approach for groups of insurance contracts, depending on the availability of reasonable and supportable historic information. The selected transition approach affected the measurement of the CSM on initial adoption of IFRS 17 as follows:

- Fully retrospective approach – the CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;
- Modified retrospective approach – the CSM is calculated using modifications allowed by IFRS 17, taking into account the actual pre-transition fulfillment cash flows; and
- Fair value approach – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of the demand deposit floor requirement, and the respective fulfillment cash flows measured at the transition date.

In applying the modified retrospective and fair value approaches for certain groups of non-life and life (re-)insurance contracts, the ZIC Group used the modifications allowed under IFRS 17, such as grouping contracts issued more than one year apart into a single group for measurement purposes or applying interest rates as of the transition date and setting the cumulative amount of (re-)insurance finance income or expense recognized in OCI to nil. In addition, the ZIC Group applied a modification for certain groups of non-life insurance contracts with long-tail outstanding claims at the transition date. The unwinding of the discount on the liability for incurred claims was based on the locked-in discount rates as of the transition date instead of the locked-in accident year discount rates. Furthermore, where the ZIC Group applied a modification for certain groups of life direct participating insurance contracts that were accounted for under VFA where the ZIC Group holds the underlying items, the cumulative difference in OCI was set equal to the cumulative amount recognized in OCI on the underlying items as of the transition date.

The relevant disclosures for (re-)insurance contracts issued and reinsurance contracts held are presented in note 7.

d) Liabilities for investment contracts (without DPF)

Investment contracts are those contracts that do not transfer significant insurance risk and do not include discretionary participation features (DPF). The ZIC Group predominantly issues investment contracts without fixed terms (refer to unit-linked investment contracts below) and to a lesser extent investment contracts with fixed and guaranteed terms (e.g., fixed interest rate), which are measured at amortized cost using the effective interest rate method.

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Unit-linked investment contracts

Unit-linked investment contracts are contracts referencing unit-linked asset portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, 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 profit or loss. The related assets for unit-linked investment contracts are designated at fair value through profit or loss (FVPL) to reduce measurement inconsistencies. The services provided by the ZIC Group under such contracts are investment management and policy administration services that are provided over time and are not contingent on meeting specified performance criteria. Fees from such services are recognized ratably over the service period as fee income. Refer to note 10 for further information.

e) Group investments, investments for unit-linked contracts and other financial assets excluding derivative financial instruments

Classification, measurement and presentation of financial assets

The classification and measurement of Group investments 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 payments on principal and interests test' (SPPI test)) determines whether the debt instruments are measured at amortized cost, fair value with changes recognized in other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

The ZIC Group primarily holds financial assets to fund insurance liabilities. Specifically, financial assets and insurance liabilities are economically linked and jointly managed with the aim of matching the duration of the assets with the expected obligation toward policyholders. To ensure that the contractual cash flows from the financial assets are sufficient to settle insurance liabilities as they become due, the ZIC Group may undertake significant buying and selling activities on a regular basis to rebalance its asset portfolio and to meet day-to-day cash flow needs as they arise. Consequently, the majority of the financial assets, including government and supra-national bonds, mortgage- and other asset-backed securities (MBS/ABS), as well as syndicated loans and other corporate debt, are 'held to collect contractual cash flows and for sale' (HtC&S). Furthermore, the ZIC Group has identified specific portfolios that are managed with the aim of holding assets only to collect contractual cash flows over the life of the instrument. These financial assets are managed in the business model 'held to collect contractual cash flows' (HtC) and include certain private debt portfolios (for example, commercial real estate, infrastructure and other private debt), mortgage loans and other financial assets (bank deposits, lease and trade receivables), as well as high-quality government bonds held in the Zurich Italy Bank S.p.A.'s proprietary portfolio to cover structural excess liquidity.

Debt instruments with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) are measured at either amortized cost or FVOCI, unless they are managed on a fair value basis.

Debt instruments held under the HtC&S business model that pass the SPPI test are measured at FVOCI. Interest income is determined using the effective interest rate method and included in net investment income. The cumulative unrealized gains or losses recorded in OCI are net of the expected loss allowance and income taxes. When financial assets measured at fair value through OCI are derecognized, the cumulative gains or losses are reclassified from OCI to profit or loss as net capital gains/(losses) on investments. Loss allowances for expected credit losses and any subsequent changes are recorded in profit or loss within net capital gains/(losses) on investments.

Debt instruments held under the HtC business model that pass the SPPI test are carried at amortized cost using the effective interest rate method. Loss allowances for expected credit losses and individual credit impairments are recognized in profit or loss within net capital gains/(losses) on investments, with a corresponding reduction in the gross carrying amount of the financial asset.

Financial assets that fail the SPPI test are always measured at fair value through profit or loss (FVPL). Such assets include equities, fund investments, callable bonds with significant prepayment features, hybrid bonds with certain cash flows at the discretion of the issuer and some MBS/ABS that do not fulfill the SPPI criteria for contractually linked instruments. The significance of the prepayment feature is assessed at the date of the initial recognition of the financial asset as well as whenever additional purchases of the same instrument occur within the same portfolio.

In addition to financial assets that fail the SPPI test, the ZIC Group designates investments held for unit-linked insurance and investment contracts as well as some other investment portfolios backing specific portfolios of insurance contracts at FVPL in order to eliminate or significantly reduce a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities. Realized and unrealized gains and losses arising from changes in the fair value of such investments are recognized in profit or loss within net capital gains/(losses) on investments in the period in which they arise. Interest income determined using the effective interest rate method and dividend income from non-unit-linked financial assets at FVPL are included in net investment income. Interest income and dividend income from unit-linked financial assets at FVPL are included in the net investment result on unit-linked investments.

Consolidated financial statements (continued)

The ZIC Group did not make use of the option to present changes in fair value of certain equity instruments that are not held for trading in OCI with no subsequent reclassification of realized gains or losses to profit or loss.

The ZIC Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the ZIC Group commits to purchase or sell the asset.

Group investments are grouped together based on their nature and considering their shared risk characteristics as follows:

- Equity securities and unconsolidated investment funds include equity instruments held that do not result in control or significant influence by the ZIC Group, and fund investments where the ZIC Group does not have control over the investment vehicle;
- Debt securities include government and supra-national bonds, corporate debt and MBS/ABS;
- Mortgage loans include predominantly retail residential mortgages; and
- Other loans mainly include private debt investments (such as infrastructure and commercial real estate loans and private placements) typically managed by third-party asset managers and subject to a ratings-based approach for credit risk monitoring, as well as lease receivables and non-unit-linked deposits held as part of Group investments.

Group investments include shares of Zurich Insurance Group Ltd (ZIG) that are accounted for at FVPL. ZIG does not declare dividends on ZIG shares held by its wholly owned subsidiaries.

Group investments further include investment property accounted for at FVPL. Rental income from investment property is recognized on a straight-line basis over the lease term and included in net investment income, net of operating rental expenses. Please see note 5 for further information on Group investments.

Cash on hand, deposits held at call with banks, cash collateral received and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of changes in fair value are included in cash and cash equivalents.

Trade receivables are presented as part of other assets.

Critical accounting estimates and judgments

In determining the fair values of investments in debt and equity instruments traded on exchanges and in over-the-counter (OTC) markets, the ZIC Group makes extensive use of independent, reliable and reputable third-party pricing providers, and only in rare cases places reliance on valuations that are derived from internal models.

In addition, the ZIC Group's policy is 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.

Valuations can be subject to significant judgment, especially when the fair value is determined based on at least one significant unobservable input parameter; such items are classified within level 3 of the fair value hierarchy. See notes 5 and 22 for further information regarding the estimate of fair value.

Recognition of expected credit losses

Expected credit loss (ECL) is recognized for debt securities measured at amortized cost, debt securities measured at FVOCI, mortgage loans, lease and trade receivables, and reflects the difference between the contractual cash flows of the instrument and the cash flows the ZIC Group expects to receive. ECL is recognized on the following basis:

- 12-months ECL is recognized 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 ZIC Group applies the low credit risk simplification to recognize 12-months ECL for all financial instruments that have an internal or external investment grade credit rating. Instruments for which 12-months ECL is recognized are referred to as stage 1; and
- Lifetime ECL is recognized 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 ZIC Group applies a permitted simplification to recognize lifetime ECL for all trade receivables. Instruments with lifetime ECL are referred to as stage 2. Lifetime ECL is also recognized 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 ZIC Group presents the gross carrying amount of such assets net of lifetime ECL.

Consolidated financial statements (continued)

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.

Critical accounting estimates and judgments

In the assessment for SICR, the ZIC Group considers all relevant reasonable and supportable information, including information about past events and current and future economic conditions, available either on an individual or on a collective basis.

When an external or internal rating is available, the ZIC Group applies the low credit risk practical expedient by assuming that no increase in credit risk has occurred since initial recognition for financial assets that have an external or internal rating equivalent to 'investment grade' (i.e., AAA to BBB–) at the reporting date. This approach is applied to government and supra-national bonds, mortgage- and other asset-backed securities, as well as corporate debt, including commercial real estate, infrastructure and other private debt.

For all debt instruments rated below investment grade, the ZIC Group determines SICR thresholds that vary depending on the credit rating at initial recognition and the residual life of the instruments. The SICR threshold is calibrated such that the lower the probability of default at inception, the higher the relative credit deterioration is required to trigger a SICR. If the credit rating of the instrument at the reporting date is equal to or below the trigger level, the instrument is deemed to have experienced SICR.

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased if the contractual payments are more than 30 days past due. SICR is no longer observed if the rating at the reporting date is above the trigger level indicated in the notching table and the rating has improved by at least one notch since the previous reporting date, in which case the instrument transitions back to stage 1.

For all material exposures, including those with low credit risk at the reporting date, the SICR assessment outlined above is supplemented by a qualitative assessment of the issuer's credit quality through a forward-looking watch list that includes exposures with negative rating outlook and downward rating momentum and that are close to the thresholds for stage change. This is further complemented by fundamental research and expert opinion and presented to the Credit Valuation Committee (CVC) comprising representatives of Group Investment Management, Group Risk and Group Finance. The CVC takes the final decision on the stage allocation.

The mortgage loan portfolio predominantly consists of residential and small commercial real estate loans. The exposures are grouped into homogenous buckets in terms of geographic location (mainly Switzerland, Germany, Italy) and property type (residential versus commercial). The forward-looking loan-to-value (LTV) is within the range of 40–67 percent for the Swiss portfolio and 10–25 percent for the German portfolio. The SCIR is assessed using the number of past due days, the actual affordability on the customer level as well as forward-looking LTV, which is derived from the expected evolution in the property prices.

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 originated residential and small commercial mortgage loan portfolios, the forward-looking parameters are derived from the evolution of the real estate prices by property type, as well as actual affordability of the loan for a customer. The ZIC Group records expected credit losses on mortgages; however, the ECL amount may be rather insignificant for mortgages with very low LTV.

For unrated exposures, for example, trade receivables, the ECL is measured using an expected loss rate provision matrix, based on historical observed default rates (adjusted and regularly updated for forward-looking estimates), depending on the past due status. For this purpose, the exposures are grouped into sub-portfolios that are homogeneous in terms of loss pattern, and specific loss rates are assigned depending on the number of days past due. From the provision matrix, the calculation of the ECL is determined by multiplying the gross carrying amount of the exposure by the given expected loss rate.

Consolidated financial statements (continued)

Critical accounting estimates and judgments

For rated debt securities, the ZIC Group determines the forward-looking inputs by evaluating a range of possible outcomes. A scenario-based approach is applied whereby three scenarios (downside scenario, base case and upside scenario) are modelled once a year, taking into consideration potential developments of relevant macroeconomic variables (GDP growth, 10-year interest rates and credit spreads) in the U.S. and eurozone over a one-year horizon. If no internal or external credit rating is available (e.g., due to timing constraints), the ZIC Group assigns a fallback rating which is used to derive the ECL parameters (i.e., exposures are assigned A– if the issuer is domiciled in a country with investment grade sovereign rating, while B– is assigned to other exposures).

Each of the forward-looking scenarios applied is based on management assumptions about future macroeconomic conditions. Additional judgment is required to assign a weight to each scenario which reflects the probabilities that the respective set of macroeconomic variables will materialize. The economic scenarios are developed by Group Investment Management – Market Strategy and Macroeconomics, which proposes the scenario weightings based on ZIC Group forward-looking expectations. The final decision on scenario weighting lies with the CVC where ZIC Group functions can challenge the selection and weights of different scenarios. Changes to the scenario weights and macroeconomic assumptions taken could have a significant effect on ECL. See note 23 for further details.

Exchange or modification of financial assets

The ZIC Group may enter into transactions involving the exchange of financial assets with one or multiple financial assets. Furthermore, the terms of financial assets may be modified subsequent to initial recognition. When the contractual terms of the financial asset(s) received in an exchange transaction or upon modification are significantly different from the original financial asset, the ZIC Group derecognizes the original asset. In certain cases, such exchange or modification results from the financial distress of the original debtor, in which case an exchange or modification of financial assets may involve recognition of purchased or originated credit-impaired (POCI) financial instruments. POCI financial instruments are initially recognized at fair value with interest income subsequently being accrued based on a credit-adjusted effective interest rate. Changes in lifetime ECL since initial recognition are recognized in profit or loss within net capital gains/(losses) on investments.

If an exchange or modification does not result in derecognition of the financial asset held, any modification gain or loss is recorded in profit or loss within net capital gains/(losses) on investments. Furthermore, the SICR assessment is performed by comparing the current risk of default with the risk of default at initial recognition based on the original and unmodified contractual terms.

Defaulted and credit-impaired financial assets

The ZIC Group considers the financial asset as defaulted when one or a combination of events with detrimental impact on the estimated cash flows of the financial asset have occurred (i.e., an incurred credit loss event). The ZIC Group places emphasis on counterparty specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. In addition, the ZIC Group usually considers that default does not occur later than when a financial asset is 90 days past due. Nevertheless, for certain exposures, such as Swiss residential mortgage loans, historical evidence indicates there is no correlation between default and payments being more than 90 days past due, but such correlation can be identified, for example, when payments are more than 180 days past due. Therefore, these latter exposures are considered defaulted when payment is overdue for more than 180 days. If one or more default events have occurred, the ZIC Group considers the financial assets as credit impaired and recognizes individual credit impairment directly as a reduction of the gross carrying amount. In the rare case of default on mortgage loans, the ZIC Group may enter forbearance measures, including temporary postponement of contractual payments, to enable the recovery of the mortgage loan.

Financial assets and the related credit impairment allowances are partially or fully written off when the ZIC Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The write-offs represent partial or full derecognition events.

f) Derivative financial instruments and hedge accounting

Derivative financial instruments are used by the ZIC Group to economically hedge risks. Derivative financial instruments are carried at fair value. The changes in fair value of derivative financial instruments are recognized in profit or loss, except where such derivative financial instruments are designated under a qualifying cash flow or net investment hedge relationship.

Derivative financial instruments that qualify for hedge accounting

In limited circumstances, derivative financial instruments are designated as hedging instruments for accounting purposes in:

- Fair value hedges, which are hedges of the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges, which are hedges of the exposure to variability in cash flows attributable to a particular risk either associated with a recognized asset or liability, or a highly probable forecast transaction that could affect profit or loss; or
- Net investment hedges, which are hedges of a net investment in a foreign operation.

Consolidated financial statements (continued)

All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking the hedge, the identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedge effectiveness assessment is made, including the analysis or sources of hedge ineffectiveness and description of how the hedge ratio is determined. Differences in critical terms, the effect of credit risk or differences in the time value of money could be sources of ineffectiveness. To a limited extent, ineffectiveness may also arise from the currency basis spread of cross-currency swaps, or from the forward elements of forward contracts, if these are not excluded from the hedge designation.

At inception of a hedge, the hedge relationship is formally assessed to determine whether the hedging instruments are expected to be highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. Subsequently, the hedge effectiveness is assessed on a quarterly basis (or upon a significant change in circumstances) on a forward-looking basis. Any ineffectiveness is recorded in profit or loss.

Hedge accounting is not discontinued on a voluntary basis as long as the risk management objective is still being pursued and other qualifying criteria are fulfilled. If the qualifying criteria for the application of hedge accounting are no longer met for the entire hedging instrument (or a part of it), the hedge relationship is discontinued prospectively, in which case the hedging instrument and the hedged item are then subsequently reported independently in accordance with the respective accounting policy.

The accounting treatment of qualifying hedge relationships is further described in note 6.

g) Goodwill and attorney-in-fact contracts (AIF)

Goodwill

Goodwill is recognized at the amount of the consideration transferred in a business combination in excess of the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but tested for impairment annually, or more frequently if there are indications that the amount of goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) based on the level at which management monitors operations and makes decisions related to the continuation or disposal of assets and operations. The ZIC Group has defined the CGUs according to regions, separating P&C, Life businesses and other (see note 26). The CGUs which carry the majority of goodwill and AIF contracts are presented in table 3.1. If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

AIF contracts

The AIF contracts reflect the ability of the ZIC Group to generate future revenues through Farmers Group, Inc. (FGI) based on the FGI's relationship with the Farmers Exchanges. In determining that these contracts have an indefinite useful life, the ZIC Group took into consideration the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims services, and the historical AIF relationship between FGI and the Farmers Exchanges. The value of the AIF contracts is tested for impairment annually, or more frequently if there are indications that the carrying amount of AIF contracts is not recoverable.

The services provided by FGI under such contracts are non-claims services including risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative functions. The multiple performance obligations covered by the consideration received are considered to be a series with the same pattern of transfer; therefore, the performance obligations are not separated. The fee income for the services provided includes Farmers management fees, membership fees and revenues for ancillary services. Farmers management fees are determined as a percentage of gross premiums earned by the Farmers Exchanges and recognized ratably over the period the services are provided. Membership fees are one-time fees charged at the time of the policy issuance that do not cover a distinct performance obligation. Such fees are recognized as revenue over the expected life of the customer relationship. The revenue for ancillary services includes remuneration for services provided that are not covered by Farmers management fees where FGI acts as a principal. Typically, these services are provided over time, so that the revenue is also recognized over time. The incremental costs incurred in connection with the customer setup activity are recognized as an asset and subsequently amortized using the same pattern as the related revenue. Please see notes 10 and 25 for further information.

Consolidated financial statements (continued)

Critical accounting estimates and judgments

For goodwill impairment testing, the ZIC Group estimates the recoverable amount based on the value-in-use of the CGU.

Value-in-use is determined using the present value of estimated future cash flows expected to be generated from the CGU. Cash flow projections are based on business plan projections, which are approved by management, typically covering a three-year period or, if appropriate and adequately justified, a longer period, which may be necessary to more accurately represent the nature of the cash flows used to test goodwill recoverability. Cash flows beyond this period are extrapolated using, among other inputs, estimated perpetual growth rates, which typically do not exceed the expected inflation of the geographical areas in which the cash flows supporting the goodwill are generated. If cash flows are generated in different geographical areas with different expected inflation rates, weighted averages are used. The discount rates applied reflect the respective risk-free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

The discount rates used in the recoverable amount calculations for developed markets are based on the weighted average cost of capital (WACC). For the cost of capital, the ZIC Group considers government bond rates, which are further adjusted for market risk premium, appropriate beta and leverage ratio. In emerging markets, instead of government bond rates, the ZIC Group uses a U.S. dollar discount rate, taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

Table 3.1 sets out for the major CGUs the applied discount rates and the perpetual nominal growth rates beyond the projection period that depend on expectations about country-specific growth rates and inflation as of the date of valuation, as well as the value of goodwill and AIF contracts as of December 31, 2024 and 2023:

Table 3.1

Discount and perpetual growth rates for goodwill and AIF contracts for major CGUs

	Business	in USD millions	Discount rates in % 2024	Discount rates in % 2023	Perpetual nominal growth rate in % 2024	Perpetual nominal growth rate in % 2023
Farmers	Farmers	3,914	10.4	9.7	2.1	2.1
North America	P&C	350	10.0	9.4	2.1	2.1
Europe, Middle East & Africa	P&C	454	9.4	9.4	2.0	2.0
Europe, Middle East & Africa	Life	204	8.6	8.4	1.7	1.6
Asia Pacific	P&C	1,131	9.7	9.2	2.3	2.2
Asia Pacific	Life	1,022	9.2	9.0	2.1	1.9
Latin America	P&C	309	22.6	29.3	4.1	11.3
Latin America	Life	61	18.8	21.1	3.4	6.2

The recoverable amount of goodwill remains contingent on future cash flows and other assumptions, particularly discount rates and the perpetual growth rate. If the estimated future cash flows and other assumptions deviate significantly from the ZIC Group's current outlook, there is a risk that the goodwill is impaired.

Quantitative sensitivity tests have been performed for all CGUs by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 2.0 percentage points and a decrease in the perpetual growth rate of 2.0 percentage points. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts.

h) Other intangible assets

Other intangible assets typically have finite lives and are carried at cost, less accumulated amortization and impairments. Such assets are generally amortized using the straight-line method over their useful lives and reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years, estimated based on the period of time over which they are expected to provide economic benefits, but for no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Qualitative analyses have been performed on distribution agreements, typically comprising an analysis of the current financial performance and any change in the conditions in the agreement and environment that would indicate an impairment.

Consolidated financial statements (continued)

Software

Costs associated with research and maintenance of internally developed software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use.

The useful lives of software licenses and capitalized internal software development costs generally range from three to five years. In limited circumstances, capitalized software development costs may be amortized over a period of up to 10 years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors. Changes in the expected useful life are recognized prospectively as changes in accounting estimates.

i) Employee benefits

Share-based compensation and cash incentive plans

The ZIC Group operates long-term incentive plans that are accounted for as cash-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date, taking into consideration non-vesting and market conditions, and is recognized as an expense in profit or loss over the vesting period, with a corresponding increase recorded within other liabilities for employee benefits.

Subsequently, the fair value of the liability is remeasured at the end of each reporting period with any changes in fair value recognized in profit or loss for the period.

Please see note 20 for further information regarding share-based compensation and cash incentive plans.

Post-employment benefits

The ZIC Group operates various post-employment benefit plans for its employees worldwide, which include defined benefit and defined contribution pension plans, and other post-employment benefits, such as medical care and life insurance.

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and current service costs are determined by qualified actuaries using the projected unit credit method. The net defined benefit liability represents the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets with changes from remeasurements recorded in OCI. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling).

The ZIC Group's expense related to these plans is accrued over the employees' service periods based on the actuarially determined cost for the period. Net interest is determined by applying the discount rate to the net defined benefit liability or asset. Actuarial gains and losses and the effect of the asset ceiling are recognized in full in OCI in the period in which they occur. Past service costs, which result from plan amendments and curtailments, are recognized in profit or loss on the earlier of when the plan amendment or curtailment occurs (which is the date from which the plan change is irrevocable) and the date on which a constructive obligation arises. Settlement gains or losses are recognized in profit or loss when the settlement occurs.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to defined benefit plans, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

Critical accounting estimates and judgments

In assessing the ZIC Group's liability for defined benefit plans and other post-employment plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, future salary and pension increases, and increases in long-term healthcare costs. Discount rates for significant plans are based on a yield curve approach. The ZIC Group sets the discount rate by creating a hypothetical portfolio of high-quality corporate bonds for which the timing and amount of cash flows approximate the estimated pay-outs of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years. Please see note 19 for further information on employee benefits.

Consolidated financial statements (continued)

j) Leases

The ZIC Group is typically acting as a lessee in property, car or equipment leases. Furthermore, the ZIC Group is acting as a lessor in leases of investment property.

When acting as a lessee, the ZIC Group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date when the leased asset is available for use by the ZIC Group. The lease liability is measured at the present value of the lease payments due over the lease term, discounted using the ZIC Group's incremental borrowing rate. Any options to extend or terminate a lease that the ZIC Group is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognized at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis. The right-of-use asset is included in property and equipment and disclosed separately in note 12. The carrying amount of the lease liability is increased to reflect the unwinding of the discount so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is reduced by the lease payments made during the period. Lease payments include fixed payments and variable payments that depend on a non-leveraged index or a rate. Lease liabilities are included within other liabilities.

The ZIC Group records short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include hardware and smaller office equipment. The lease expense is included in other expenses.

When acting as a lessor of investment property in an operating lease, the ZIC Group follows the accounting policy in paragraph e).

k) Current and deferred taxes

Current income taxes payables (receivables) are measured at the amount expected to be paid (recovered) in accordance with the rules established by the taxation authorities, using the tax rates and tax laws that are enacted or substantively enacted as of the reporting date.

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. If applicable tax law acknowledges different types of expenses to be tax deductible, deferred tax assets are only recognized if they give rise to deductions against the same type of taxable income. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire.

Deferred tax liabilities are recognized for all taxable temporary differences unless they arise:

- From the initial recognition of goodwill; or
- An asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; or
- Are associated with investments in subsidiaries, branches, associates and interest in joint ventures if the ZIC Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Critical accounting estimates and judgments

As of each balance sheet date, management evaluates the recoverability of deferred tax assets and, if it is considered probable that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized. Please see note 16 for further information on deferred taxes.

Consolidated financial statements (continued)

4. Acquisitions and divestments

Transactions in 2024

Acquisitions

AIG Travel

On December 2, 2024, the ZIC Group completed the acquisition of AIG's global personal travel insurance and assistance business (AIG Travel) for a cash consideration of USD 617 million, plus a contingent consideration with a fair value of USD 93 million as of the acquisition date. The AIG Travel business will be combined with the ZIC Group's existing travel insurance provider Cover-More Group and operate within the expanded corporate brand Zurich Cover-More. The acquisition includes access to the AIG Travel customers and distribution partners globally.

The assets and liabilities acquired mainly consist of goodwill and intangible assets with a preliminary value of USD 520 million and USD 142 million, respectively. The net assets acquired less the fair value of the contingent consideration are currently included within Receivables and other assets.

Kotak Mahindra General Insurance Company Limited

On November 2, 2023, the ZIC Group entered into a strategic alliance with Kotak Mahindra Bank Limited to acquire a majority stake in Kotak Mahindra General Insurance Company Limited. On June 18, 2024, after obtaining all the necessary approvals, the ZIC Group completed the acquisition of a 70 percent stake in Kotak Mahindra General Insurance Company Limited (subsequently renamed Zurich General Kotak Insurance Company (India) Limited) for a consideration of approximately USD 657 million, through a combination of capital injections and share purchases.

Table 4.1 shows the opening balance sheet as of the acquisition date, representing the fair value of tangible and intangible assets.

Table 4.1

Kotak Mahindra General Insurance Company Limited balance sheet as of the acquisition date[1]

in USD millions, as of June 18, 2024	Total
Group investments	283
Reinsurance contract assets	28
Receivables and other assets	13
Deferred tax assets	12
Goodwill[2]	383
Intangible assets	173
Assets acquired	**893**
Liabilities for insurance contracts	231
Other liabilities	13
Deferred tax liabilities	52
Liabilities acquired	**295**
Net assets acquired including non-controlling interests	598
Non-controlling interest	(117)
Capital injection	176
Net assets acquired	657
Cash consideration	**657**

1 Note the presentation of certain acquired assets and liabilities has been amended to align with Group accounting policies.
2 Adjustments in the purchase price allocation subsequent to acquisition resulted in a reduction of goodwill of CHF 8 million, driven by additional deferred taxes and changes in the valuation of insurance liabilities.

Divestments

Held for sale

As of December 31, 2024, the total assets and liabilities classified as held for sale were USD 1.2 billion and USD 1.2 billion, respectively, as per transactions below.

Spain medical malpractice portfolio

On December 9, 2021, Zurich Insurance plc (now known as Zurich Insurance Europe AG) entered into an agreement to reinsure its legacy medical malpractice portfolio in Spain to RiverStone Insurance UK Limited ('Spain Medical Malpractice portfolio') and to transfer the Spain Medical Malpractice portfolio policies to RiverStone Insurance Ireland DAC. The transaction is subject to regulatory approval and is expected to be completed in 2025. As of December 31, 2024, assets and liabilities classified as held for sale were USD 59 million and USD 66 million, respectively.

Consolidated financial statements (continued)

UK Employers' liability portfolio

On December 14, 2018, Zurich Insurance plc (now known as Zurich Insurance Europe AG) entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina Worthing Insurance Limited ('UK Employers' Liability portfolio'), subject to regulatory and court approvals. With effect from January 1, 2023, the UK Employers' Liability portfolio was transferred to Zurich Insurance Company Ltd, UK Branch, under a Part VII transfer together with the rights and obligations of Zurich Insurance plc under the agreement. The transfer to Catalina Worthing Insurance Limited is expected to be completed in 2026. As of December 31, 2024, assets and liabilities classified as held for sale were USD 1.1 billion and USD 1.1 billion, respectively.

Divested

Zurich Chile Seguros de Vida S.A. annuity book

On May 8, 2023, Inversiones Suizo-Chilena S.A. entered into an agreement to sell the annuity book of Zurich Chile Seguros de Vida S.A. to Ohio National Seguros de Vida S.A., a Chilean life insurance company and indirect subsidiary of Constellation Insurance, Inc. On December 2, 2024, the Group completed the sale of USD 2.5 billion in reserves with a pre-tax gain of USD 84 million recognized in profit or loss.

Other

Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft life book

On June 24, 2022, Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book in Germany to Viridium Holding AG (Viridium), a leading specialist in the management of life insurance portfolios (run-off) in Germany. In preparation for the transfer, the portfolio was spun off in 2023 to Zurich Life Legacy Versicherung AG (Deutschland). In January 2024, the ZIC Group was informed that Viridium Group will not complete the purchase of Zurich Life Legacy Versicherung AG (Deutschland) in Germany as planned. The transaction would have included the transfer of approximately USD 20 billion of insurance contract liabilities and related investments, mainly related to annuity and endowment products underwritten more than five years ago, so that the respective assets and liabilities were classified as held for sale as of December 31, 2023. As of December 31, 2024, the criteria for held for sale were no longer met; therefore, assets and liabilities previously held for sale were reclassified to the individual balance sheet line items.

Transactions in 2023

Acquisitions

Agency brokerage network acquisition

On December 28, 2023, Farmers Group, Inc., a wholly owned subsidiary of the Group, acquired three brokerage entities (Kraft Lake Insurance Agency Inc., Western Star Insurance Services, Inc. and Farmers General Insurance Agency, Inc.) from the Farmers Exchanges, along with the flood servicing business of the Farmers Exchanges, for USD 760 million. The acquisition included access to the distribution networks of the Farmers Exchanges via an agency access agreement as well as the rights to renewal commissions on existing business.

Table 4.2 shows the opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets.

Table 4.2

Agency brokerage network balance sheet as of the acquisition date

in USD millions, as of December 28, 2023	**Total**
Cash and cash equivalents	26
Receivables and other assets[1]	159
Deferred tax assets	8
Goodwill	26
Other intangible assets	560
Assets acquired	**780**
Other liabilities	20
Liabilities acquired	**20**
Net assets acquired	760
Cash consideration	**760**

1 Includes an asset for contingent consideration with a fair value of USD 149 million.

Consolidated financial statements (continued)

5. Group investments

Group investments are those for which the ZIC Group bears part or all of the investment risk. They include investments related to insurance and investment contracts other than unit-linked insurance and investment contracts where the investment risk is borne by the holders of such contracts. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents in the audited consolidated balance sheets.

Net investment result on Group investments

Table 5.1

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses): Change of ECL allowance		Net capital gains/(losses): Other net capital gains/(losses)		Net investment result	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Investment-related cash	49	41	–	–	–	–	49	41
Equity securities at fair value through profit or loss	414	389	–	–	1,669	932	2,083	1,322
Debt securities:								
Fair value through profit or loss[1]	328	347	–	–	(62)	299	266	647
Fair value through comprehensive income	4,098	3,785	(3)	(31)	(378)	(1,202)	3,717	2,552
Amortized cost	173	182	(2)	(1)	–	(68)	172	114
Total debt securities	4,599	4,314	(5)	(32)	(440)	(970)	4,155	3,312
Investment property[2]	471	497	–	–	69	(674)	540	(177)
Mortgage loans at amortized cost	92	100	(2)	–	(1)	(2)	90	98
Other financial assets at amortized cost	280	255	–	(5)	61	(93)	341	157
Investments in associates and joint ventures	(3)	2	–	–	–	(10)	(3)	(9)
Derivative financial instruments	9	–	–	–	68	186	77	186
Investment result on Group investments, gross	5,911	5,599	(6)	(38)	1,426	(631)	7,331	4,931
Investment expenses on Group investments	(182)	(212)	–	–	–	–	(182)	(212)
Foreign currency gains/(losses)	–	–	–	–	(153)	(99)	(153)	(99)
Investment result on Group investments, net	**5,729**	**5,387**	**(6)**	**(38)**	**1,274**	**(729)**	**6,997**	**4,620**

1 Net capital gains/(losses) related to debt securities designated at fair value through profit and loss amounted to USD (55) million and USD 103 million for the years ended December 31, 2024 and 2023, respectively.
2 Rental operating expenses for investment property amounted to USD (150) million and USD (143) million for the years ended December 31, 2024 and 2023, respectively.

Details of Group investments by classification category

Table 5.2

as of December 31	2024		2023	
	USD millions	**% of total**	USD millions	% of total
Equity securities at fair value through profit or loss	15,280	9.9	14,452	10.2
Debt securities:				
Fair value through profit or loss[1]	8,146	5.3	8,390	5.9
Fair value through comprehensive income	105,878	68.9	92,965	65.4
Amortized cost	4,392	2.9	4,568	3.2
Total debt securities	118,415	77.1	105,924	74.5
Investment property	11,734	7.6	13,684	9.6
Mortgage loans at amortized cost	4,047	2.6	4,324	3.0
Other financial assets at amortized cost	4,039	2.6	3,682	2.6
Investments in associates and joint ventures	146	0.1	135	0.1
Total Group investments	**153,661**	**100.0**	**142,200**	**100.0**

1 Includes debt securities designated at fair value through profit and loss of USD 3.8 billion and USD 3.9 billion as of December 31, 2024 and 2023, respectively.

Consolidated financial statements (continued)

Investments with a carrying value of USD 5.3 billion and USD 5.5 billion were held to meet local regulatory requirements as of December 31, 2024 and 2023, respectively.

Debt securities maturity analysis

Table 5.3

in USD millions, as of December 31	Fair value through profit or loss		Fair value through OCI		Amortized cost		Total	Total
	2024	2023	2024	2023	2024	2023	2024	2023
Bonds and corporate securities:								
< 1 year	395	340	9,700	9,438	415	121	10,510	9,899
1 to 5 years	1,362	1,462	34,577	32,605	1,579	1,795	37,518	35,863
5 to 10 years	1,665	1,709	23,271	19,636	1,109	1,180	26,045	22,525
> 10 years	3,208	3,300	29,075	21,228	1,289	1,472	33,572	26,000
Subtotal	6,631	6,811	96,623	82,908	4,392	4,568	107,646	94,287
Mortgage and asset-backed securities:								
< 1 year	4	1	19	9	–	–	24	10
1 to 5 years	216	225	813	1,087	–	–	1,028	1,312
5 to 10 years	161	183	1,848	2,672	–	–	2,009	2,855
> 10 years	1,134	1,171	6,575	6,289	–	–	7,708	7,459
Subtotal	1,515	1,579	9,255	10,057	–	–	10,770	11,636
Total	**8,146**	**8,390**	**105,878**	**92,965**	**4,392**	**4,568**	**118,415**	**105,924**

The analysis in table 5.3 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Investment property

Table 5.4

in USD millions	Total	
	2024	2023
Carrying value as of January 1	13,684	14,798
Additions and capital improvements	280	187
Acquisitions/(divestments)	–	(360)
Disposals	(1,019)	(832)
Market value revaluation[1]	(131)	(874)
Transfer from/(to) assets held for own use	–	–
Transfer (to) assets held for sale	(320)	–
Foreign currency translation effects[2]	(759)	764
As of December 31	**11,734**	**13,684**

1 In 2023, decrease was mainly driven by revaluation impacts on real estate in Germany and United States. The fair value decrease is driven by the commercial real estate market.
2 In 2024, the decrease was mainly driven by foreign exchange-related impacts on real estate in Germany and Switzerland as the U.S. dollar strengthened against the Euro and Swiss franc. In 2023, the increase was mainly driven by foreign exchange-related impacts on real estate in Germany and Switzerland as the U.S. dollar weakened against the Euro and Swiss franc.

Investment property consists of investments in commercial, residential and mixed-use properties primarily located in Germany, U.S. and Switzerland.

Consolidated financial statements (continued)

Net changes on financial assets and (re-)insurance contracts included in other comprehensive income[1]

Table 5.5

in USD millions, as of December 31	Total 2024	2023
Debt securities:		
Fair value through comprehensive income	(4,530)	(4,372)
ECL allowance on fair value through comprehensive income	83	81
Total debt securities	(4,447)	(4,291)
Other[2]	(4)	(16)
Total net unrealized gains/(losses) on financial assets	(4,450)	(4,306)
Less other amounts recognized in other comprehensive income attributable to:		
Net change in discount rate for (re-)insurance contracts	4,369	4,288
Net change in fair value of underlying items through OCI	1,157	1,053
Total	**1,076**	**1,034**

1 Changes in financial assets and (re-)insurance contracts included in other comprehensive income are presented net of tax and non-controlling interests.
2 Net unrealized gains/(losses) on financial assets include net losses recorded in the cash flow hedge reserve of USD (4) million and USD (21) million as of December 31, 2024 and 2023, respectively.

Repurchase agreements and reverse repurchase agreements

Table 5.6

in USD millions, as of December 31	Total 2024	2023
Repurchase agreements		
Securities sold under repurchase agreements[1]	1,129	802
Obligations to repurchase securities	1,123	796
Reverse repurchase agreements		
Securities purchased under reverse repurchase agreements[2]	2,663	1,729
Receivables under reverse repurchase agreements	2,662	1,716

1 Non-cash collateral pledged on repurchase agreements amounted to USD 1.1 billion and USD 802 million as of December 31, 2024 and 2023, respectively. The ZIC Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 32 million and USD 0 million as of December 31, 2024 and 2023. The majority of these assets were debt securities.
2 Non-cash collateral held on reverse repurchase agreements amounted to USD 2.7 billion and USD 1.7 billion as of December 31, 2024 and 2023, respectively. The ZIC Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 146 million and USD 147 million as of December 31, 2024 and 2023, respectively.

Under the terms of securities lending or repurchase agreements, the ZIC Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the ZIC Group's balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to profit or loss using the effective interest rate method over the life of the agreement. Securities lending was nil in 2024 and 2023.

Under a reverse repurchase agreement, the securities received are not recognized on the balance sheet, as long as the risk and rewards of ownership have not been transferred to the ZIC Group. The cash delivered by the ZIC Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in profit or loss using the effective interest rate method over the life of the agreement.

Consolidated financial statements (continued)

6. Group derivative financial instruments and hedge accounting

The ZIC Group uses derivative financial instruments mainly for economic hedging purposes to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. Derivative financial instruments with a positive fair value are reported in receivables and other assets (please see note 14) and those with a negative fair value are reported in other liabilities (please see note 15).

Table 6.1 shows the fair value and notional amounts for all group derivatives as of December 31, 2024 and 2023, separated by risks. While these notional amounts express the extent of the ZIC Group's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Table 6.1

Maturity analysis of notional amounts and fair values of Group derivative financial instruments

in USD millions, as of December 31	**2024**						**2023**		
	Maturity by notional amount								
	< 1 year	1 to 5 years	> 5 years	**Notional amounts**	**Positive fair values**	**Negative fair values**	Notional amounts	Positive fair values	Negative fair values
Interest rate contracts[1]	2,851	5,056	2,317	10,225	553	(643)	13,402	540	(756)
Equity contracts	1,410	317	772	2,499	68	(8)	2,185	55	(21)
Foreign exchange contracts	18,972	480	213	19,665	264	(190)	21,239	352	(475)
Total Group derivative financial instruments	**23,233**	**5,854**	**3,302**	**32,389**	**885**	**(840)**	**36,825**	**947**	**(1,252)**
Thereof exchange-traded[2]	165	–	–	165	3	(1)	265	1	(9)
Thereof OTC (over the counter)	23,068	5,854	3,302	32,224	882	(839)	36,561	945	(1,243)

1 Include USD 1.8 billion and USD 1.7 billion notional related to derivatives which are centrally cleared as of December 31, 2024 and 2023, respectively. Please note that derivatives centrally cleared that are not designated under a qualifying hedge accounting relationship are presented net of corresponding variation margin payments under 'Amounts due from investment brokers' (see note 14) and 'Amounts due to investment brokers' (see note 15) as of December 31, 2024 and 2023, respectively.
2 Please note prior year figures for Nominal Amounts and related Negative fair values have been updated.

Interest rate contracts

Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset-liability mismatches. Whenever possible, the ZIC Group enters into exchange-traded and centrally cleared contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges and central clearing houses, exchange-traded and centrally cleared contracts do not carry material counterparty risk. Over-the-counter (OTC) contracts are otherwise entered into and consist of forward contracts, swaps and swaptions.

Equity contracts

Equity contracts are entered into, either on a portfolio or on a macro level, to protect the fair value of equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Short positions are always covered and sometimes used to mitigate hedging costs.

Foreign exchange contracts

Swaps and forward contracts are used to hedge the ZIC Group's foreign currency exposures and to manage balance sheet mismatches.

Credit contracts

The ZIC Group may from time to time enter into credit contracts. Credit contracts are credit default swaps entered into, either on a portfolio or on a macro level, to limit market risks arising from the investment portfolios against a change in credit spreads or to manage the risk return profile of the credit exposures. As of December 31, 2024, the ZIC Group does not hold credit default swaps.

Consolidated financial statements (continued)

Derivative financial instruments applying hedge accounting

Under certain conditions, derivative financial instruments meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 6.2.

Notional and fair values of Group hedge accounting derivative financial instruments

Table 6.2

in USD millions, as of December 31	2024			2023		
	Notional principal amounts	**Positive fair values**	**Negative fair values**	Notional principal amounts	Positive fair values	Negative fair values
Fair value hedge:						
Interest rate contracts[1]	415	12	(11)	1,526	17	(18)
Total fair value hedges	**415**	**12**	**(11)**	**1,526**	**17**	**(18)**
Cash flow hedge:						
Interest rate contracts	13	5	(5)	13	6	(5)
Foreign currency contracts	371	28	(64)	857	24	(77)
Total cash flow hedges	**384**	**33**	**(68)**	**870**	**30**	**(82)**
Net investment hedge:						
Foreign currency contracts	1,891	–	(23)	1,814	61	–
Total net investment hedges	**1,891**	**–**	**(23)**	**1,814**	**61**	**–**

1 Fair value hedge include USD 415 million and USD 763 million of notional related to derivatives which are centrally cleared as of December 31, 2024 and 2023, respectively.

Fair value hedges

The ZIC Group enters into fair value hedge relationships consisting of interest rate swaps to protect the ZIC Group from interest rate exposure arising from certain debt securities.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income. The critical terms of the designated derivatives closely match the terms of the hedge items, so that the hedges are highly effective.

Table 6.3 sets out gains and losses arising from fair value hedges:

Gains/(losses) arising from fair value hedges

Table 6.3

in USD millions, for the years ended December 31	**2024**	2023
Gains/(losses)		
on hedging instruments[1]	2	(31)
on hedged items attributable to the hedged risk	(2)	31

1 Excluding current interest income, which is recognized as an offset on the same line as the interest expense of the hedged debt securities.

Cash flow hedges

The ZIC Group uses interest rate swaps and cross-currency swaps for cash flow hedging to protect against the exposure to variability of cash flows attributable to interest rate and currency risk arising predominantly from debt securities. The hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI. The effective portion is reclassified to profit or loss in the same period or periods in which the hedged cash flows affect profit or loss.

The net change of losses deferred in OCI on derivative financial instruments designated as cash flow hedges was USD (5) million and USD (5) million before tax for the years ended December 31, 2024, and 2023, respectively.

The ZIC Group recognized hedging gains/(losses) for interest rate risk of USD (12) million and USD 1 million in the consolidated income statements within net investment income on Group investments for the years ended December 31, 2024, and 2023, respectively. The ZIC Group also recognized net hedging gains/(losses) for currency risk of USD (1) million and USD 12 million within other net capital gains/(losses) on Group investments for the years ended December 31, 2024, and 2023, respectively, as an offset to the foreign currency revaluation on the underlying hedged items.

Ineffectiveness of cash flow hedges of USD 0.4 million and USD 0 million was recognized in net capital gains/(losses) for the years ended December 31, 2024 and 2023, respectively.

Net investment hedges

The ZIC Group applies net investment hedge accounting to protect against the effects of changes in exchange rates in its net investments in foreign operations.

The ZIC Group has designated certain foreign exchange forwards and swaps and debt issuances as hedging instruments in net investment hedges.

Measurement of hedge effectiveness is based on changes in spot foreign exchange rates. Gains and losses on the designated hedging derivative and non-derivative financial instruments related to the effective portion of the hedge are recognized in OCI as cumulative foreign currency translation together with the translation gains and losses on the hedged net investment. The accumulated gains and losses in OCI are reclassified to income on disposal or partial disposal of the foreign operation.

The ZIC Group has designated certain debt issuances as hedging instruments on a non-derivative net investment hedge relationship. The notional amount of these financial instruments was USD 10 billion and USD 10 billion for the years ended December 31, 2024 and 2023, respectively. Information on debt issuances designated as hedging instruments in a net investment hedge relationship is set out in note 17.

The net change of gains/(losses) deferred in OCI related to net investment hedges were USD (567) million and USD 915 million before tax for the years ended December 31, 2024 and 2023, respectively.

Ineffectiveness of net investment hedges of USD 1 million and USD 0 million was recognized in foreign currency translation within other net capital gains/(losses) on Group investments for the years ended December 31, 2024 and 2023, respectively.

Consolidated financial statements (continued)

Offsetting of derivative financial assets and liabilities

Table 6.4 shows the net asset and liability position of ZIC Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the ZIC Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 6.4

Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements

in USD millions, as of December 31	Derivative assets		Derivative liabilities	
	2024	2023	**2024**	2023
Netting recognized on the balance sheet				
Gross amounts of financial assets and liabilities[1]	885	949	(870)	(1,257)
Cash collateral (received)/pledged that are set off[2]	–	–	29	3
Net amount recognized as presented in the balance sheet	**885**	**949**	**(841)**	**(1,254)**
Netting potential not recognized on the balance sheet[3]				
Related amounts not offset	(132)	(151)	105	164
Cash collateral (received)/pledged[2]	(751)	(729)	236	496
Non-cash collateral (received)/pledged	(3)	(2)	499	543
Net amount[4]	**–**	**67**	**–**	**(51)**

1 Includes USD 1.2 million and USD 3.4 million of derivative assets and USD 29.7 million and USD 4.7 million of derivative liabilities centrally cleared before netting against variation margin as of December 31, 2024 and 2023, respectively.
2 Includes USD 29.3 million and USD 2.9 million of cash collateral for derivative liabilities centrally cleared through central counterparty (CCP) as of December 31, 2024 and 2023, respectively. There was no cash collateral for derivative assets centrally cleared in 2024 and 2023.
3 For the purpose of this disclosure, the amounts of financial instruments and cash and non-cash collateral are limited to the net amount of financial assets presented on the balance sheet; i.e., any over-collateralization is not reflected.
4 Includes USD 0.8 million and USD 1.6 million of total potential exposure to centrally cleared derivatives as of December 31, 2024 and 2023, respectively.

7. Insurance and reinsurance contracts

Insurance and reinsurance contracts presented within this note include (re-)insurance contracts issued, including investment contracts with discretionary participation features and reinsurance contracts held.

Portfolios of (re-)insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Portfolios of (re-)insurance contracts issued are presented within insurance contract liabilities, unless such portfolios are in a net asset position, in which case they are reclassified and presented as insurance contract assets. Similarly, portfolios of reinsurance contracts held are presented within reinsurance contract assets, unless such portfolios are in a net liability position, in which case they are reclassified and presented as reinsurance contract liabilities.

Unless specifically indicated, the disclosures within this note exclude the impacts of hyperinflation and are presented separately for groups of (re-)insurance contracts issued and reinsurance contracts held depending on the measurement model (please see note 3 for further details):

- Simplified or premium allocation approach (PAA) – for short-term (re-)insurance contracts issued and reinsurance contracts held that are eligible for PAA;
- General model (BBA) – for non-participating and indirect participating (re-)insurance contracts issued and reinsurance contracts held; and
- Variable fee approach (VFA) – for direct participating insurance contracts issued.

A summary of key financial figures for (re-)insurance contracts issued and reinsurance contracts held are shown in table 7.1a by asset and liability positions and by measurement model applied:

Table 7.1a

Overview of insurance contracts issued and reinsurance contracts held

in USD millions, as of December 31				2024				2023
	Measured under PAA	**Measured under BBA**	**Measured under VFA**	**Total**	Measured under PAA	Measured under BBA	Measured under VFA	Total
Insurance contract assets	–	(759)	(10)	(768)	–	(571)	(9)	(580)
Insurance contract liabilities	65,850	26,410	138,220	230,479	65,694	27,672	123,596	216,962
Insurance contract (assets)/liabilities	**65,850**	**25,651**	**138,210**	**229,711**	**65,694**	**27,101**	**123,587**	**216,381**
Reinsurance contract assets	(13,798)	(7,652)	–	(21,450)	(13,903)	(8,039)	–	(21,942)
Reinsurance contract liabilities	–	437	–	437	–	504	–	504
Reinsurance contract (assets)/liabilities	**(13,798)**	**(7,215)**	**–**	**(21,013)**	**(13,903)**	**(7,535)**	**–**	**(21,438)**

For (re-)insurance contracts accounted for under PAA, the increase of USD 262 million for the year ended December 31, 2024 is driven primarily by an increase in the LIC of USD 767 million due to growth in business and reduction in the discount impact, partially offset by net favorable reserve development emerged from reserves established in prior years amounting to USD 541 million, mainly related to the release of risk adjustment and underlying favorable run-off. The increase in the LIC is offset by the decrease in the LRC of USD 576 million due to a higher earning of the premium and currency movements.

For insurance contracts accounted for under BBA, the decrease of USD 1.5 billion for the year ended December 31, 2024 is driven primarily by the USD 1.2 billion released to the insurance service result for services provided during the period and USD 1.3 billion decrease due to FX movements partially offset by the USD 659 million increase from net cash inflows.

For insurance contracts accounted for under VFA, the increase of USD 14.6 billion for the year ended December 31, 2024 was mainly due to the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (see note 4) as well as the positive performance of underlying assets, partially offset by the decrease due to FX movements.

For reinsurance contracts accounted for under BBA, the decrease of USD 319 million for the year ended December 31, 2024 was primarily driven by the USD 324 million released to the reinsurance service result for services received during the period and USD 177 million decrease due to FX movements partially offset by the USD 232 million increase from finance expenses and USD 36 million of net cash outflows.

Consolidated financial statements (continued)

Overview of CSM

Table 7.1b

in USD millions, as of December 31	2024			2023		
	Measured under BBA	**Measured under VFA**	**Total**	Measured under BBA	Measured under VFA	Total
CSM included in insurance contract assets	1,022	24	1,046	590	39	629
CSM included in insurance contract liabilities	6,117	9,738	15,855	6,825	9,283	16,108
CSM included in insurance contract (assets)/liabilities	**7,138**	**9,762**	**16,901**	**7,415**	**9,322**	**16,737**
CSM included in reinsurance contract assets	(2,646)	–	(2,646)	(2,802)	–	(2,802)
CSM included in reinsurance contract liabilities	(1,201)	–	(1,201)	(1,428)	–	(1,428)
CSM included in reinsurance contract (assets)/liabilities	**(3,848)**	**–**	**(3,848)**	**(4,230)**	**–**	**(4,230)**

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Consolidated financial statements (continued)

Table 7.2a

Reconciliation of insurance contracts issued, measured under PAA – current period

in USD millions	Liability for remaining coverage		Liability for incurred claims			
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2024	9,595	259	55,176	1,310	(645)	65,694
Insurance contract assets, as of January 1, 2024	–	–	–	–	–	–
Net insurance contracts as of January 1, 2024	9,595	259	55,176	1,310	(645)	65,694
Insurance revenue	(49,128)	–	–	–	–	(49,128)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	–	–	35,487	443	–	35,929
Amortization of insurance acquisition cash flows	7,481	–	–	–	–	7,481
Changes that relate to past service	–	–	(532)	(427)	–	(959)
Losses and reversal of losses on onerous contracts	–	25	–	–	–	25
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	5	5
Insurance service expenses	7,481	25	34,954	16	5	42,481
Total gross insurance service result	(41,647)	25	34,954	16	5	(6,647)
Cash in/(out)flows in the period						
Premiums received	50,057	–	–	–	–	50,057
Insurance acquisition cash flows	(7,794)	–	–	–	(321)	(8,115)
Claims and other insurance service expenses paid, including investment components	–	–	(35,228)	–	–	(35,228)
Net cash inflows/(outflows)	42,263	–	(35,228)	–	(321)	6,714
Allocation from assets for insurance acquisition cash flows to insurance contracts	(314)	–	–	–	314	–
Investment components	(385)	–	385	–	–	–
Insurance finance (income)/expense recognized in P&L	129	–	1,506	36	–	1,671
Insurance finance (income)/expense recognized in OCI	–	–	157	5	–	162
Acquisitions/(divestments) and transfers[1]	126	7	205	2	(1)	340
Foreign currency translation effects	(430)	(15)	(1,723)	(41)	75	(2,134)
Other changes[2]	(43)	–	89	4	1	51
Total changes not related to provision of insurance service	(916)	(7)	618	6	389	90
Insurance contract liabilities, as of December 31, 2024	9,294	276	55,520	1,332	(572)	65,850
Insurance contract assets, as of December 31, 2024	–	–	–	–	–	–
Net insurance contracts as of December 31, 2024	**9,294**	**276**	**55,520**	**1,332**	**(572)**	**65,850**

1 In 2024, the increase relates to the acquisition of Kotak Mahindra General Insurance Company Limited (see note 4).
2 Other changes are mainly driven by short-term life portfolio reclassification from BBA to PAA measurement model as well as hyperinflation adjustments.

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under PAA – prior period

Table 7.2b

in USD millions	Liability for remaining coverage		Liability for incurred claims			
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2023	8,658	334	51,890	1,453	(542)	61,793
Insurance contract assets, as of January 1, 2023	–	–	–	–	–	–
Net insurance contracts as of January 1, 2023	8,658	334	51,890	1,453	(542)	61,793
Insurance revenue	(45,950)	–	–	–	–	(45,950)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	–	–	33,357	398	–	33,755
Amortization of insurance acquisition cash flows	6,703	–	–	–	–	6,703
Changes that relate to past service	–	–	(36)	(635)	–	(671)
Losses and reversal of losses on onerous contracts	–	(89)	–	–	–	(89)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	(19)	(19)
Insurance service expenses	6,703	(89)	33,321	(237)	(19)	39,679
Total gross insurance service result	(39,247)	(89)	33,321	(237)	(19)	(6,272)
Cash in/(out)flows in the period						
Premiums received	47,593	–	–	–	–	47,593
Insurance acquisition cash flows	(7,086)	–	–	–	(326)	(7,412)
Claims and other insurance service expenses paid, including investment components	–	–	(33,636)	–	–	(33,636)
Net cash inflows/(outflows)	40,507	–	(33,636)	–	(326)	6,545
Allocation from assets for insurance acquisition cash flows to insurance contracts	(288)	–	–	–	288	–
Investment components	(324)	–	324	–	–	–
Insurance finance (income)/expense recognized in P&L	92	–	1,138	29	–	1,258
Insurance finance (income)/expense recognized in OCI	–	–	1,318	44	–	1,362
Acquisitions/(divestments) and transfers	1	–	27	–	–	28
Foreign currency translation effects	254	13	1,045	22	(45)	1,288
Other changes[1]	(60)	1	(250)	(1)	–	(309)
Total changes not related to provision of insurance service	(324)	14	3,601	94	243	3,627
Insurance contract liabilities, as of December 31, 2023	9,595	259	55,176	1,310	(645)	65,694
Insurance contract assets, as of December 31, 2023	–	–	–	–	–	–
Net insurance contracts as of December 31, 2023	**9,595**	**259**	**55,176**	**1,310**	**(645)**	**65,694**

1 Other changes mainly driven by non-recurring IFRS 9 balance sheet transition adjustments, hyperinflation adjustments and U.S. reclassification of deductible receivables to insurance contract liabilities.

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under PAA – current period

Table 7.3a

in USD millions	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of the future cash flows	Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2024	1,749	12	11,868	275	13,903
Reinsurance contract liabilities, as of January 1, 2024	–	–	–	–	–
Net reinsurance contracts as of January 1, 2024	1,749	12	11,868	275	13,903
Reinsurance premiums	(8,484)	–	–	–	(8,484)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	–	–	5,956	95	6,051
Changes to recoveries of incurred claims that relate to past service	–	–	(310)	(109)	(418)
Changes that relate to onerous underlying contracts	–	18	–	–	18
Changes that relate to future services[1]	127	–	–	–	127
Amounts recovered from reinsurance	127	18	5,646	(14)	5,777
Total reinsurance service result	(8,357)	18	5,646	(14)	(2,707)
Cash (in)/outflows in the period					
Reinsurance premiums paid	8,581	–	–	–	8,581
Amounts received under reinsurance contracts held, including investment components	–	–	(6,325)	–	(6,325)
Net cash (inflows)/outflows	8,581	–	(6,325)	–	2,256
Reinsurance investment components	(1)	–	1	–	–
Effect of changes in the risk of non-performance of reinsurers	–	–	11	–	11
Reinsurance finance income/(expense) recognized in P&L	50	–	354	9	413
Reinsurance finance income/(expense) recognized in OCI	1	–	17	1	18
Acquisitions/(divestments) and transfers[2]	36	3	98	1	137
Foreign currency translation effects	(18)	(1)	(179)	(4)	(202)
Other changes	(16)	–	(15)	–	(32)
Total changes not related to provision of reinsurance services	52	2	287	5	346
Reinsurance contract assets, as of December 31, 2024	2,025	31	11,475	267	13,798
Reinsurance contract liabilities, as of December 31, 2024	–	–	–	–	–
Net reinsurance contracts as of December 31, 2024	**2,025**	**31**	**11,475**	**267**	**13,798**

1 Increase in retroactive reinsurance recoveries reflecting the adverse gross movements.
2 Increase related to an agreement signed to sell the employers' liability policies of Zurich Insurance Company Ltd, UK Branch (see note 4).

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under PAA – prior period

Table 7.3b

in USD millions	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of the future cash flows	Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2023	1,773	16	10,909	290	12,988
Reinsurance contract liabilities, as of January 1, 2023	–	–	–	–	–
Net reinsurance contracts as of January 1, 2023	1,773	16	10,909	290	12,988
Reinsurance premiums	(7,886)	–	–	–	(7,886)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	–	–	5,120	96	5,216
Changes to recoveries of incurred claims that relate to past service	–	–	110	(127)	(17)
Changes that relate to onerous underlying contracts	–	(5)	–	–	(5)
Changes that relate to future services	1	–	–	–	1
Amounts recovered from reinsurance	1	(5)	5,231	(31)	5,196
Total reinsurance service result	(7,885)	(5)	5,231	(31)	(2,690)
Cash (in)/outflows in the period					
Reinsurance premiums paid	7,740	–	–	–	7,740
Amounts received under reinsurance contracts held, including investment components	–	–	(4,946)	–	(4,946)
Net cash (inflows)/outflows	7,740	–	(4,946)	–	2,794
Reinsurance finance income/(expense) recognized in P&L	51	–	282	7	340
Reinsurance finance income/(expense) recognized in OCI	5	–	247	9	260
Acquisitions/(divestments) and transfers	3	–	12	–	15
Foreign currency translation effects	43	–	134	2	178
Other changes	19	–	(1)	(1)	17
Total changes not related to provision of reinsurance services	121	–	674	16	811
Reinsurance contract assets, as of December 31, 2023	1,749	12	11,868	275	13,903
Reinsurance contract liabilities, as of December 31, 2023	–	–	–	–	–
Net reinsurance contracts as of December 31, 2023	**1,749**	**12**	**11,868**	**275**	**13,903**

Consolidated financial statements (continued)

Table 7.4

Development of insurance losses, measured under the PAA, net

in USD millions, as of December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
Undiscounted liabilities for incurred claims, net of reinsurance	53,739	52,773	55,623	50,627	48,223	50,094	50,031	50,091	53,259	52,959
Effects of discounting								(9,110)	(9,951)	(8,915)
Effect of the risk adjustment for non-financial risk								1,163	1,035	1,066
Total liabilities for incurred claims, net of reinsurance	53,739	52,773	55,623	50,627	48,223	50,094	50,031	42,143	44,343	45,110
Cumulative claims paid, net of reinsurance:										
One year later	*(11,690)*	*(10,994)*	*(11,586)*	*(10,831)*	*(9,921)*	*(9,756)*	*(10,592)*	*(11,665)*	*(12,843)*	
Two years later	*(18,562)*	*(17,808)*	*(18,277)*	*(16,727)*	*(15,594)*	*(15,858)*	*(16,995)*	*(18,649)*		
Three years later	*(23,590)*	*(22,540)*	*(22,606)*	*(20,805)*	*(20,285)*	*(20,732)*	*(21,980)*			
Four years later	*(27,106)*	*(25,764)*	*(25,662)*	*(24,348)*	*(24,188)*	*(24,600)*				
Five years later	*(29,569)*	*(28,012)*	*(28,222)*	*(27,439)*	*(27,180)*					
Six years later	*(31,167)*	*(29,902)*	*(30,599)*	*(29,847)*						
Seven years later	*(32,588)*	*(31,729)*	*(32,453)*							
Eight years later	*(34,054)*	*(33,262)*								
Nine years later	*(35,299)*									
Undiscounted liabilities for incurred claims re-estimated, net of reinsurance:										
One year later	*53,575*	*52,131*	*54,949*	*50,044*	*47,815*	*49,494*	*49,958*	*49,889*	*53,133*	
Two years later	*52,633*	*51,415*	*54,108*	*49,197*	*47,150*	*49,247*	*49,792*	*49,762*		
Three years later	*52,073*	*50,462*	*53,251*	*48,610*	*47,021*	*49,204*	*49,693*			
Four years later	*51,337*	*49,538*	*52,597*	*48,180*	*47,086*	*49,149*				
Five years later	*50,482*	*48,971*	*52,040*	*48,158*	*47,030*					
Six years later	*50,076*	*48,418*	*51,885*	*48,083*						
Seven years later	*49,712*	*48,275*	*51,855*							
Eight years later	*49,596*	*48,333*								
Nine years later	*49,668*									

Table 7.4 summarizes the cumulative paid claims compared with previous estimates of the undiscounted amount of the incurred claims, net of reinsurance. The ZIC Group presents the information by financial year, not by accident year (i.e., insurance losses and the development thereof are for all accident years in that financial year).

The top section of the table shows the estimated undiscounted amount of future payments for losses and loss adjustment expenses incurred in that year and in prior years and the corresponding effects of discounting and risk adjustment for non-financial risk, which correspond to the liability for incurred claims (LIC), net of reinsurance, as of December 31, 2024 and 2023.

The cumulative claims paid, net of reinsurance section of the table presents the cumulative amounts paid in each subsequent year in respect of the LIC established at each year end. The undiscounted liabilities for incurred claims re-estimated, net of reinsurance, show the re-estimation of the initially recorded liabilities as of each subsequent year end. The amounts are presented gross of non-distinct investment component. The figures disclosed in this table for information published from 2021 and prior are as published previously and have not been restated for changes resulting from the application of IFRS 17. The effects from the application of IFRS 17 did not have a material effect and were primarily attributable to scope changes (e.g., incurred claims and expenses from short-term life insurance contracts were previously not included).

Changes to incurred claims estimates are made as more information becomes known about the actual insurance losses for which the initial LIC were established. Conditions and trends that have affected the development of insurance losses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in this table.

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Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under BBA – current period

Table 7.5a

in USD millions	Liability for remaining coverage – Excluding loss component	Liability for remaining coverage – Loss component	Liability for incurred claims	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2024	21,278	1,491	4,908	(5)	27,672
Insurance contract assets, as of January 1, 2024	(411)	3	634	(797)	(571)
Net insurance contracts, as of January 1, 2024	20,867	1,494	5,542	(802)	27,101
Insurance revenue					
Insurance revenue	(6,477)	–	–	–	(6,477)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	–	–	4,563	–	4,563
Amortization of insurance acquisition cash flows	653	–	–	–	653
Changes that relate to past services	–	–	21	–	21
Losses on onerous contracts and reversal of those losses	–	13	–	–	13
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	3	3
Insurance service expenses	653	13	4,584	3	5,254
Total gross insurance service result	(5,824)	13	4,584	3	(1,223)
Cash in/(out)flows in the period					
Premiums received	8,538	–	–	–	8,538
Insurance acquisition cash flows	(937)	–	–	(130)	(1,068)
Claims and other insurance service expenses paid, including investment components	10	–	(6,821)	–	(6,811)
Net cash inflows/(outflows)	7,611	–	(6,821)	(130)	659
Allocation from assets for insurance acquisition cash flows	(89)	–	–	89	–
Investment components	(2,261)	–	2,261	–	–
Insurance finance (income)/expenses recognized in P&L	640	66	39	–	745
Insurance finance (income)/expenses recognized in OCI	(147)	–	(21)	–	(168)
Acquisitions/(divestments) and transfers[1]	(165)	4	–	–	(161)
Foreign currency translation effects	(1,060)	(84)	(190)	76	(1,258)
Other changes	(21)	3	(26)	–	(44)
Total changes not related to provision of insurance services	(3,104)	(10)	2,063	165	(886)
Insurance contract liabilities, as of December 31, 2024	20,310	1,421	5,082	(404)	26,410
Insurance contract assets, as of December 31, 2024	(759)	76	286	(361)	(759)
Net insurance contracts, as of December 31, 2024	**19,551**	**1,497**	**5,368**	**(764)**	**25,651**

1 In 2024, the decrease related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under BBA – prior period

Table 7.5b

in USD millions	Liability for remaining coverage – Excluding loss component	Liability for remaining coverage – Loss component	Liability for incurred claims	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2023	22,577	1,780	4,652	(2)	29,007
Insurance contract assets, as of January 1, 2023	(489)	2	586	(766)	(668)
Net insurance contracts, as of January 1, 2023	22,088	1,782	5,237	(768)	28,339
Insurance revenue					
Insurance revenue	(6,360)	–	–	–	(6,360)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	–	–	4,477	–	4,477
Amortization of insurance acquisition cash flows	629	–	–	–	629
Changes that relate to past services	–	–	166	–	166
Losses on onerous contracts and reversal of those losses	–	(205)	–	–	(205)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	1	1
Insurance service expenses	629	(205)	4,643	1	5,067
Total gross insurance service result	(5,732)	(205)	4,643	1	(1,293)
Cash in/(out)flows in the period					
Premiums received	9,193	–	–	–	9,193
Insurance acquisition cash flows	(882)	–	–	(137)	(1,018)
Claims and other insurance service expenses paid, including investment components	13	–	(7,433)	–	(7,420)
Net cash inflows/(outflows)	8,325	–	(7,433)	(137)	755
Allocation from assets for insurance acquisition cash flows	(106)	–	–	106	–
Investment components	(2,901)	–	2,901	–	–
Insurance finance (income)/expenses recognized in P&L	634	66	91	–	791
Insurance finance (income)/expenses recognized in OCI	523	–	5	–	529
Acquisitions/(divestments) and transfers[1]	(2,463)	(164)	–	–	(2,626)
Foreign currency translation effects	462	7	99	(3)	566
Other changes	35	7	(2)	–	40
Total changes not related to provision of insurance services	(3,814)	(84)	3,094	103	(700)
Insurance contract liabilities, as of December 31, 2023	21,278	1,491	4,908	(5)	27,672
Insurance contract assets, as of December 31, 2023	(411)	3	634	(797)	(571)
Net insurance contracts, as of December 31, 2023	**20,867**	**1,494**	**5,542**	**(802)**	**27,101**

1 In 2023, the decrease related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under BBA – current period

Table 7.6a

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2024	19,014	1,833	6,825	27,672
Insurance contract assets, as of January 1, 2024	(1,339)	178	590	(571)
Net insurance contracts, as of January 1, 2024	17,675	2,011	7,415	27,101
Changes that relate to future services				
Changes in estimates that adjust the CSM	(47)	(69)	117	–
Changes in estimates that result in onerous contract losses or reversal of losses	137	(38)	–	98
Contracts initially recognized in the period	(1,130)	226	914	11
Changes that relate to current services				
CSM recognized for the services provided	–	–	(1,158)	(1,158)
Risk adjustment recognized for the risk expired	–	(175)	–	(175)
Experience adjustments	(21)	–	–	(21)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	53	(32)	–	21
Changes related to provision of insurance services	(1,008)	(89)	(127)	(1,223)
Cash in/(out)flows in the period				
Premiums received	8,538	–	–	8,538
Insurance acquisition cash flows	(1,068)	–	–	(1,068)
Claims and other insurance service expenses paid, including investment components	(6,811)	–	–	(6,811)
Net cash inflows/(outflows)	659	–	–	659
Insurance finance (income)/expenses	421	(11)	167	577
Foreign currency translation effects	(842)	(111)	(305)	(1,258)
Other changes[1]	(198)	5	(12)	(205)
Total changes not related to provision of insurance services	(619)	(117)	(150)	(886)
Insurance contract liabilities, as of December 31, 2024	18,697	1,596	6,117	26,410
Insurance contract assets, as of December 31, 2024	(1,990)	210	1,022	(759)
Net insurance contracts, as of December 31, 2024	**16,707**	**1,806**	**7,138**	**25,651**

1 In 2024, the decrease mainly related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under BBA – prior period

Table 7.6b

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2023	21,268	1,964	5,775	29,007
Insurance contract assets, as of January 1, 2023	(1,401)	163	571	(668)
Net insurance contracts, as of January 1, 2023	19,867	2,127	6,346	28,339
Changes that relate to future services				
Changes in estimates that adjust the CSM	(593)	(31)	625	–
Changes in estimates that result in onerous contract losses or reversal of losses	105	(236)	–	(131)
Contracts initially recognized in the period	(1,601)	294	1,319	12
Changes that relate to current services				
CSM recognized for the services provided	–	–	(1,071)	(1,071)
Risk adjustment recognized for the risk expired	–	(179)	–	(179)
Experience adjustments	(89)	–	–	(89)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	198	(32)	–	166
Changes related to provision of insurance services	(1,982)	(184)	873	(1,293)
Cash in/(out)flows in the period				
Premiums received	9,193	–	–	9,193
Insurance acquisition cash flows	(1,018)	–	–	(1,018)
Claims and other insurance service expenses paid, including investment components	(7,420)	–	–	(7,420)
Net cash inflows/(outflows)	755	–	–	755
Insurance finance (income)/expenses	1,079	126	115	1,319
Foreign currency translation effects	496	(25)	96	566
Other changes[1]	(2,540)	(32)	(14)	(2,586)
Total changes not related to provision of insurance services	(966)	68	197	(700)
Insurance contract liabilities, as of December 31, 2023	19,014	1,833	6,825	27,672
Insurance contract assets, as of December 31, 2023	(1,339)	178	590	(571)
Net insurance contracts, as of December 31, 2023	**17,675**	**2,011**	**7,415**	**27,101**

1 In 2023, the decrease mainly related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under VFA – current period

Table 7.7a

in USD millions	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims	Total
Insurance contract liabilities, as of January 1, 2024	122,167	106	1,324	123,596
Insurance contract assets, as of January 1, 2024	(9)	–	–	(9)
Net insurance contracts, as of January 1, 2024	122,157	106	1,324	123,587
Insurance revenue				
Insurance revenue	(3,890)	–	–	(3,890)
Insurance service expenses				
Incurred claims and other incurred insurance service expenses	–	–	2,204	2,204
Amortization of insurance acquisition cash flows	534	–	–	534
Changes that relate to past services	–	–	(1)	(1)
Losses on onerous contracts and reversal of those losses	–	(21)	–	(21)
Insurance service expenses	534	(21)	2,203	2,717
Total gross insurance service result	(3,356)	(21)	2,203	(1,173)
Cash in/(out)flows in the period				
Premiums received	12,314	–	–	12,314
Insurance acquisition cash flows	(522)	–	–	(522)
Claims and other insurance service expenses paid, including investment components	(15)	–	(15,615)	(15,631)
Net cash inflows/(outflows)	11,777	–	(15,615)	(3,838)
Investment components	(12,992)	–	12,992	–
Insurance finance (income)/expenses recognized in P&L	10,207	12	(13)	10,206
Insurance finance (income)/expenses recognized in OCI	156	–	–	156
Acquisitions/(divestments) and transfers[1]	19,898	–	(101)	19,798
Foreign currency translation effects	(10,481)	1	(30)	(10,511)
Other changes	71	(3)	(81)	(14)
Total changes not related to provision of insurance services	6,859	9	12,767	19,635
Insurance contract liabilities, as of December 31, 2024	137,447	94	679	138,220
Insurance contract assets, as of December 31, 2024	(10)	–	–	(10)
Net insurance contracts, as of December 31, 2024	**137,437**	**94**	**679**	**138,210**

1 In 2024, the increase mainly related to the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (see note 4).

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under VFA – prior period

Table 7.7b

in USD millions	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Insurance contract liabilities, as of January 1, 2023	111,688	107	1,215	113,011
Insurance contract assets, as of January 1, 2023	(8)	–	–	(8)
Net insurance contracts, as of January 1, 2023	111,680	107	1,215	113,002
Insurance revenue				
Insurance revenue	(3,766)	–	–	(3,766)
Insurance service expenses				
Incurred claims and other incurred insurance service expenses	–	–	2,152	2,152
Amortization of insurance acquisition cash flows	556	–	–	556
Changes that relate to past services	–	–	(30)	(30)
Losses on onerous contracts and reversal of those losses	–	(12)	–	(12)
Insurance service expenses	556	(12)	2,123	2,667
Total gross insurance service result	(3,210)	(12)	2,123	(1,099)
Cash in/(out)flows in the period				
Premiums received	11,191	–	–	11,191
Insurance acquisition cash flows	(505)	–	–	(505)
Claims and other insurance service expenses paid, including investment components	(33)	–	(15,958)	(15,991)
Net cash inflows/(outflows)	10,654	–	(15,958)	(5,305)
Investment components	(13,910)	–	13,910	–
Insurance finance (income)/expenses recognized in P&L	9,320	11	7	9,337
Insurance finance (income)/expenses recognized in OCI	2,362	–	–	2,362
Acquisitions/(divestments) and transfers	374	–	(14)	360
Foreign currency translation effects	5,102	–	28	5,130
Other changes	(214)	–	13	(201)
Total changes not related to provision of insurance services	3,034	11	13,944	16,989
Insurance contract liabilities, as of December 31, 2023	122,167	106	1,324	123,596
Insurance contract assets, as of December 31, 2023	(9)	–	–	(9)
Net insurance contracts, as of December 31, 2023	**122,157**	**106**	**1,324**	**123,587**

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under VFA – current period

Table 7.8a

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2024	113,624	689	9,283	123,596
Insurance contract assets, as of January 1, 2024	(49)	1	39	(9)
Net insurance contracts, as of January 1, 2024	113,575	690	9,322	123,587
Changes that relate to future services				
Changes in estimates that adjust the CSM	(1,322)	(18)	1,340	–
Changes in estimates that result in onerous contract losses or reversal of losses	(12)	(2)	–	(14)
Contracts initially recognized in the period	(425)	32	397	4
Changes that relate to current services				
CSM recognized for the services provided	–	–	(860)	(860)
Risk adjustment recognized for the risk expired	–	(54)	–	(54)
Experience adjustments	(249)	–	–	(249)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	(1)	–	–	(1)
Changes related to provision of insurance services	(2,009)	(41)	877	(1,173)
Cash in/(out)flows in the period				
Premiums received	12,314	–	–	12,314
Insurance acquisition cash flows	(522)	–	–	(522)
Claims and other insurance service expenses paid, including investment components	(15,631)	–	–	(15,631)
Net cash inflows/(outflows)	(3,838)	–	–	(3,838)
Insurance finance (income)/expenses	10,339	23	–	10,362
Foreign currency translation effects	(9,861)	(40)	(609)	(10,511)
Other changes[1]	19,523	88	173	19,783
Total changes not related to provision of insurance services	20,001	70	(437)	19,635
Insurance contract liabilities, as of December 31, 2024	127,764	718	9,738	138,220
Insurance contract assets, as of December 31, 2024	(35)	1	24	(10)
Net insurance contracts, as of December 31, 2024	**127,729**	**719**	**9,762**	**138,210**

1 In 2024, the increase mainly related to the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (see note 4).

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under VFA – prior period

Table 7.8b

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2023	103,755	517	8,739	113,011
Insurance contract assets, as of January 1, 2023	(42)	1	32	(8)
Net insurance contracts, as of January 1, 2023	103,713	518	8,771	113,002
Changes that relate to future services				
Changes in estimates that adjust the CSM	(553)	119	434	–
Changes in estimates that result in onerous contract losses or reversal of losses	(7)	2	–	(5)
Contracts initially recognized in the period	(342)	23	324	5
Changes that relate to current services				
CSM recognized for the services provided	–	–	(824)	(824)
Risk adjustment recognized for the risk expired	–	(43)	–	(43)
Experience adjustments	(203)	–	–	(203)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	(29)	–	–	(30)
Changes related to provision of insurance services	(1,134)	101	(66)	(1,099)
Cash in/(out)flows in the period				
Premiums received	11,191	–	–	11,191
Insurance acquisition cash flows	(505)	–	–	(505)
Claims and other insurance service expenses paid, including investment components	(15,991)	–	–	(15,991)
Net cash inflows/(outflows)	(5,305)	–	–	(5,305)
Insurance finance (income)/expenses	11,682	17	–	11,699
Foreign currency translation effects	4,517	40	574	5,130
Other changes	102	14	43	159
Total changes not related to provision of insurance services	16,301	71	617	16,989
Insurance contract liabilities, as of December 31, 2023	113,624	689	9,283	123,596
Insurance contract assets, as of December 31, 2023	(49)	1	39	(9)
Net insurance contracts, as of December 31, 2023	**113,575**	**690**	**9,322**	**123,587**

FV of the underlying items for participating contracts

Table 7.9

in USD millions, for the years ended December 31	**2024**	2023
Cash and cash equivalents	(1,239)	(1,633)
Equity securities	(3,815)	(3,177)
Debt securities	(38,031)	(23,474)
Mortgage loans	(2,886)	(3,020)
Other investments	(2,234)	(1,858)
Unit-linked investments	(82,831)	(81,649)
Real estate	(6,603)	(7,288)
Other assets and liabilities	(1,736)	(1,850)
Total	**(139,374)**	**(123,948)**

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under BBA – current period

Table 7.10a

in USD millions	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Reinsurance contract assets, as of January 1, 2024	6,112	174	1,753	8,039
Reinsurance contract liabilities, as of January 1, 2024	(650)	–	146	(504)
Net reinsurance contracts, as of January 1, 2024	5,462	174	1,899	7,535
Reinsurance premiums	(1,744)	–	–	(1,744)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	16	–	1,316	1,332
Changes to recoveries of incurred claims that relate to past services	–	–	3	3
Changes that relate to onerous underlying contracts	–	85	–	85
Amounts recovered from reinsurance	16	85	1,319	1,420
Total reinsurance service result	(1,728)	85	1,319	(324)
Cash (in)/outflows in the period				
Reinsurance premiums paid	1,931	–	–	1,931
Amounts received under reinsurance contracts held, including investment components	(571)	–	(1,396)	(1,967)
Net cash (inflows)/outflows	1,360	–	(1,396)	(36)
Reinsurance investment components	(568)	–	568	–
Effect of changes in the risk of non-performance of reinsurers	(2)	–	1	(1)
Reinsurance finance income/(expenses) recognized in P&L	186	8	3	197
Reinsurance finance income/(expenses) recognized in OCI	35	–	–	35
Acquisitions/(divestments) and transfers	(2)	–	–	(2)
Foreign currency translation effects	(91)	(14)	(72)	(177)
Other changes	31	–	(44)	(13)
Total changes not related to reinsurance services received	(410)	(6)	456	40
Reinsurance contract assets, as of December 31, 2024	5,252	253	2,148	7,652
Reinsurance contract liabilities, as of December 31, 2024	(567)	–	130	(437)
Net reinsurance contracts, as of December 31, 2024	**4,684**	**253**	**2,278**	**7,215**

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under BBA – prior period

Table 7.10b

in USD millions	Assets for remaining coverage: Excluding loss-recovery component	Assets for remaining coverage: Loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets, as of January 1, 2023	5,158	171	1,561	6,890
Reinsurance contract liabilities, as of January 1, 2023	(436)	–	70	(367)
Net reinsurance contracts, as of January 1, 2023	4,722	171	1,631	6,524
Reinsurance premiums	(1,349)	–	–	(1,349)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	3	–	1,039	1,042
Changes to recoveries of incurred claims that relate to past services	–	–	21	21
Changes that relate to onerous underlying contracts	–	(4)	–	(4)
Amounts recovered from reinsurance	3	(4)	1,060	1,059
Total reinsurance service result	(1,347)	(4)	1,060	(291)
Cash (in)/outflows in the period				
Reinsurance premiums paid	2,412	–	–	2,412
Amounts received under reinsurance contracts held, including investment components	5	–	(1,382)	(1,378)
Net cash (inflows)/outflows	2,417	–	(1,382)	1,035
Reinsurance investment components	(458)	–	458	–
Effect of changes in the risk of non-performance of reinsurers	5	–	(4)	1
Reinsurance finance income/(expenses) recognized in P&L	125	5	8	138
Reinsurance finance income/(expenses) recognized in OCI	(19)	–	–	(19)
Acquisitions/(divestments) and transfers	(6)	–	–	(6)
Foreign currency translation effects	27	2	11	40
Other changes	(5)	–	118	114
Total changes not related to reinsurance services received	(331)	7	591	267
Reinsurance contract assets, as of December 31, 2023	6,112	174	1,753	8,039
Reinsurance contract liabilities, as of December 31, 2023	(650)	–	146	(504)
Net reinsurance contracts, as of December 31, 2023	**5,462**	**174**	**1,899**	**7,535**

Consolidated financial statements (continued)

Reconciliation of measurement components of reinsurance contracts held, measured under BBA – current period

Table 7.11a

in USD millions	Estimate of the present value of the future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, as of January 1, 2024	4,803	434	2,802	8,039
Reinsurance contract liabilities, as of January 1, 2024	(2,334)	402	1,428	(504)
Net reinsurance contracts, as of January 1, 2024	2,469	836	4,230	7,535
Changes that relate to future services				
Changes in estimates that adjust the CSM	359	(7)	(352)	–
Changes in estimates that relates to loss-recovery and reversal of loss-recovery on onerous underlying contracts	106	(8)	–	98
Contracts initially recognized in the period	(528)	263	266	2
Changes that relate to current services				
CSM recognized in P&L for services received	–	–	(355)	(355)
Changes in the risk adjustment for non-financial risk	–	(69)	–	(69)
Experience adjustments	(3)	–	–	(3)
Changes that relate to past services				
Changes that relate to assets for incurred claims	12	(8)	–	3
Changes related to reinsurance services received	(53)	170	(441)	(324)
Cash (in)/outflows in the period				
Reinsurance premiums paid	1,931	–	–	1,931
Amounts received under reinsurance contracts held, including investment components	(1,967)	–	–	(1,967)
Net cash (inflows)/outflows	(36)	–	–	(36)
Effect of changes in the risk of non-performance of reinsurers	(1)	–	–	(1)
Reinsurance finance income/(expenses)	102	(3)	133	232
Foreign currency translation effects	(65)	(27)	(84)	(177)
Other changes	(25)	–	10	(15)
Total changes not related to reinsurance services received	11	(30)	59	40
Reinsurance contract assets, as of December 31, 2024	4,425	581	2,646	7,652
Reinsurance contract liabilities, as of December 31, 2024	(2,033)	395	1,201	(437)
Net reinsurance contracts, as of December 31, 2024	**2,391**	**976**	**3,848**	**7,215**

Consolidated financial statements (continued)

Reconciliation of measurement components of reinsurance contracts held, measured under BBA – prior period

Table 7.11b

in USD millions	Estimate of the present value of the future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, as of January 1, 2023	4,451	376	2,064	6,890
Reinsurance contract liabilities, as of January 1, 2023	(625)	24	235	(367)
Net reinsurance contracts, as of January 1, 2023	3,825	400	2,299	6,524
Changes that relate to future services				
Changes in estimates that adjust the CSM	277	(10)	(267)	–
Changes in estimates that relates to loss-recovery and reversal of loss-recovery on onerous underlying contracts	21	(9)	–	11
Contracts initially recognized in the period[1]	(2,755)	450	2,305	–
Changes that relate to current services				
CSM recognized in P&L for services received	–	–	(262)	(262)
Changes in the risk adjustment for non-financial risk	–	(40)	–	(40)
Experience adjustments	(22)	–	–	(22)
Changes that relate to past services				
Changes that relate to assets for incurred claims	31	(11)	–	21
Changes related to reinsurance services received	(2,448)	380	1,777	(291)
Cash (in)/outflows in the period				
Reinsurance premiums paid	2,412	–	–	2,412
Amounts received under reinsurance contracts held, including investment components	(1,378)	–	–	(1,378)
Net cash (inflows)/outflows	1,035	–	–	1,035
Effect of changes in the risk of non-performance of reinsurers	1	–	–	1
Reinsurance finance income/(expenses)	(16)	47	88	118
Foreign currency translation effects	(32)	8	63	40
Other changes	104	–	3	108
Total changes not related to reinsurance services received	57	56	154	267
Reinsurance contract assets, as of December 31, 2023	4,803	434	2,802	8,039
Reinsurance contract liabilities, as of December 31, 2023	(2,334)	402	1,428	(504)
Net reinsurance contracts, as of December 31, 2023	**2,469**	**836**	**4,230**	**7,535**

1 In 2023, it mainly relates to the reinsurance of the in-force individual life insurance book of Farmers New World Life Insurance Company, a subsidiary of Farmers Group, Inc.

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Amounts in tables 7.12a and 7.12b are included within the reconciliations of insurance and reinsurance contracts within this note.

Table 7.12a

Effect of insurance and reinsurance contracts initially recognized, measured under the BBA and VFA – current period

In USD millions, as of December 31, 2024	Insurance contracts issued – profitable contracts	Insurance contracts issued – onerous contracts	Reinsurance contracts held[1]
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	14,460	440	3,215
Estimates of insurance acquisition cash flows	1,481	24	–
Estimates of present value of future cash inflows	(17,507)	(453)	(2,687)
Risk adjustment for non-financial risk	255	4	(263)
CSM	1,311	–	(266)
Losses/(loss recoveries) recognized at initial recognition	**–**	**15**	**(2)**

1 In 2024, relates to the reinsurance of the in-force life insurance book of Zurich Life Insurance Japan Company Ltd.

Table 7.12b

Effect of insurance and reinsurance contracts initially recognized, measured under the BBA and VFA – prior period

In USD millions, as of December 31, 2023	Insurance contracts issued – profitable contracts[1]	Insurance contracts issued – onerous contracts	Reinsurance contracts held[2]
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	14,346	369	13,993
Estimates of insurance acquisition cash flows	1,528	14	–
Estimates of present value of future cash inflows	(17,830)	(370)	(11,239)
Risk adjustment for non-financial risk	313	4	(450)
CSM	1,643	–	(2,305)
Losses/(loss recoveries) recognized at initial recognition	**–**	**17**	**–**

1 Includes changes in contract boundaries in Bansabadell Vida S.A. de Seguros y Reaseguros.
2 Includes the reinsurance of the in-force individual life insurance book of Farmers New World Life Insurance Company, a subsidiary of Farmers Group, Inc.

Table 7.13 shows the expected pattern of recognition of the CSM from existing contracts in profit or loss.

Table 7.13

Expected recognition of the CSM in the P&L

In USD millions, as of December 31		**2024**				2023
	Insurance contracts measured under BBA	**Insurance contracts measured under VFA**	**Reinsurance contracts measured under BBA**	Insurance contracts measured under BBA	Insurance contracts measured under VFA	Reinsurance contracts measured under BBA
< 1 year	769	526	(224)	810	487	(241)
1 to 2 years	566	523	(219)	598	527	(250)
2 to 3 years	503	498	(210)	533	504	(244)
3 to 4 years	453	466	(200)	483	481	(256)
4 to 5 years	410	448	(188)	436	455	(222)
5 to 10 years	1,601	1,931	(810)	1,694	1,936	(942)
> 10 years	2,837	5,370	(1,997)	2,860	4,931	(2,074)
Total amount of unamortized CSM	**7,138**	**9,762**	**(3,848)**	**7,415**	**9,322**	**(4,230)**

For insurance contracts measured under the BBA, a large proportion of the CSM is expected to be released within the next 10 years, consistent with the coverage period of the respective insurance contracts in force. The expected pattern for the CSM recognition for reinsurance contracts held is consistent with insurance contracts under the BBA. Due to significantly longer coverage period of insurance contracts measured under the VFA, the expected CSM release pattern is much slower, with a significant proportion of CSM to be recognized in profit or loss after 10 years.

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On transition to IFRS 17, the ZIC Group applied transition modifications as described in note 3, including those affecting the amount of OCI recognized for groups of (re-)insurance contracts under the modified retrospective or fair value approaches. Table 7.14 below provides a reconciliation of the cumulative amounts included in OCI for financial assets measured at fair value through OCI (FVOCI) related to these groups of (re-)insurance contracts as of December 31, 2024 and 2023, respectively.

Table 7.14

Reconciliation of the cumulative amounts in OCI for financial assets measured at FVOCI

in USD millions	2024	2023
Cumulative amount included in OCI for financial assets measured at FVOCI as of January 1	(2,231)	(4,759)
Gains/(losses) recognized in OCI in the period	(439)	2,409
Gains/(losses) previously recognized in OCI in previous periods reclassified in the period to P&L	150	568
Foreign currency translation effects	96	(123)
Other changes[1]	(407)	(326)
Cumulative amount included in OCI for financial assets measured at FVOCI as of December 31	**(2,830)**	**(2,231)**

1 Other changes are mainly related to assets and liabilities held for sale based on agreements signed to sell portfolios of Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch, as well as the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (see note 4).

The following tables provide a summary of the movement in the CSM by transition approach for the years ended December 31, 2024 and 2023, respectively:

Table 7.15a

CSM by transition approach for groups of insurance contracts issued – current period

in USD millions	**Modified retrospective**	**Fair value**	**All other insurance contracts**	**Total**
Contractual service margin as of January 1, 2024	7,561	2,363	6,813	16,737
Changes that relate to future services				
Changes in estimates that adjust the CSM	925	(84)	615	1,456
Contracts initially recognized in the period	–	–	1,311	1,311
Changes that relate to current services				
CSM recognized for services provided in P&L	(681)	(221)	(1,116)	(2,017)
Changes related to provision of insurance services	244	(304)	810	750
Foreign currency translation effects	(466)	(64)	(384)	(914)
Insurance finance (income)/expense	11	27	129	167
Other changes	169	(336)	329	161
Total other changes	(287)	(373)	73	(587)
Contractual service margin as of December 31, 2024	**7,519**	**1,685**	**7,696**	**16,901**

Table 7.15b

CSM by transition approach for groups of insurance contracts issued – prior period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2023	7,734	1,969	5,413	15,117
Changes that relate to future services				
Changes in estimates that adjust the CSM	135	602	323	1,059
Contracts initially recognized in the period	–	–	1,643	1,643
Changes that relate to current services				
CSM recognized for services provided in P&L	(697)	(254)	(945)	(1,895)
Changes related to provision of insurance services	(562)	348	1,021	807
Foreign currency translation effects	474	35	160	669
Insurance finance (income)/expense	9	22	84	115
Other changes	(94)	(11)	134	29
Total other changes	389	46	378	813
Contractual service margin as of December 31, 2023	**7,561**	**2,363**	**6,813**	**16,737**

Consolidated financial statements (continued)

Table 7.16a

CSM by transition approach for groups of reinsurance contracts held – current period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2024	56	199	3,975	4,230
Changes that relate to future services				
Changes in estimates that adjust the CSM	(114)	(125)	(113)	(352)
Contracts initially recognized in the period	–	–	266	266
Changes that relate to current services				
CSM recognized in P&L to reflect the transfer of services	(17)	(110)	(227)	(355)
Changes related to provision of reinsurance services received	(131)	(235)	(75)	(441)
Foreign currency translation effects	(1)	(14)	(69)	(84)
Reinsurance finance income/(expense)	5	32	96	133
Other changes	6	(46)	51	10
Total other changes	9	(28)	78	59
Contractual service margin as of December 31, 2024	**(65)**	**(65)**	**3,978**	**3,848**

Table 7.16b

CSM by transition approach for groups of reinsurance contracts held – prior period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2023	171	429	1,700	2,299
Changes that relate to future services				
Changes in estimates that adjust the CSM	(122)	(109)	(36)	(267)
Contracts initially recognized in the period	–	–	2,305	2,305
Changes that relate to current services				
CSM recognized in P&L to reflect the transfer of services	(20)	(69)	(173)	(262)
Changes related to provision of reinsurance services received	(142)	(178)	2,096	1,777
Foreign currency translation effects	1	(1)	63	63
Reinsurance finance income/(expense)	9	23	55	88
Other changes	17	(74)	61	3
Total other changes	27	(52)	179	154
Contractual service margin as of December 31, 2023	**56**	**199**	**3,975**	**4,230**

Table 7.17

Maturity analysis of insurance and reinsurance contract liabilities

in USD millions, as of December 31	**2024**				2023			
	Insurance contract liabilities			**Reinsurance contract liabilities**	Insurance contract liabilities			Reinsurance contract liabilities
	Measured under PAA	**Measured under BBA**	**Measured under VFA**	**Measured under BBA**	Measured under PAA	Measured under BBA	Measured under VFA	Measured under BBA
On demand	–	–	–	–	6	–	–	–
< 1 year	16,126	3,645	6,146	62	15,929	2,681	4,997	38
1 to 2 years	8,501	683	4,281	179	8,685	778	4,602	173
2 to 3 years	5,791	566	4,041	170	5,833	639	3,931	168
3 to 4 years	4,483	452	3,872	162	4,121	566	3,908	160
4 to 5 years	2,974	457	3,830	153	2,915	488	3,536	150
> 5 years	17,644	13,298	105,593	1,307	17,687	13,867	92,651	1,645
Total maturity	**55,520**	**19,101**	**127,764**	**2,033**	**55,176**	**19,019**	**113,624**	**2,334**

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Table 7.18

Expected derecognition of assets for insurance acquisition cash flows

In USD millions, as of December 31	2024		2023	
	Contracts measured under PAA	Contracts measured under BBA and VFA	Contracts measured under PAA[1]	Contracts measured under BBA and VFA
< 1 year	96	40	145	37
1 year	118	43	89	40
2 years	80	42	76	41
3 years	65	40	60	41
4 years	38	38	52	39
5 to 10 years	66	167	77	180
> 10 years	108	394	146	424
Total	**572**	**764**	**645**	**802**

1 Please note the allocation of contracts measured under PAA for the prior year has been updated.

Nature and extent of risks that arise from (re-)insurance contracts

(Re-)insurance contracts issued and reinsurance contracts held give rise to insurance and financial risks that the ZIC Group manages using the internal model approved by the Swiss Financial Market Supervisory Authority FINMA for use under the Swiss Solvency Test (SST). Insurance risks arising from short-term contracts are covered by premium and reserve risk, as well as natural catastrophe risk, while business risk and life insurance risk cover insurance risks arising from long-term contracts, including contracts with policyholder participation accounted for as direct participating contracts. Market risks arise from assets backing insurance contracts, asset/liability mismatches and credit risk of investments. From a risk perspective, long-term life contracts include investment contracts that do not transfer significant insurance risk and are accounted for as investment contracts.

The approaches implemented by the ZIC Group to manage these risks and risk concentrations are further described in the 2024 Risk Review which forms an integral part of the consolidated financial statements. Furthermore, the 2024 Risk Review provides a comprehensive overview of the exposures per risk type and the ZIC Group's strategy to mitigate insurance risk concentrations through reinsurance contracts.

The tables below provide sensitivities to changes in essential risk variables arising from (re-)insurance contracts issued on a net basis, which is how exposures are presented to key management personnel.

Insurance risk sensitivity

Tables 7.19a and 7.19b show the sensitivity of net income before tax and net assets as a result of adverse development in the net loss ratio by one percentage point. The income tax impact is estimated using the ZIC Group effective income tax rate. The sensitivities do not indicate the probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 7.19a and 7.19b, each additional percentage point increase in the loss ratio would have a linear impact on net income before tax and net assets. The ZIC Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

Table 7.19a

Insurance risk sensitivity for the Property & Casualty business – current period

in USD millions, for the year ended December 31, 2024	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in loss ratio[1]						
Net income before tax	(187)	(210)	(38)	(32)	(8)	(448)
Net assets	(141)	(158)	(29)	(24)	(6)	(338)

1 A 1 percent change in loss ratio is defined as a 1 percent change in insurance revenue.
2 Includes the impact of eliminations upon consolidation.

Consolidated financial statements (continued)

Table 7.19b

Insurance risk sensitivity for the Property & Casualty business – prior period

in USD millions, for the year ended December 31, 2023	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in loss ratio[1]						
Net income before tax	(172)	(206)	(34)	(28)	(8)	(423)
Net assets	(129)	(155)	(26)	(21)	(6)	(317)

1 A 1 percent change in loss ratio is defined as a 1 percent change in insurance revenue.
2 Includes the impact of eliminations upon consolidation.

The ZIC Group is exposed to risk arising from natural catastrophes, with U.S. hurricane, California earthquake and Europe wind being the most material in terms of risk concentration. The impacts of insurance-specific scenarios for these events are a decrease of net income before tax and net assets of USD 1.6 billion, USD 1.0 billion and USD 0.7 billion, respectively. Note that the scenario impacts are comparable to the modelled 250-year net occurrence loss as of September 30, 2024 for the respective peril (equivalent to a 99.6 percent probability of non-exceedance).

Market risk sensitivity

The ZIC Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the ZIC Group's risk tolerance and local regulatory constraints. Therefore, economic risk sensitivities are evaluated by the ZIC Group based on their effects on available financial resources (AFR) or available capital in SST, taking into account interdependencies between the effects of the shocks on financial assets held by the ZIC Group and (re-)insurance contracts issued net of reinsurance contracts held. The sensitivities as a result of predefined interest rate yield curve, stock market, and credit spread shocks are presented in tables 7.20 to 7.22.

Table 7.20

Economic interest rate sensitivities on SST AFR

in USD millions, as of September 30	**2024**	2023
50 bps increase in the interest rate yield curves		
Property & Casualty	(91)	(88)
Life	250	260
Rest of the business	80	61
50 bps decrease in the interest rate yield curves		
Property & Casualty	87	109
Life	(356)	(410)
Rest of the business	(87)	(62)

Table 7.21

Economic equity price sensitivities on SST AFR

in USD millions, as of September 30	**2024**	2023
20% decline in stock markets		
Property & Casualty	(1,356)	(1,183)
Life	(1,464)	(1,168)
Rest of the business	(71)	(81)

Table 7.22

Economic credit spread sensitivities on SST AFR

in USD millions, as of September 30	**2024**	2023
100 bps increase in credit spreads		
Property & Casualty	(1,656)	(1,404)
Life	(1,676)	(1,449)
Rest of the business	(185)	(169)

Consolidated financial statements (continued)

8. Liabilities for investment contracts

Table 8.1

Liabilities for investment contracts

in USD millions, as of December 31	2024	2023
Unit-linked investment contracts	65,900	59,807
Other investment contracts	607	463
Total	**66,507**	**60,270**

Unit-linked investment contracts issued by the ZIC Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments. Other investment contracts are recorded primarily at amortized cost and valued based on a discounted cash flow valuation technique.

Table 8.2

Development of liabilities for investment contracts

in USD millions	2024	2023
As of January 1	60,270	50,557
Premiums	7,923	6,940
Claims	(6,131)	(5,232)
Fee income and other expenses	(483)	(422)
Interest and bonuses credited to policyholders	8,105	6,109
Acquisitions/(divestments) and transfers	–	–
Foreign currency translation effects	(3,177)	2,318
As of December 31	**66,507**	**60,270**

Consolidated financial statements (continued)

Tables 8.3a and 8.3b provide an analysis of investment contract liabilities according to maturity, based on contractual cash flows as of December 31, 2024 and 2023. The undiscounted contractual cash flows for investment contract liabilities are USD 67 billion as of December 31, 2024 and 60 billion as of December 31, 2023. Liabilities for unit-linked investment contracts amounted to USD 66 billion and USD 60 billion as of December 31, 2024 and 2023, respectively. Policyholders of unit-linked investment contracts can generally surrender their contracts at any time, leading the underlying assets to be liquidated. Risks arising from liquidation of unit-linked assets are borne by the policyholders. The ZIC Group actively manages the Life in-force business to improve persistency and retention.

Expected maturity analysis for liabilities for investment contracts – current period

Table 8.3a

in USD millions, as of December 31, 2024	**Liabilities related to unit-linked investment contracts**	**Liabilities related to investment contracts (amortized cost)**	**Total**
< 1 year	3,568	232	3,801
1 to 5 years	7,696	68	7,763
5 to 10 years	9,927	278	10,205
10 to 20 years	15,928	14	15,943
> 20 years	28,781	15	28,796
Total	**65,900**	**607**	**66,507**

Expected maturity analysis for liabilities for investment contracts – prior period

Table 8.3b

in USD millions, as of December 31, 2023	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Total
< 1 year	3,789	280	4,069
1 to 5 years	7,350	72	7,422
5 to 10 years	8,334	42	8,377
10 to 20 years	12,456	43	12,499
> 20 years	27,879	25	27,905
Total	**59,807**	**463**	**60,270**

Consolidated financial statements (continued)

9. Insurance revenue

Table 9.1

Analysis of insurance revenue recognized

in USD millions, for the years ended December 31	**2024**	2023
Insurance revenue recognized in the period – PAA	49,128	45,950
Change in the liability for remaining coverage, consisting of:		
Amortization of CSM	2,019	1,909
Release of risk adjustment for non-financial risk	261	247
Release of expected insurance service expenses	6,846	6,698
Allocation of insurance acquisition cash flows	1,191	1,191
Premium experience adjustments	60	117
Other	1	(12)
Insurance revenue recognized in the period – BBA and VFA	10,379	10,148
Total insurance revenue	**59,507**	**56,099**

Table 9.2

Insurance revenue by transition approach measured under BBA and VFA

In USD millions for the years ended December 31	**2024**		2023	
	Contracts measured under BBA	**Contracts measured under VFA**	Contracts measured under BBA	Contracts measured under VFA
Contracts measured under the modified retrospective approach	372	2,701	482	2,620
Contracts measured under the fair value approach	1,288	416	1,406	440
All other contracts	4,817	785	4,472	729
Insurance revenue measured under BBA and VFA	**6,477**	**3,902**	**6,360**	**3,788**

Consolidated financial statements (continued)

10. Fee result

Fee result

Table 10

in USD millions, for the years ended December 31	**2024**	2023
Fee income		
Farmers management fees and other related revenues[1]	4,399	4,529
Investment contracts related fee income	717	648
Risk engineering and other fee income	895	708
Total fee income	6,011	5,885
Fee business expenses		
Fee related expenses	(3,575)	(3,583)
Fee result	**2,436**	**2,303**

1 See table 25.2 for further details.

Consolidated financial statements (continued)

11. Expenses

Table 11 shows administrative and operating expenses (excluding impacts from financing) by functional area and by type of expense.

Table 11

Expenses

in USD millions, for the years ended December 31	**2024**	2023
Insurance related expenses		
Administrative and other operating expenses	3,377	3,273
Underwriting and policy acquisition costs	12,246	11,583
Claims handling expenses	3,500	3,740
Investment expenses	146	144
Reinsurance-related expenses	(453)	(526)
Investment expenses	182	212
Fee business expenses	3,575	3,583
Other expenses	2,829	2,620
Total	**25,400**	**24,630**
of which:		
Personnel and other related costs	7,648	7,417
Building, infrastructure and related costs	456	519
Brand and marketing expense	470	510
Commissions (net of IACF)	10,049	9,372
Premium taxes (net of IACF)	689	709
Asset and other non-income taxes	76	79
IT expenses	2,179	1,986
Outsourcing and professional services	2,443	2,750
Other	1,389	1,288
Total	**25,400**	**24,630**

Consolidated financial statements (continued)

12. Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Generally, these assets are depreciated on a straight-line basis to profit or loss over the following estimated useful lives:

– buildings 25 to 50 years;
– furniture and fixtures 5 to 10 years;
– equipment 3 to 6 years;
– other equipment 6 to 10 years (or determined by the term of lease).

Land held for own use is carried at cost less any accumulated impairment loss.

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis.

Table 12.1

Property and equipment overview

in USD millions, as of December 31	Real Estate		Equipment		Total	
	2024	2023	**2024**	2023	**2024**	2023
Right-of-use	1,023	1,183	71	56	1,093	1,239
Owned and subject to operating lease	385	423	388	428	773	851
Total	**1,408**	**1,606**	**459**	**484**	**1,867**	**2,091**

Table 12.2a

Property and equipment – current period

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2024	532	2,474	3,006	1,368	89	1,456	1,900	2,563	4,463
Less: accumulated depreciation/impairments	(109)	(1,291)	(1,400)	(939)	(33)	(972)	(1,049)	(1,324)	(2,372)
Net carrying value as of January 1, 2024	**423**	**1,183**	**1,606**	**428**	**56**	**484**	**851**	**1,239**	**2,091**
Additions and improvements	1	38	39	80	31	112	82	69	151
Lease modifications	–	83	83	–	4	4	–	87	87
Depreciation and impairments	(10)	(178)	(189)	(103)	(18)	(121)	(113)	(196)	(310)
Acquisitions/(divestments) and transfers	–	(54)	(54)	–	(2)	(3)	–	(56)	(57)
Foreign currency translation effects	(29)	(48)	(77)	(17)	(1)	(18)	(46)	(49)	(95)
Net carrying value as of December 31, 2024	**385**	**1,023**	**1,408**	**388**	**71**	**459**	**773**	**1,093**	**1,867**
Plus: accumulated depreciation/impairments	112	1,322	1,434	904	31	935	1,016	1,353	2,369
Gross carrying value as of December 31, 2024	497	2,345	2,842	1,292	102	1,394	1,789	2,447	4,236

Consolidated financial statements (continued)

Property and equipment – prior period

Table 12.2b

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2023	529	2,494	3,024	1,323	98	1,421	1,852	2,592	4,445
Less: accumulated depreciation/impairments	(93)	(1,193)	(1,286)	(883)	(51)	(935)	(976)	(1,244)	(2,220)
Net carrying value as of January 1, 2023	**436**	**1,302**	**1,738**	**440**	**47**	**487**	**876**	**1,349**	**2,225**
Additions and improvements	6	41	47	97	33	130	103	74	177
Lease modifications	–	75	75	–	(1)	(1)	–	74	74
Depreciation and impairments	(48)	(231)	(279)	(118)	(17)	(135)	(167)	(248)	(415)
Acquisitions/(divestments) and transfers	(7)	(31)	(38)	(2)	(8)	(10)	(9)	(38)	(47)
Foreign currency translation effects	36	27	63	12	2	13	48	29	77
Net carrying value as of December 31, 2023	**423**	**1,183**	**1,606**	**428**	**56**	**484**	**851**	**1,239**	**2,091**
Plus: accumulated depreciation/impairments	109	1,291	1,400	939	33	972	1,049	1,324	2,372
Gross carrying value as of December 31, 2023	532	2,474	3,006	1,368	89	1,456	1,900	2,563	4,463

Lessee – lease expenses and income

Table 12.3

in USD millions, for the years ended December 31	**2024**	2023
Lease expenses[1]		
Interest expense on lease liabilities[2]	42	42
Short-term lease expenses	10	6
Low-value asset lease expenses	25	25
Lease income		
Income from subleasing right-of-use assets	8	8
Gains arising from sale and leaseback transactions	–	31

1 Total cash outflow for leases amounts to USD 283 million as of December 31, 2024, excluding USD 1.8 billion of future cash outflows due to extension & termination options.
2 Included within 'Other expenses'.

Lessor – finance lease and operating lease income

Table 12.4

in USD millions, for the years ended December 31	**2024**	2023
Finance lease		
Interest income on finance lease receivables	70	49
Operating lease		
Operating lease income – property and equipment	1	–
Operating lease income – investment property	625	643
Operating variable lease income – property and equipment	1	1

Consolidated financial statements (continued)

Table 12.5

Maturity analysis – finance lease receivable

in USD millions, as of December 31	2024			2023		
	Carrying value	Unearned interest	Undiscounted cash flows	Carrying value	Unearned interest	Undiscounted cash flows
< 1 year	8	7	15	94	3	98
1 to 2 years	22	7	29	31	2	33
2 to 3 years	17	7	24	35	5	39
3 to 4 years	25	10	35	26	5	31
4 to 5 years	18	7	25	24	6	30
> 5 years	146	49	195	263	189	452
Total	**235**	**87**	**322**	**473**	**209**	**682**

Table 12.6

Maturity analysis – operating lease payments to be received

in USD millions, as of December 31	Undiscounted cash flows	
	2024	2023
< 1 year	491	473
1 to 2 years	347	351
2 to 3 years	290	302
3 to 4 years	235	236
4 to 5 years	194	193
> 5 years	717	758
Total	**2,273**	**2,313**

Consolidated financial statements (continued)

13. Attorney-in-fact contracts, goodwill and other intangible assets

Table 13.1

Intangible assets by business – current period

in USD millions, as of December 31, 2024	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software	Other	Total
Property & Casualty	–	2,245	486	725	171	3,627
Life	–	1,286	1,236	57	138	2,716
Farmers	2,650	1,264	–	332	786	5,032
Group Functions and Operations	–	10	–	46	–	56
Net carrying value	**2,650**	**4,805**	**1,722**	**1,160**	**1,095**	**11,432**

Table 13.2

Intangible assets by business – prior period

in USD millions, as of December 31, 2023	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,855	435	866	151	3,308
Life	–	1,412	1,384	53	160	3,009
Farmers	2,650	1,264	–	400	832	5,146
Group Functions and Operations	–	10	–	55	–	65
Net carrying value	**2,650**	**4,541**	**1,820**	**1,374**	**1,143**	**11,529**

Table 13.3

Intangible assets – current period

in USD millions	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software[1]	Other	Total
Gross carrying value as of January 1, 2024	2,650	4,807	3,836	5,764	1,417	18,474
Less: accumulated amortization/impairments	–	(265)	(2,016)	(4,390)	(274)	(6,945)
Net carrying value as of January 1, 2024	**2,650**	**4,541**	**1,820**	**1,374**	**1,143**	**11,529**
Additions and acquisitions	–	383	132	300	39	854
Divestments and transfers	–	(13)	(15)	(6)	(2)	(36)
Amortization[2]	–	–	(60)	(357)	(69)	(486)
Impairments	–	–	(4)	(107)	(4)	(116)
Foreign currency translation effects	–	(106)	(150)	(44)	(13)	(314)
Net carrying value as of December 31, 2024	**2,650**	**4,805**	**1,722**	**1,160**	**1,095**	**11,432**
Plus: accumulated amortization/impairments	–	250	1,819	4,557	381	7,008
Gross carrying value as of December 31, 2024	2,650	5,055	3,542	5,717	1,476	18,440

1 For the year ended December 31, 2024 Farmers Group, Inc. had USD 1.4 billion of fully amortized software, which is still in use.
2 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2024, distribution agreements related to non-controlling interests were USD 794 million.

In 2024, as a result of the acquisition of Kotak Mahindra General Insurance Company Limited, intangible assets increased by USD 556 million, of which USD 383 million is goodwill, USD 132 million is distribution agreement, USD 41 million is other intangible assets and USD 1 million is software (please see note 4). The table above excludes an estimated amount of USD 662 million, of which USD 520 million relates to goodwill and USD 142 relates to other intangible assets, related to the acquisition of AIG Travel (please see note 4).

Consolidated financial statements (continued)

Table 13.4

Intangible assets – prior period

in USD millions	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software[1]	Other	Total
Gross carrying value as of January 1, 2023	2,650	4,794	3,673	5,430	894	17,441
Less: accumulated amortization/impairments	–	(256)	(1,858)	(4,046)	(257)	(6,417)
Net carrying value as of January 1, 2023	**2,650**	**4,538**	**1,815**	**1,384**	**638**	**11,025**
Additions and acquisitions	–	18	6	317	569	911
Divestments and transfers	–	–	–	–	(3)	(3)
Amortization[2]	–	–	(59)	(347)	(57)	(464)
Impairments	–	–	–	(9)	(2)	(11)
Foreign currency translation effects	–	(15)	58	29	(2)	70
Net carrying value as of December 31, 2023	**2,650**	**4,541**	**1,820**	**1,374**	**1,143**	**11,529**
Plus: accumulated amortization/impairments	–	265	2,016	4,390	274	6,945
Gross carrying value as of December 31, 2023	2,650	4,807	3,836	5,764	1,417	18,474

1 For the year ended December 31, 2023 Farmers Group, Inc. had USD 1.3 billion of fully amortized software, which is still in use.
2 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2023, distribution agreements related to non-controlling interests were USD 850 million.

In 2023, as a result of the acquisition by Farmers Group, Inc. of Kraft Lake Insurance Agency Inc., Western Star Insurance Services, Inc. and Farmers General Insurance Agency, Inc., intangible assets increased by USD 586 million, of which USD 26 million is goodwill and USD 560 million is other intangible assets (please see note 4).

The ZIC Group performs quantitative tests of recoverability of goodwill and intangible assets with indefinite useful lives annually during the third quarter unless there is an indication that goodwill or an intangible asset with an indefinite useful life is impaired. As of December 31, 2024, the ZIC Group had not identified any triggers impacting the carrying value of the goodwill and intangible assets with indefinite useful lives.

Consolidated financial statements (continued)

14. Receivables and other assets

Table 14

Receivables and other assets

in USD millions, as of December 31	**2024**	2023
Financial assets		
Group derivative assets	885	947
Reverse repurchase agreements	2,662	1,716
Amounts due from investment brokers[1]	469	840
Other receivables	2,035	1,998
Accrued investment income	1,267	1,031
Assets for defined benefit plans[2]	382	384
Other financial assets	432	372
Non-financial assets		
Current income tax receivables	932	1,045
Prepaid expenses	831	886
Other non-financial assets[3]	1,819	1,167
Total receivables and other assets	**11,712**	**10,385**

1 Includes cash variation margin payments related to derivatives which are centrally cleared, USD 0 million and USD 2 million as of December 31, 2024 and 2023, respectively (see note 6).
2 Please see note 19.
3 In 2024, the increase in other non-financial assets is mainly related to the acquisition of the AIG Travel business (see note 4).

Consolidated financial statements (continued)

15. Other liabilities

Other liabilities

Table 15.1

in USD millions, as of December 31	2024	2023
Other financial liabilities		
Group derivative liabilities	840	1,252
Amounts due to investment brokers[1]	999	950
Bank deposits	1,532	1,366
Liabilities for defined benefit plans[2]	1,043	1,499
Other liabilities for employee benefit plans	769	631
Lease liabilities	1,537	1,666
Other accrued liabilities	1,257	1,262
Other financial liabilities	5,662	5,644
Other non-financial liabilities		
Current income tax payables	1,221	1,018
Provisions[3]	692	711
Other non-financial liabilities	1,147	1,097
Total other liabilities	**16,699**	**17,096**

1 Includes cash variation margin payments related to derivatives which are centrally cleared, USD 0 million and USD 1 million as of December 31, 2024 and 2023, respectively (see note 6).
2 Please see note 19.
3 Include restructuring provisions, litigation and regulatory provisions and other provisions (see table 15.4 for further details).

Table 15.2 shows the maturity schedule of other financial liabilities, excluding liabilities for defined benefit plans and lease liabilities, as of December 31, 2024 and 2023. The allocation to the time bands is based on the expected maturity date for the carrying value and the earliest contractual maturity for the undiscounted cash flows.

Maturity analysis – other financial liabilities

Table 15.2

in USD millions, as of December 31	2024		2023	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	10,836	10,848	10,740	10,760
1 to 2 years	13	13	129	148
2 to 3 years	27	27	38	38
3 to 4 years	3	3	3	3
4 to 5 years	23	26	4	4
> 5 years	157	284	190	341
Total	**11,060**	**11,201**	**11,105**	**11,295**

Maturity analysis – lease liabilities

Table 15.3

in USD millions, as of December 31	2024		2023	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	194	231	203	234
1 to 2 years	178	208	190	223
2 to 3 years	156	185	165	194
3 to 4 years	134	159	143	168
4 to 5 years	117	140	119	140
> 5 years	758	897	846	999
Total	**1,537**	**1,820**	**1,666**	**1,958**

Consolidated financial statements (continued)

Table 15.4

Provisions

in USD millions	Restructuring provisions		Litigation and regulatory provisions[1]		Other provisions		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
As of January 1	194	115	102	198	415	443	711	755
Provisions made during the period	45	128	77	72	159	284	281	483
Increase of provisions set up in prior years	87	96	19	3	23	19	129	118
Provisions used during the period	(143)	(131)	(27)	(163)	(145)	(216)	(315)	(511)
Provisions reversed during the period	(21)	(18)	(5)	(10)	(79)	(66)	(105)	(94)
Foreign currency translation effects	(5)	4	(12)	1	(38)	16	(55)	22
Net changes due to acquisitions/divestments	–	–	2	1	60	(60)	62	(59)
Other changes	–	–	–	–	(16)	(4)	(16)	(4)
As of December 31	**157**	**194**	**157**	**102**	**378**	**415**	**692**	**711**

1 Please see note 21 for further information on legal, compliance and regulatory developments.

Consolidated financial statements (continued)

16. Income taxes

Income tax expense – current/deferred split

Table 16.1

in USD millions, for the years ended December 31	2024	2023
Current	1,965	1,933
Deferred	278	(209)
Total income tax expense/(benefit)	**2,243**	**1,725**

Expected and actual income tax expense

Table 16.2

in USD millions, for the years ended December 31	Rate	2024	Rate	2023
Net income before income taxes		8,590		6,425
less: income tax (expense)/benefit attributable to policyholders		(179)		(172)
Net income before income taxes attributable to shareholders		8,411		6,253
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	20.0%	1,682	20.0%	1,251
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*268*		*208*
Tax exempt and lower taxed income		*(173)*		*(259)*
Non-recoverable withholding taxes		*197*		*224*
Non-deductible expenses		*187*		*171*
Tax losses not recognized		*4*		*(243)*
Prior year adjustments and other		*(101)*		*201*
Actual income tax expense attributable to shareholders	**24.5%**	**2,064**	**24.8%**	**1,552**
plus: income tax expense/(benefit) attributable to policyholders		179		172
Actual income tax expense	26.1%	2,243	26.8%	1,725

Table 16.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 20.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The ZIC Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. The income tax specifically chargeable to the policyholders under the terms of the insurance contracts is included in insurance contract liabilities and recognized as insurance revenue.

Taxes paid by certain of the ZIC Group's life insurance businesses are based on the investment result, and it is normal practice for certain of the ZIC Group's businesses to recover from policyholders the taxes attributable to their share of the investment result. While the relevant insurance businesses have the contractual right to charge policyholders for the taxes attributable to their share of the investment result, the obligation to pay the tax authority rests with the company 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.

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

The model rules and other documents issued by the OECD on the Pillar II of BEPS (BEPS-Pillar II) aim to ensure that large multinational groups pay a minimum amount of tax on income in each jurisdiction they operate. The minimum effective tax of 15 percent is based on a pre-defined tax basis (GloBE income) and the so-called covered tax, using IFRS Accounting Standards as a starting point with defined adjustments to achieve a uniform basis to derive the effective tax rate.

BEPS-Pillar II legislations have been enacted or are in the process of being enacted by the various jurisdictions in which the ZIC Group operates. Switzerland, the jurisdiction in which Zurich Insurance Group Ltd as the ultimate parent entity of the ZIC Group is incorporated, has implemented the Qualified Domestic Minimum Top-up Tax (QDMTT), but not yet the Income Inclusion Rule (IIR). As a result, the ZIC Group's current income tax expense considers the impact of BEPS-Pillar II top-up taxes for the QDMTTs in the various implementing countries as well as the impacts related to IIRs implemented at the level of intermediate holding companies with ownerships in jurisdictions where a QDMTT has not been enacted in 2024.

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As of December 31, 2024, the amount of top-up tax included in the current income tax expense in the ZIC Group's consolidated financial statement arising in jurisdictions in which local legislations have enacted the QDMTT or are subject to IIR was not material to the ZIC Group. The ZIC Group expects, based on its analysis to date, that the ZIC Group's exposure to Pillar II income taxes will not have a material adverse impact on the ZIC Group's financial position or performance. The ZIC Group will continue to monitor the BEPS-Pillar II legislative developments for the jurisdictions in which the ZIC Group operates.

Deferred tax assets/(liabilities) analysis by source

Table 16.3

in USD millions, as of December 31	2024		2023	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Depreciable and amortizable assets	507	(1,591)	525	(1,746)
Deferred acquisition and origination costs	387	(73)	149	(995)
Unrealized (gains)/losses on financial assets held at fair value through comprehensive income and cash flow hedges	1,870	(765)	1,566	(747)
Insurance and reinsurance contract assets and liabilities	11,738	(11,625)	12,175	(11,083)
of which: relating to PAA	2,734	(1,816)	2,723	(1,971)
of which: relating to other than PAA	9,004	(9,809)	9,452	(9,112)
Pension liabilities	1,257	(990)	1,354	(971)
Tax loss carryforward	878	–	1,331	–
Other assets and liabilities[1]	7,453	(9,485)	6,383	(8,114)
Total deferred taxes	**24,090**	**(24,529)**	**23,484**	**(23,657)**
Valuation allowance	(303)	–	(427)	–
Effect of netting	(22,083)	22,083	(21,357)	21,357
Net deferred taxes	**1,703**	**(2,446)**	**1,700**	**(2,300)**

1 Other assets and liabilities include temporary differences related to for fair value adjustments on investments recognized through profit or loss, leases, accruals and prepayments.

The ZIC Group's deferred tax assets and liabilities are recorded by its tax-paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate.

As of December 31, 2024 and 2023, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD (4) billion and USD (1) billion, respectively. In the remote likelihood that these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Development of net deferred tax liabilities

Table 16.4

in USD millions	2024	2023
As of January 1	(593)	(432)
Net change recognized in the income statement	(278)	209
Net change recognized in equity	139	(348)
Net changes due to acquisitions/(divestments)	(32)	3
Foreign currency translation effects	22	(32)
As of December 31	**(743)**	**(600)**
attributable to policyholders	(79)	41
attributable to shareholders	(664)	(641)

The net deferred tax liabilities related to non-controlling interests amounted to USD 85 million and USD 77 million as of December 31, 2024 and 2023, respectively. Please note the prior year figure has been updated from previously stated amounts of USD (6) million.

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Table 16.5

Development of deferred income taxes included in equity

in USD millions	2024	2023
As of January 1	(389)	(783)
Net unrealized gains/(losses) on financial assets	(329)	1,136
Cash flow hedges	4	(3)
Equity accounted investments	–	(1)
Revaluation reserve	1	24
Net actuarial gains/(losses) on pension plans	95	(120)
Change in discount rate for insurance/reinsurance contracts	17	(307)
Change in fair value of underlying items through OCI	104	(335)
Foreign currency translation effects	(19)	(1)
As of December 31	**(516)**	**(389)**

Table 16.6

Tax loss carryforwards and tax credits

in USD millions, as of December 31	2024	2023
For which deferred tax assets have been recognized, expiring		
< 5 years	143	116
5 to 20 years	30	103
> 20 years or with no time limitation	2,371	3,637
Subtotal	2,544	3,856
For which deferred tax assets have not been recognized, expiring		
< 5 years	229	155
5 to 20 years	163	264
> 20 years or with no time limitation	680	1,121
Subtotal	1,072	1,540
Total	**3,616**	**5,396**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 24.2 percent and 24.7 percent as of December 31, 2024 and 2023, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2024 to be recoverable.

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17. Senior and subordinated debt

Senior and subordinated debt

Table 17.1

in USD millions, as of December 31		**2024**	2023
Senior debt			
Zurich Insurance Company Ltd	1.750% EUR 500 million notes, due September 2024[1,2]	–	555
	0.500% CHF 350 million notes, due December 2024[1]	–	416
	1.500% CHF 150 million notes, due July 2026[1]	171	187
	0.750% CHF 200 million notes, due October 2027[1]	221	237
	1.000% CHF 200 million notes, due October 2028[1]	221	238
	1.500% EUR 500 million notes, due December 2028[1,2]	516	550
	1.125% CHF 400 million notes, due July 2029[1]	442	476
	0.000% CHF 200 million notes, due August 2031[1]	220	237
	0.100% CHF 250 million notes, due August 2032[1]	276	297
	Various debt instruments payable within 2 years to related parties[3]	10	12
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	400
Zurich Finance (Australia) Limited	4.770% AUD 200 million loan, due July 2027	128	143
	5.324% AUD 200 million notes, due September 2029[1]	124	136
	4.500% AUD 375 million notes, due July 2038[1]	244	270
Zurich Finance (Ireland) DAC	2.250% USD 400 million notes, due December 2031[1,2]	371	200
	1.625% EUR 500 million notes, due June 2039[1,2]	516	551
	Euro Commercial Paper Notes, due in less than 12 months	170	297
Senior debt		4,030	5,202
Subordinated debt			
Zurich Insurance Company Ltd	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,2]	300	300
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,2]	999	999
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2]	762	805
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,2]	499	499
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,2]	499	499
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,2]	515	549
	1.500% CHF 300 million notes, due May 2052, first callable May 2032[1]	330	355
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,2]	774	826
	3.000% USD 1.75 billion notes, due April 2051, first callable January 2031[1,2]	1,747	1,747
	3.500% USD 500 million notes, due May 2052, first callable February 2032[1,2]	499	499
	5.125% GBP 1 billion notes, due November 2052, first callable August 2032[1,2]	1,240	1,261
	1.600% EUR 200 million notes, due December 2052, first callable September 2032[1,2]	207	221
Zurich Finance (Ireland) II DAC	5.500% USD 500 million notes, due April 2055, first callable October 2034[1,2]	499	–
Subordinated debt		8,871	8,559
Total senior and subordinated debt		**12,901**	**13,761**

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
2 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.
3 Loans with subsidiaries of the Group which are not part of ZIC Group.

None of the debt instruments listed in table 17.1 were in default as of December 31, 2024 or December 31, 2023.

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To facilitate the issuance of debt, the ZIC Group has a Euro Medium Term Note Programme (EMTN Programme) in place allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this program are either issued or guaranteed by Zurich Insurance Company Ltd. The ZIC Group has also issued debt instruments outside this program.

Debt issued is recognized initially at fair value of the consideration received, net of transaction costs incurred, and is subsequently carried at amortized cost using the effective interest rate method.

Maturity analysis of outstanding debt

Table 17.2

in USD millions, as of December 31		**2024**		2023
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	470	872	1,280	1,685
1 to 2 years	1,942	2,326	300	692
2 to 3 years	349	664	1,991	2,358
3 to 4 years	1,735	2,046	380	672
4 to 5 years	1,081	1,330	1,786	2,073
5 to 10 years	6,065	6,718	7,203	7,902
> 10 years	1,259	1,359	821	917
Total	**12,901**	**15,315**	**13,761**	**16,299**

Debt maturities reflect original contractual dates, taking early redemption options into account. For call/redemption dates, see table 17.1. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 17.2. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2024 and 2023. Floating interest rates are assumed to remain constant as of December 31, 2024 and 2023. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Development of debt arising from financing activities

Table 17.3

in USD millions		**Total**
	2024	2023
As of January 1	13,761	13,985
Issuance of debt recognized in cash flows	738	556
Repayment of debt recognized in cash flows	(1,129)	(1,202)
Other changes	7	8
Foreign currency translation effects	(476)	415
As of December 31	**12,901**	**13,761**

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18. Shareholders' equity

Share capital

Table 18.1

number of shares, as of December 31, 2024 and 2023	Share capital in CHF	Number of shares	Par value in CHF
Issued shares, CHF 10 par value	825,000,000	82,500,000	10.00

a) Issued share capital

On December 31, 2024 and 2023, the issued share capital of Zurich Insurance Company Ltd (ZIC) amounted to CHF 825,000,000, consisting of 82,500,000 fully paid registered shares with a par value of CHF 10.00 each.

b) Additional paid in capital

On April 25, 2008, a subordinated loan agreement was entered into between ZIC and Zurich Group Holding, which was transferred to Zurich Insurance Group Ltd as a consequence of its merger with Zurich Group Holding. The remaining loan was CHF 2.1 billion (USD 2.4 billion) in the year ended December 31, 2024 and CHF 2.1 billion (USD 2.5 billion) in the year ended December 31, 2023. The loan is undated and pays interest subject to solvency thresholds. The payment of interest is optional if ZIC does not declare or pay any dividends or other profit distributions to its shareholder. The loan is classified as an equity instrument under IFRS Accounting Standards.

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19. Employee benefits

The ZIC Group operates a number of retirement benefit arrangements for employees. Historically, the majority of employees belonged to defined benefit pension plans and some will still have past service benefits accrued in those plans.

However, the majority of employees now accrue benefits under defined contribution plans, which provide benefits equal to the amounts contributed by both the employer and the employee plus investment returns.

Certain of the ZIC Group's operating companies also provide post-employment benefit plans covering medical care and life insurance, mainly in the U.S. Eligibility for these plans is generally based on completion of a specified period of eligible service and reaching a specified age. The plans typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods.

The Group Pensions Committee is responsible for developing, reviewing and advising on the ZIC Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the Group Balance Sheet Committee on material pension-related matters and reports regularly to the Remuneration Committee. The Group Pensions Committee provides a point of focus and coordination on the topic of pensions and post-retirement benefits at ZIC Group level for the supervision and exercise of company powers and obligations in relation to pension and post-retirement benefit plans.

Funding and asset allocation is subject to local legal and regulatory requirements.

a) Defined contribution pension plans

Certain companies of the ZIC Group sponsor defined contribution pension plans. Eligibility for participation in such plans is either immediate on commencement of employment or based on completion of a specified period of continuous service. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 13 percent of annual pensionable salary, depending on a number of factors. The ZIC Group's contributions under these plans amounted to USD 300 million and USD 297 million for the years ended December 31, 2024 and 2023, respectively.

b) Defined benefit pension plans

The largest defined benefit obligations are in the pension plans in Switzerland, the UK, the U.S. and Germany, which together comprise over 90 percent of the ZIC Group's total defined benefit obligation. The remaining plans in other countries are not individually significant; therefore, no separate disclosure is provided.

Certain ZIC Group companies sponsor defined benefit pension plans, some of which provide benefits on retirement, death or disability depending on the employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions (where paid) together with additional cash credits in line with the rules of the plan.

Most of the ZIC Group's defined benefit pension plans are funded through contributions by the ZIC Group and, in some cases also by employees, to investment vehicles managed by trusts or foundations independent of the ZIC Group's finances, or by management committees with fiduciary responsibilities. Where a trust or foundation exists, it is required by law or by articles of association to act in the interests of the fund and of all relevant beneficiaries to the plan, which can also include the sponsoring company, and is responsible for the investment policy with regard to the assets of the fund. The trust/foundation board or committee is usually composed of representatives from both employers and plan members. Independent actuarial valuations for the plans are performed as required. It is the ZIC Group's general principle that plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to risks such as interest rate, price inflation, longevity risk, and risk of future salary increases. To the extent that pension plans are funded, the assets held mitigate some of the liability risk but introduce some investment risk.

The overall investment policy and strategy for the ZIC Group's defined benefit pension plans is to achieve an investment return which, together with contributions, targets having sufficient assets to pay pension benefits as they fall due while also mitigating the various risks in the plans. The actual asset allocation is determined by reference to current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. The ZIC Group has a governance framework to ensure the trust/foundation board or committee considers how the asset investment strategy correlates with the maturity profile of the plan liabilities and the potential impact on the funding status of the plans, including short-term liquidity requirements. The investment strategies for each pension plan are independently determined by the governance body in each country, with oversight by the Group Pensions Committee. The pension assets are invested in diversified portfolios across geographical regions and asset classes to ensure diversified returns, also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run. In recent years, the integration of environmental, social and governance (ESG) factors has become a significant element of ZIC Group's pension plans' investment decision making. Pension plans will continue progressing on their responsible investment journey, leveraging ZIC Group's expertise and leadership while being cognizant of their fiduciary responsibility.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the ZIC Group were USD 281 million for 2024 compared with USD 302 million for 2023. The estimated total for 2025 is USD 330 million (actual amount may differ).

Swiss pension plan

The main plan provides benefits that exceed the minimum benefit requirements under Swiss pension law. It provides a lifetime pension to members based on their accrued retirement savings in the basic account and the additional basic account multiplied by the applicable conversion rate at the normal retirement age of 65 (age 62 for Executive Staff). Participants can draw retirement benefits early from age 60 (age 58 for Executive Staff). Alternatively, the benefit can be taken as a lump sum payment at retirement or as a mixture of lifetime pension and lump sum payment. In addition, at retirement, the plan pays a one-off cash sum settlement equal to the accrued retirement savings in the capital account and the additional capital account. Contributions to the plan are paid by the employees and the employer, both for retirement savings and to finance risk benefits paid out in the event of death and disability. The accumulated balance on the pension account is based on the employee and employer savings contributions, interest accrued, vested benefits transferred to the pension plan and voluntary contributions paid by the employee. The interest rate credited is defined annually by the plan's Board of Trustees, which is responsible for the governance of the plan. The trustees regularly review the Pension Plan's funding status as well as the technical interest rate and the conversion rates.

As announced in 2023, the conversion rate of the basic account and the additional basic account will be gradually reduced over a period of two years, starting from January 1, 2025 from 5.00 percent to 4.70 percent at age 65. To partially compensate for this reduction, top-up payments from the company will be paid to the retirement accounts of members affected by the changes. As of January 1, 2025, the capital account will be replaced by the new bonus account. The conversion rate of the bonus account at age 65 will be 3.501 percent. If retirement is before or after age 65, the conversion rates are adjusted accordingly. In addition, from January 1, 2025, some plan design features will be changed to align the plan with market practice. The top-up payments will be made in five annual installments starting from January 1, 2025. The impact of these changes resulted in a one-off prior service credit of USD 29 million as a reduction in expenses in 2023, and an increase in ongoing expenses through the service cost (USD 15 million in 2023).

Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit pension plan under IAS 19 'Employee Benefits' because of the need to accrue a minimum level of interest on the mandatory part of the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed annually and if the plan becomes underfunded under local regulations, options for managing this include additional contributions from the ZIC Group and employees into the plan and/or reducing future benefits. At present, the plan is sufficiently funded, meaning that no additional contributions into the plans are expected to be required in the next year. The investment strategy of the Swiss plan is constrained by Swiss pension law, including regulations related to diversification of plan assets. Under IFRS Accounting Standards, volatility arises in the Swiss pension plan net assets as the fair value of the plan assets is not directly correlated to movements in the value of the plan's defined benefit obligation in the short-term.

If the fair value of plan assets exceeds the plan's defined benefit obligation, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit. The value of the future economic benefit is estimated as the sum of two items: the difference between the present value of the estimated future net service cost and the present value of estimated employer minimum funding requirements, and employer contribution reserves in accordance with local Swiss regulations.

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UK pension plan

The major UK pension plan is a hybrid arrangement and defined benefits entitlements accrued to December 31, 2015 increase in line with salary increases. Normal retirement age for the defined benefit sections is 60. The plan is split into distinct sections and the two defined benefit sections are closed to new entrants and, with effect from January 1, 2016, to future benefit accrual. All employees now participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections.

The UK Pension Trustee Board is responsible for the governance of the plan. The employer contributions are determined based on regular triennial actuarial valuations which are conducted using assumptions agreed by the Trustee Board and the sponsoring company. A local statutory valuation was carried out at an effective date of June 30, 2022 and was finalized in September 2023. This valuation disclosed a funding surplus of USD 172 million (GBP 135 million) after taking into account the value of the asset-backed funding arrangement established in 2014. The asset-backed funding arrangement does not qualify as a plan asset under IFRS Accounting Standards and is therefore not included in the tables set out in the rest of this note.

The ongoing funding of the plan is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Group. The plan rules and UK pension legislation set out maximum levels of inflationary increases applied to plan benefits. The plan assets are invested in diversified classes of assets.

U.S. pension plans

There are two major pension plans in the U.S., the Zurich North America (ZNA) pension plan and the Farmers Group, Inc. (FGI) pension plan. Both plans are funded entirely by the participating employers. The ZNA plan is a cash balance plan and the FGI pension plan utilizes a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants who retained a final average pay formula. Under a cash balance pension formula, an amount is credited to the cash balance account each quarter, determined by an employee's age, service and their level of earnings up to and above the social security taxable wage base. The minimum annual interest credited on the account balance is 5 percent. The cash balance account is available from age 65, or age 55 with five years of service. The benefit can be taken as a monthly annuity or as a lump sum. Under the FGI plan, benefits can also be taken immediately if elected within 180 days of termination. Both the ZNA and FGI plans have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly. The annual employer minimum required contributions are equal to expected expenses paid from the plan each year, plus a rolling amortization of any prior underfunding.

The ZNA and FGI plans have been frozen with effect from December 31, 2018. ZNA and FGI employees with a cash balance account will continue to earn interest credits on either their existing cash or account balance after the freeze date and will continue to earn eligibility service used to determine vesting and early retirement eligibility. FGI employees participating in the final average pay formula will continue to earn eligibility service used to determine vesting and the percentage of pension benefit payable for early retirement before normal retirement age of 65. ZNA and FGI employees earn only defined contribution retirement benefits with effect from January 1, 2019. In conjunction with the change in the pension plan, ZNA and FGI employees receive an additional company contribution within their defined contribution plan.

German pension plans

There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. Contributions to support the pension commitments are made to a contractual trust arrangement. A separate arrangement was also established in 2010 to provide for retirement obligations that were in payment at that time. Consideration is given from time to time based on the fiscal efficiency of adding recent retirees to this arrangement and to adding assets to the contractual trust. In 2024, the pension liabilities were funded at 88 percent; however, no additional funding was required.

The defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. New entrants participate in a cash balance arrangement, which has the characteristics of a defined contribution arrangement, with a lump sum paid at retirement and a capital guarantee on members' balances, which mirrors the capital guarantee given in a conventional life insurance arrangement in Germany.

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Tables 19.1a and 19.1b set out the reconciliation of the defined benefit obligation and plan assets for the ZIC Group's post-employment defined benefit plans.

Movement in defined benefit obligation and fair value of assets – current period

Table 19.1a

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2024	**(18,229)**	**18,299**	**(1,185)**	**(1,115)**
Net post-employment benefit (expense)/income:				
Current service cost	(163)	–	–	(163)
Interest (expense)/income	(668)	634	–	(34)
Settlements gains/(losses)	(1)	–	–	(2)
Past service (cost)/credit	(3)	–	–	(3)
Net post-employment benefit (expense)/income	**(836)**	**634**	**–**	**(202)**
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	(661)	–	(661)
Experience gains/(losses)	19	–	–	19
Actuarial gains/(losses) arising from changes in demographic assumptions	164	–	–	164
Actuarial gains/(losses) arising from changes in financial assumptions	817	–	–	817
Change in asset ceiling	–	–	118	118
Remeasurement effects included in other comprehensive income	**999**	**(661)**	**118**	**455**
Employer contributions	–	237	–	237
Employer contributions paid to meet benefits directly	43	–	–	43
Plan participants' contributions	(89)	89	–	–
Payments from the plan (including settlements)	916	(916)	–	–
(Acquisitions)/divestments and transfers	(2)	–	–	(2)
Foreign currency translation effects	626	(703)	–	(77)
As of December 31, 2024	**(16,572)**	**16,979**	**(1,067)**	**(661)**
of which: Assets for defined pension plans[1]				382
of which: Liabilities for defined pension plans[2]				(1,043)

1 Included within 'Receivables and other assets' (please see note 14).
2 Included within 'Other liabilities' (please see note 15).

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Movement in defined benefit obligation and fair value of assets – prior period

Table 19.1b

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2023	**(16,125)**	**16,578**	**(1,240)**	**(788)**
Net post-employment benefit (expense)/income:				
Current service cost	(144)	–	–	(144)
Interest (expense)/income	(659)	653	–	(6)
Settlements gains/(losses)	(2)	–	–	(2)
Past service (cost)/credit	48	–	–	48
Net post-employment benefit (expense)/income	**(756)**	**653**	**–**	**(103)**
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	519	–	519
Experience gains/(losses)	(109)	–	–	(109)
Actuarial gains/(losses) arising from changes in demographic assumptions	(187)	–	–	(187)
Actuarial gains/(losses) arising from changes in financial assumptions	(881)	–	–	(881)
Change in asset ceiling	–	–	56	56
Remeasurement effects included in other comprehensive income	**(1,177)**	**519**	**56**	**(602)**
Employer contributions	–	265	–	265
Employer contributions paid to meet benefits directly	38	–	–	38
Plan participants' contributions	(85)	85	–	–
Payments from the plan (including settlements)	813	(813)	–	–
(Acquisitions)/divestments and transfers	–	–	–	–
Foreign currency translation effects	(937)	1,013	–	76
As of December 31, 2023	**(18,229)**	**18,299**	**(1,185)**	**(1,115)**
of which: Assets for defined pension plans[1]				384
of which: Liabilities for defined pension plans[2]				(1,499)

1 Included within 'Receivables and other assets' (please see note 14).
2 Included within 'Other liabilities' (please see note 15).

Net post-employment benefit (expense)/income is recognized in other employee benefits, which is included within administrative and other operating expense.

Post-employment benefits are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur and are included within other comprehensive income.

Consolidated financial statements (continued)

Table 19.2 provides a breakdown of plan assets by asset class.

Table 19.2

Fair value of assets held in funded defined benefit pension plans

in USD millions, as of December 31	2024				2023			
	Quoted in active markets	Other	Total	% of Total	Quoted in active markets	Other	Total	% of Total
Cash and cash equivalents	269	–	269	2%	380	–	380	2%
Equity securities	3,556	350	3,906	23%	3,581	319	3,900	21%
Debt securities	–	12,505	12,505	74%	–	13,608	13,608	74%
Investment property	–	1,818	1,818	11%	–	1,887	1,887	10%
Mortgage loans	–	355	355	2%	–	382	382	2%
Other net assets	–	(1,873)	(1,873)	(11%)	–	(1,857)	(1,857)	(10%)
Total	**3,825**	**13,154**	**16,979**	**100%**	**3,960**	**14,339**	**18,299**	**100%**

For the classification of pension assets, the ZIC Group follows the same principles as outlined in note 22 (Fair value measurement). Assets meeting the criteria of Level 1 are generally considered quoted in active markets, while assets meeting the criteria of Level 2 or Level 3 are generally considered in other assets.

Tables 19.3a and 19.3b provide a breakdown of the key information included in tables 19.1a and 19.1b for the main countries for the years ended December 31, 2024 and 2023, respectively.

Table 19.3a

Key information by main country – current period

in USD millions, as of December 31, 2024	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(5,177)	(6,802)	(2,619)	(1,083)	(891)	(16,572)
Fair value of plan assets	6,202	6,490	2,368	980	939	16,979
Impact of asset ceiling	(971)	(96)	–	–	–	(1,067)
Net defined benefit asset/(liability)	**54**	**(408)**	**(251)**	**(103)**	**48**	**(661)**
of which: Assets for defined pension plans	64	–	127	50	140	382
of which: Liabilities for defined pension plans	(10)	(408)	(379)	(153)	(93)	(1,043)
Net post-employment benefit (expense)/income	(90)	(46)	(20)	(20)	(26)	(202)

Table 19.3b

Key information by main country – prior period

in USD millions, as of December 31, 2023	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(5,195)	(8,016)	(2,825)	(1,194)	(999)	(18,229)
Fair value of plan assets	6,421	7,293	2,554	1,039	992	18,299
Impact of asset ceiling	(1,109)	(76)	–	–	(0)	(1,185)
Net defined benefit asset/(liability)	**116**	**(798)**	**(271)**	**(155)**	**(7)**	**(1,115)**
of which: Assets for defined pension plans	124	–	125	36	98	384
of which: Liabilities for defined pension plans	(8)	(798)	(396)	(191)	(105)	(1,499)
Net post-employment benefit (expense)/income	(34)	(30)	1	(18)	(22)	(103)

Consolidated financial statements (continued)

The ZIC Groups' post-employment defined benefit obligations and the ZIC Group's post-employment benefit expenses in the ZIC Group's major plans shown in table 19.3 are calculated by discounting using the full yield curve for each country. For the UK, where price inflation is required for projecting benefits in those calculations, this is done using the full break-even price inflation curve. The figures for discount rates and for UK price inflation in table 19.4 are single-equivalent rates for the defined benefit obligations (i.e., the single assumption that would produce the same defined benefit obligation as using the full curve); single-equivalent rates for other elements of the accounting results will differ slightly from the figures set out below.

Key financial assumptions used for major plans

Table 19.4

as of December 31	**2024**				2023			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	0.9%	5.5%	5.6%	3.4%	1.3%	4.5%	5.0%	3.2%
Inflation rate (CPI)[1]	1.1%	2.8%	2.4%	2.1%	1.2%	2.5%	2.4%	2.3%
Salary increase rate	1.1%	2.8%	4.9%	3.4%	1.2%	2.4%	4.9%	3.6%
Expected future pension increases	0.1%	2.8%	n/a	2.1%	0.1%	2.6%	n/a	2.3%
Interest crediting rate[2]	1.8%	n/a	5.1%	n/a	1.3%	n/a	5.4%	n/a

1 In the UK, part of the liability is linked to the inflation measure of the Retail Price Index (RPI). As RPI is expected to converge with CPI no earlier than in 2030, the RPI assumption for the UK was assumed to be 1.0 percent higher than CPI for durations up to and including 2029 and the same as CPI for 2030 onwards.
2 As of December 31, 2024 and 2023, the disclosed assumption for the U.S. is calculated as a weighted average of ZNA pension plans and the FGI pension plans.

Tables 19.5a and 19.5b set out the life expectancies used in the valuation of the ZIC Group's major plans. The mortality assumptions in each country have been based on mortality tables in accordance with typical practice in that country.

Mortality tables and life expectancies for major plans – current period

Table 19.5a

in years, as of December 31, 2024		**Life expectancy at age 65 for a male currently**		**Life expectancy at age 65 for a female currently**	
		aged 65	**aged 45**	**aged 65**	**aged 45**
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.96	23.66	23.73	25.33
United Kingdom	Club Vita 2022 mortality curves with CMI_2023 projection with plan specific adjustments	21.96	22.41	24.11	25.63
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.97	23.36	23.36	24.73
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	22.10	23.48	23.52	24.89
Germany	Heubeck 2018G	20.90	23.62	24.27	26.47

Consolidated financial statements (continued)

Table 19.5b

Mortality tables and life expectancies for major plans – prior period

in years, as of December 31, 2023		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.90	23.58	23.65	25.25
United Kingdom	Club Vita 2022 mortality curves with CMI_2021 projection with plan specific adjustments	22.44	22.96	24.50	26.05
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.91	23.29	23.30	24.66
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	22.03	23.41	23.46	24.82
Germany	Heubeck 2018G	20.76	23.49	24.15	26.36

Table 19.6 shows the expected benefits to be paid under the ZIC Group's major plans in the future. It should be noted that actual amounts may vary from expected amounts. Therefore, future benefit payments may differ from the amounts shown.

Table 19.6

Maturity analysis of future benefit payments for major plans

as of December 31	2024				2023			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Duration of the defined benefit obligation (in years)	12.0	14.0	9.6	11.4	11.5	15.4	9.8	11.4
Maturity analysis of benefits expected to be paid (in USD millions):								
< 1 year	402	328	218	58	429	282	244	61
1 to 5 years	1,326	1,407	853	243	1,394	1,357	854	255
5 to 10 years	1,488	2,116	979	326	1,504	2,111	991	348

Table 19.7 sets out the sensitivity of the defined benefit obligation to changes in key actuarial assumptions.

Table 19.7

Sensitivity analysis of significant actuarial assumptions

in USD millions, as of December 31	**(Increase)/decrease in defined benefit obligation**	
	2024	**2023**
Discount rate +50 bps	958	1,105
Discount rate –50 bps	(1,048)	(1,240)
Salary increase rate +50 bps	(43)	(51)
Salary decrease rate –50 bps	41	49
Price inflation increase rate +50 bps	(608)	(705)
Price inflation decrease rate –50 bps	554	637
Cash balance interest credit rate +50 bps	(116)	(114)
Cash balance interest credit rate –50 bps	88	87
Mortality 10% increase in life expectancy	(977)	(1,355)
Mortality 10% decrease in life expectancy	1,033	1,202

The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on the defined benefit obligation of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the overall defined benefit obligation. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for different plans. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the ZIC Group's view of expected future changes in the defined benefit obligation. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in this analysis.

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20. Share-based compensation and cash incentive plans

The ZIC Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate employees. The plans are designed to reward employees for their contribution to the performance of the ZIC Group and to encourage employee share ownership. Share-based compensation plans include performance-based share plans and employee share purchase plans. Share-based compensation plans involve the delivery of Zurich Insurance Group Ltd shares.

a) Cash incentive plans

The ZIC Group's short-term incentive plan (STIP) is utilized across the ZIC Group and in many countries covers all employees in that country who are selected to participate in a short-term incentive plan. In addition, there may be other local short-term incentive plans in place. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 757 million and USD 719 million for the years ended December 31, 2024 and 2023, respectively.

b) Share-based compensation plans for employees

The ZIC Group encourages employees to own shares of Zurich Insurance Group Ltd and has set up a framework based on the implementation of performance share programs. Actual plans are tailored to meet local market requirements.

The cost of share-based payments depends on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee and the Board. Costs may therefore vary significantly from year to year. The net amounts of USD 359 million and USD 337 million for the years ended December 31, 2024 and 2023, respectively, reflect all aspects of share-based compensation, including adjustments made during the year.

The explanations below provide a more detailed overview of the main plans of the ZIC Group.

Employee share plans

Share incentive plans

The ZIC Group established various Employee Share Plans in selected locations with the goal of increasing employee investment in the Group. The plans allow participating employees to invest in Zurich shares under certain conditions (either via the market or through salary deductions or dividend reinvestment) during specific times during the year. Most of the plans include a maximum investment amount which caps the total investment per year by participant.

The ZIC Group Long-Term Incentive Plan (LTIP)

Participants in this plan are allocated a target number of performance share units (PSUs) as notional shares of Zurich Insurance Group Ltd each year. During the vesting period, PSUs are credited with dividend equivalent units (DEUs).

PSUs allocated in 2024 will vest in 2027. The actual level of vesting ranges between 0 percent and 200 percent of the overall target shares (PSUs allocated and DEUs that accrued during the vesting period), depending on the achievement of pre-defined performance criteria. The performance criteria are the ZIC Group's business operating profit after tax return on common shareholders' equity (average Core ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets, each with a 30 percent weight, as well as operational CO_2 equivalent (CO_2e) emissions with a 10 percent weight. The four pre-defined performance criteria are assessed independently over a period of three consecutive financial years starting in the year of allocation. For members of the Executive Committee, half of the shares that vest are subject to a further three-year sales restriction. As of December 31, 2024 and 2023 there were 1,288 and 1,281 participants in this plan, respectively.

Table 20

Target shares allocated during the period

for the years ended December 31	Number		Fair value at the allocation date (in CHF)[1]	
	2024	2023	**2024**	2023
Target shares allocated during the period	397,576	424,071	479.00	443.50

1 Fair value measured using the market price of the shares at the allocation date and volatility indicators.

Consolidated financial statements (continued)

21. Commitments and contingencies, legal proceedings and regulatory investigations

The ZIC Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 21

in USD millions as of December 31	**2024**	2023
Remaining commitments under investment agreements	951	832
Guarantees and letters of credit[1]	853	864
Undrawn loan commitments	6	1
Other commitments and contingent liabilities[2]	553	447

1 Guarantee features embedded in life insurance products are not included.
2 Includes USD 89 million and USD 94 million future cash outflows in 2024 and 2023, respectively, that the ZIC Group as a lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.

Commitments under investment agreements

The ZIC Group has committed to contribute capital to third parties that engage in making investments in direct private equity, private equity funds and real estate. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the ZIC Group on a timely basis.

Guarantees and letters of credit

In 2024 and 2023, USD 595 million and USD 605 million related to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a wholly owned subsidiary in connection with the repatriation of capital. These guarantees have no expiry date.

The ZIC Group is not aware of any event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The ZIC Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written; in others, the ZIC Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited to, for example, a percentage of the net underwriting reserve net of payments already made.

The ZIC Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a ZIC Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies.

Other contingent liabilities

The ZIC Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The ZIC Group is of the view that the ultimate outcome of these reviews will not materially affect the ZIC Group's consolidated financial position.

The ZIC Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available amounts to nil as of December 31, 2024.

In common with other insurance companies, the ZIC Group is mindful of the trend toward enhanced consumer protection. There is significant uncertainty about the ultimate cost this trend might have on our business. The main areas of uncertainty concern court decisions as well as the volume of potential customer complaints related to sales activities and withdrawal rights, and their respective individual assessments.

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Pledged assets

The majority of assets pledged to secure the ZIC Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 2 billion and USD 1.8 billion as of December 31, 2024 and 2023, respectively.

Terms and conditions associated with the financial assets pledged to secure the ZIC Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal, compliance and regulatory developments

The ZIC Group's business is subject to extensive supervision, and the ZIC Group is in regular contact with various regulatory authorities. The ZIC Group is also involved in legal and arbitration proceedings and regulatory investigations arising, for the most part, in the ordinary course of its business operations in various jurisdictions where it operates. In addition, the ZIC Group and/or its subsidiaries are involved in legal matters arising out of transactions involving the transfer of portfolios or businesses. These legal matters can include claims brought by purchasers or other parties asserting claims for damages on various theories, including failure to disclose material information, failure to perform contractual duties or otherwise seeking to impose liability on the ZIC Group and/or its subsidiaries. With respect to significant legal or regulatory matters, the ZIC Group considers the likelihood of a negative outcome, and when the likelihood of a negative outcome is probable and the amount of the loss can be reliably estimated, a reserve or provision is established to record the estimated loss for the expected outcome. While the ZIC Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the ZIC Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved. Specifically:

- Several of the ZIC Group's subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. Most of the litigation has been filed in United States courts and in addition to test cases filed in Australia and some in the UK. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the ZIC Group or its subsidiaries.
- In 2016, the ZIC Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The review confirmed that the ZIC Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities. The ZIC Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The ZIC Group continues to cooperate with these authorities. In April 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to comply with certain specified conditions during the four-year term of the NPA. This resolution has not had, and will not have, an adverse effect on the ZIC Group's business or consolidated financial position.
- In April 2023, a putative nationwide class action complaint was filed in the Superior Court for the County of Los Angeles, California (the 'Superior Court'), against Farmers Group Inc., and its subsidiaries, Fire Underwriters Association and Truck Underwriters Association (collectively, 'FGI'). The case, captioned Paul Lim, et al v. Farmers Group, Inc., et al., alleges that FGI breached its fiduciary duty by accepting excessive compensation for their services and failing to disclose certain information about their fees, calculation methods and relationship to Zurich. In May 2023, FGI removed the action to the U.S. District Court for the Central District of California under the Class Action Fairness Act, and subsequently filed a motion to dismiss. On May 26, 2023, plaintiffs filed a motion to remand the action to the Superior Court, which was granted on November 13, 2023. In light of the remand, the U.S. District Court did not rule on the substance of FGI's motion to dismiss. On January 2, 2024, with the Superior Court's permission, plaintiffs filed a first amended complaint. On March 22, 2024, FGI filed a motion for judgment on the pleadings. On May 28, 2024, the Superior Court granted FGI's motion for judgment as to the first amended complaint, granting plaintiffs leave to file a second amended complaint, which was done on July 31, 2024. On September 30, 2024, FGI filed a Demurrer and motion to strike, which is scheduled to be heard by the Superior Court on February 25, 2025. Discovery remains stayed during this time. FGI continues to believe it has numerous and substantial defenses to the claims raised and will vigorously contest the action.
- In July and August 2023, the administrators of Greensill Bank AG (GBAG) served two Particulars of Claim on Zurich Insurance plc (ZIP) (now known as Zurich Insurance Europe AG) issued in the London Commercial Court, alleging non-payment of claims presented under a trade credit policy written by ZIP. Subsequently, Zurich Insurance Company Ltd (ZIC) was substituted in the actions for ZIP. ZIC's defense to both actions was filed on January 26, 2024. In the defense, ZIC also filed counterclaims against GBAG and other third parties. ZIC believes that it has meritorious defenses to the policy and the claims raised and will vigorously contest the actions.

22. Fair value measurement

To measure fair value, the ZIC Group gives the highest priority to quoted and unadjusted prices in active markets. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the ZIC Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the ZIC Group is required to rely on third-party providers or develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

The governance framework and oversight of the ZIC Group's standards and procedures regarding the valuation of financial instruments measured at fair value lies within the responsibility of Group Risk Management, Group Investment Management and Group Finance. Specialists from these departments ensure the adequacy of valuation models, approve methodologies and sources to derive model input parameters, provide oversight over the selection of third-party pricing providers, and on a semi-annual basis review the classification within the fair value hierarchy of the financial instruments in scope.

The ZIC Group makes extensive use of third-party pricing providers to determine the fair values of its financial instruments measured at fair value through comprehensive income and at fair value through profit or loss, and only in rare cases places reliance on prices that are derived from internal models. Investment accounting, operations and process functions are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third-party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers. Model review activities are also conducted for evaluated prices supplied by third parties to verify that their valuation processes, methodologies, models, and governance and control frameworks comply with applicable internal guidance, and that the allocation of those instruments within the fair value hierarchy is adequate. They include the collection and review of relevant documentation as well as meetings with third-party representatives to supplement the analysis.

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Table 22.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, and other financial assets and liabilities. This table excludes financial assets and financial liabilities related to unit-linked contracts.

Fair value and carrying value of financial assets and financial liabilities

Table 22.1

in USD millions, as of December 31	Total fair value		Total carrying value	
	2024	2023	**2024**	2023
Securities at FV through comprehensive income				
Debt securities	105,878	92,965	105,878	92,965
Total securities at FV through comprehensive income	105,878	92,965	105,878	92,965
Securities at FV through profit or loss				
Equity securities	15,280	14,452	15,280	14,452
Debt securities	8,146	8,390	8,146	8,390
Total securities at FV through profit or loss	23,426	22,842	23,426	22,842
Derivative assets	885	947	885	947
Debt securities at amortized cost	4,112	4,252	4,392	4,568
Mortgage loans at amortized cost	3,896	4,080	4,047	4,324
Other financial assets at amortized cost	4,009	3,392	4,039	3,682
Total financial assets	**142,206**	**128,477**	**142,667**	**129,328**
Derivative liabilities	(840)	(1,252)	(840)	(1,252)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(607)	(463)	(607)	(463)
Senior debt	(3,776)	(4,787)	(4,030)	(5,202)
Subordinated debt	(8,409)	(7,859)	(8,871)	(8,559)
Total financial liabilities held at amortized cost	(12,793)	(13,108)	(13,508)	(14,224)
Total financial liabilities	**(13,633)**	**(14,361)**	**(14,348)**	**(15,477)**

All of the ZIC Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, financial assets measured at fair value through comprehensive income, financial assets measured at fair value through profit or loss and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost and the valuation techniques used to determine their fair value measurement are described below.

Fair values for debt securities held at amortized cost and senior and subordinated debt are obtained from third-party pricing providers. The fair value received from these pricing providers may be based on quoted prices in active markets for identical assets, alternative pricing methods such as matrix pricing, or an income approach employing discounted cash flow models. Such instruments are categorized within level 2.

Discounted cash flow models are used for mortgage and other loans. The discount yields in these models use interest rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk and collateral. Such instruments are categorized within level 3.

Different valuation techniques are used to value private debt instruments, including the income approach (such as discounted cash flow models) or the market approach (such as relative value models). Where prices are obtained from an evaluated pricing service from a data vendor in which price transparency data indicates no use of significant unobservable inputs, they are categorized within Level 2. All other prices are classified to Level 3 unless factual evidence indicates that unobservable inputs are not significant to the valuation.

Fair values of liabilities related to investment contracts are determined using discounted cash flow models. Such instruments are categorized within level 3 due to the unobservability of certain inputs used in the valuation.

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Recurring fair value measurements of assets and liabilities

Table 22.2a

Fair value hierarchy – non-unit-linked – current period

in USD millions, as of December 31, 2024	Level 1	Level 2	Level 3	Total
Securities at fair value through comprehensive income				
Debt securities	–	105,249	628	105,878
Total securities at FV through comprehensive income	–	105,249	628	105,878
Securities at FV through profit or loss				
Equity securities	8,789	2,196	4,295	15,280
Debt securities	–	7,874	272	8,146
Total securities at FV through profit or loss	8,789	10,070	4,567	23,426
Derivative assets	4	842	40	885
Investment property	–	–	11,734	11,734
Total assets	**8,793**	**116,161**	**16,969**	**141,923**
Derivative liabilities	(2)	(380)	(459)	(840)
Total liabilities	**(2)**	**(380)**	**(459)**	**(840)**

Table 22.2b

Fair value hierarchy – non-unit-linked – prior period

in USD millions, as of December 31, 2023	Level 1	Level 2	Level 3	Total
Securities at fair value through comprehensive income				
Debt securities	–	92,518	448	92,965
Total securities at FV through comprehensive income	–	92,518	448	92,965
Securities at FV through profit or loss				
Equity securities	8,589	1,958	3,904	14,452
Debt securities	–	8,163	227	8,390
Total securities at FV through profit or loss	8,589	10,122	4,131	22,842
Derivative assets	1	921	25	947
Investment property	–	–	13,684	13,684
Total assets	**8,591**	**103,560**	**18,287**	**130,437**
Derivative liabilities	(9)	(739)	(504)	(1,252)
Total liabilities	**(9)**	**(739)**	**(504)**	**(1,252)**

Consolidated financial statements (continued)

Table 22.3a

Fair value hierarchy – unit-linked – current period

in USD millions, as of December 31, 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value through profit or loss securities				
Equity securities	112,549	13,226	3,030	128,805
Debt securities	–	13,536	1	13,537
Other loans	575	2,896	–	3,471
Total fair value through profit or loss securities	113,124	29,659	3,030	145,812
Derivative assets	–	1	–	2
Investment property	–	–	1,938	1,938
Total assets for unit-linked contracts[1]	**113,124**	**29,660**	**4,968**	**147,752**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(65,900)	–	(65,900)
Derivative liabilities	(2)	(38)	–	(39)
Total liabilities for unit-linked contracts	**(2)**	**(65,938)**	**–**	**(65,939)**

1 Excluding cash and cash equivalents.

Table 22.3b

Fair value hierarchy – unit-linked – prior period

in USD millions, as of December 31, 2023	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	107,079	13,127	2,235	122,442
Debt securities	–	12,860	11	12,871
Other loans	528	2,467	–	2,995
Total fair value through profit or loss securities	107,607	28,454	2,246	138,307
Derivative assets	–	26	–	26
Investment property	–	–	2,022	2,022
Total assets for unit-linked contracts[1]	**107,607**	**28,479**	**4,268**	**140,355**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(59,807)	–	(59,807)
Derivative liabilities	–	(1)	–	(1)
Total liabilities for unit-linked contracts	**–**	**(59,808)**	**–**	**(59,808)**

1 Excluding cash and cash equivalents.

Within level 1, the ZIC Group has classified common stocks, exchange-traded derivative financial instruments, investments in unit trusts that are exchange listed or published daily and other highly liquid financial instruments.

Within level 2, the ZIC Group has classified government and corporate bonds, thinly traded common stocks, investments in unit trusts without daily prices or with sales restrictions, agency mortgage-backed securities (MBS), 'AAA' rated non-agency MBS and other asset-backed securities (ABS), and certain private debt instruments where valuations are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing, or an income approach employing discounted cash flow models.

Over-the-counter derivative financial instruments are valued using internal models and third-party valuation services. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, yield curves and volatility of underlying instruments. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. Such instruments are classified within level 2.

Within level 3, the ZIC Group has classified:

- Unlisted stocks, private equity funds and hedge funds that are not actively traded. The valuations of such instruments are obtained from quarterly net asset value information from the fund manager and annual audited financial statements provided by the issuing company. The prices are generally derived for each underlying company in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, using discounted cash flows (income approach) or multiples methods (market approach). The ZIC Group has only limited insight into the specific inputs used by the fund managers; hence, a narrative sensitivity analysis is not applicable.
- Non-agency MBS, ABS and collateralized loan obligations (CLO) rated below 'AAA' and private debt holdings including certain private placements that are valued by independent pricing providers or external asset managers using primarily the discounted cash flow method with significant unobservable input parameters such as asset prepayment rates, default rates and credit spreads. A significant market yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant market yield decrease could result in an increased fair value. However, a reasonable variation in the option-adjusted spread taken from a set of benchmark securities with similar characteristics has only an immaterial impact on fair value.
- All investment properties for which there are no active and transparent real estate markets or observable data available. The valuation for the majority of these investment properties – other than certain investment properties located in Switzerland – are typically performed annually by independent qualified appraisers. The parameters used for the valuations are specific to each country or region and vary significantly across different markets. External appraisals are reviewed by internal real estate valuation specialists; however, since the unobservable inputs were not developed by the ZIC Group they are not readily available. In some cases, where external valuations are obtained at least every three years, interim valuations by internal valuation specialists are performed. For investment properties located in Switzerland, the valuation model is based on a discounted cash flow method and is applied to each individual property based on its expected cash flows. The unobservable input parameters include the future transition cost for carbon emissions and capital expenditures to achieve the desired environmental footprint depending on the current condition of each individual property. These input parameters are combined into a synthetic spread applied to the otherwise observable discount rate. Overall, as of December 31, 2024, around 40 percent of level 3 investment properties were covered by internal valuations. Significant increases/(decreases) in the synthetic spread, in isolation, would result in a lower/(higher) fair value measurement. For example, an increase in spread of 10 bps, considered in isolation, would result in a decrease in fair value of 3 percent or approximately USD 170 million as of December 31, 2024.
- Options and long-dated derivative financial instruments with fair values determined using counterparty valuations or calculated using significant unobservable inputs such as historical volatilities, historical correlation, implied volatilities from the counterparty or derived using extrapolation techniques. Quantitative information on unobservable inputs is not available when counterparty pricing was used. For internally calculated fair values, significant increases/(decreases) in volatilities or correlation would result in a significantly higher/(lower) fair value measurement; however, the overall effect on the ZIC Group's financial statements would not be material.

For details on ZIC Group investments sensitivities, refer to section 'Analysis by risk type' in the 2024 Risk Review as well as select disclosures included in note 7.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

Consolidated financial statements (continued)

Table 22.4a

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

in USD millions	Debt securities	Fair value through profit or loss securities: Equity securities	Fair value through profit or loss securities: Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2024	448	3,904	227	25	(504)	13,684
Realized gains/(losses) recognized in income[1]	4	145	1	(3)	(25)	194
Unrealized gains/(losses) recognized in income[1,2]	1	365	2	10	16	(125)
Unrealized gains/(losses) recognized in other comprehensive income	14	–	–	(5)	–	–
Purchases	381	569	97	7	–	279
Settlements/sales/redemptions	(252)	(579)	(56)	(5)	25	(1,213)
Transfer to assets held for sale[3]	–	–	–	–	–	(320)
Transfers into level 3	80	–	–	–	–	–
Transfers out of level 3	(38)	–	(10)	–	–	–
Acquisitions and divestments[4]	–	22	–	13	–	(2)
Foreign currency translation effects	(9)	(131)	11	(2)	30	(763)
As of December 31, 2024	**628**	**4,295**	**272**	**40**	**(459)**	**11,734**

1 Presented as net capital gains/(losses) on Group investments in the consolidated income statements (see note 5).
2 Unrealized gains/(losses) recognized in income for debt securities measured at fair value through comprehensive income relate to change in ECL.
3 Movement relates to transfer of investment property to assets held for sale primarily in Switzerland and Austria.
4 Related to the divestment of the annuity book of Zurich Chile Seguros de Vida S.A. as well as the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft (see note 4).

For the year ended December 31, 2024, the ZIC Group transferred USD 80 million of debt securities held at fair value through comprehensive income from level 2 into level 3 corresponding to private debt instruments that exhibit higher reliance on unobservable valuation inputs, and non-agency ABS and MBS with a credit rating downgrade from AAA. This transfer is partially offset by the reverse situation, by which the ZIC Group transferred USD 38 million of debt securities held at fair value through comprehensive income as well USD 10 million of debt securities recorded at fair value through profit or loss from level 3 into level 2 attributable to private debt instruments with no significant reliance on unobservable valuation inputs, and non-agency ABS and MBS that have been upgraded to AAA.

Table 22.4b

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

in USD millions	Debt securities	Fair value through profit or loss securities: Equity securities	Fair value through profit or loss securities: Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2023	575	3,590	287	46	(717)	11,900
Realized gain/(losses) recognized in income[1]	(3)	108	–	(4)	(107)	194
Unrealized gain/(losses) recognized in income[1,2]	(6)	53	6	(6)	233	(889)
Unrealized gain/(losses) recognized in other comprehensive income	18	–	–	3	–	–
Purchases	117	827	92	7	–	197
Settlements/sales/redemptions	(188)	(737)	(170)	(1)	107	(1,026)
Transfers into level 3	87	–	–	–	–	2,930
Transfers out of level 3	(158)	(1)	–	–	–	–
Acquisitions and divestments[3]	(15)	(71)	–	(9)	–	(376)
Foreign currency translation effects	20	135	12	(12)	(19)	753
As of December 31, 2023	**448**	**3,904**	**227**	**25**	**(504)**	**13,684**

1 Presented as net capital gains/(losses) on Group investments in the consolidated income statements (see note 4).
2 Unrealized gains/(losses) recognized in income for debt securities measured at fair value through comprehensive income related to impairments.
3 Related to an agreements entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book and Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

For the year ended December 31, 2023, the ZIC Group transferred USD 87 million of debt securities held at fair value through comprehensive income from level 2 into level 3 corresponding to private debt instruments that exhibit higher reliance on unobservable valuation inputs, and non-agency ABS and MBS with a credit rating downgrade from AAA. The ZIC Group transferred USD 158 million of debt securities held at fair value through comprehensive income out of level 3 into level 2 attributable to private debt instruments with a higher reliance on observable valuation inputs and non-agency ABS and MBS whose credit ratings have been upgraded to AAA.

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For the year ended December 31, 2023, the ZIC Group transferred USD 3 billion of investment property from level 2 to level 3. During 2023, the ZIC Group reviewed the fair value hierarchy classification of investment properties primarily located in Germany. The sharp increase in interest rates, coupled with rising inflation and uncertainty around future interest rate development, resulted in significantly fewer transactions in the real estate market. Therefore, reliable market information was not available in sufficient quantity to substantiate some of the input parameters used by independent external appraisers in their valuations.

Development assets and liabilities classified within level 3 – unit-linked – current period

Table 22.5a

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2024	2,235	11	2,022
Realized gains/(losses) recognized in income[1]	33	–	(7)
Unrealized gains/(losses) recognized in income[1]	277	–	87
Purchases	644	–	64
Sales/redemptions	(156)	(1)	(204)
Transfers into level 3	–	–	–
Transfers out of level 3	–	(10)	–
Acquisitions/(divestments) and transfers	–	–	–
Foreign currency translation effects	(3)	–	(24)
As of December 31, 2024	**3,030**	**1**	**1,938**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2024, there was no significant movement in unit-linked fair value through profit or loss equity or debt securities or investment property.

Development assets and liabilities classified within level 3 – unit-linked – prior period

Table 22.5b

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2023	1,777	27	2,233
Realized gains/(losses) recognized in income[1]	11	1	(103)
Unrealized gains/(losses) recognized in income[1]	147	1	50
Purchases	377	–	29
Sales/redemptions	(77)	(19)	(279)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Acquisitions/(divestments) and transfers	–	–	–
Foreign currency translation effects	1	–	91
As of December 31, 2023	**2,235**	**11**	**2,022**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2023, there has been no significant movement in unit-linked fair value through profit or loss equity or debt securities or investment property.

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23. Expected credit loss measurement

ECL scenarios and key input parameters

For rated debt securities, the ZIC Group determines the forward-looking inputs by evaluating a range of possible outcomes through a scenario-based approach. The following macroeconomic and financial variables have been selected due to historical correlation with credit loss emergence and relevance to the Group investment portfolio: GDP growth, 10-year interest rates and investment credit spread in the U.S. and eurozone. Table 23.1 shows the variables for each of the three scenarios (downside scenario/base case/upside scenario) modelled by Group Investment Management – Market Strategy and Macroeconomics, as well as the weights assigned to each scenario. For residential and small commercial mortgage loan portfolios, the forward-looking parameters are derived from the forecast of the real estate prices by property type, as well as actual affordability of the loan for a customer.

For 2025, the economic scenarios are centered around expectations for the development of the U.S. economy following the U.S. election:

- The base case scenario anticipates the U.S. economy to grow at an above-trend pace over the coming year, driven by the advancement of numerous proposed policies by the new administration. Policies around trade and immigration take longer to implement and are toned down, limiting price pressures and global disruption in the near term. The global macroeconomic environment is expected to remain highly uncertain, with weaker growth projected in the eurozone and China. The Federal Reserve is expected to adopt a more cautious approach to interest rate cuts, driven by concerns over potential inflationary pressures as tariffs increase. Treasury yields are projected to trade within a higher range given the reduced scope for Federal policy loosening and higher risk premiums. In contract, the outlook for eurozone bond yields remains largely unchanged from pre-election expectations, as weaker growth conditions offset any upward pressure from a stronger dollar. Credit spreads are expected to widen slightly from the historically low levels observed in many markets during 2024, due to weakened investor demand and increased supply, but they are anticipated to remain at non-recessionary levels.
- In the downside scenario, there is a hard landing for the U.S. economy, with an accelerated recessionary impact projected for 2025. Contrary to the base case scenario, the new administration adopts a more aggressive stance on tariffs, fueling inflation and disrupting the broader economy. The Federal Reserve signals that further policy easing is inappropriate and that rate hikes may be necessary, triggering a disruptive repricing of Federal Reserve expectations and a widening of inflation risk premiums. The global growth outlook is further weakened by persistent economic challenges in China and by an accelerated decline in Europe's industrial sector. The U.S. dollar strengthens sharply, exacerbating global tensions and compelling other central banks to maintain restrictive policies despite economic weakness. Over time, it becomes evident that the U.S. economy cannot sustain higher borrowing costs, leading to a significant stress in weaker economic sectors as businesses struggle with substantial refinancing needs, resulting in a rapid rise in unemployment. In credit markets, an increasing number of companies become vulnerable to cash burn and financial distress, leading to a notable increase in defaults and credit spreads peaking in the 200 to 250 basis point range with high volatility. Despite the recession and falling asset prices, bond yields remain elevated for an extended period due to persistent inflation pressures and investor demand for higher risk premiums.
- The upside scenario sees U.S. economic growth remaining above trend in 2025, while inflation gradually declines. Initially, there is elevated uncertainty regarding the future trade environment. However, it becomes evident that tariffs will primarily serve as a negotiation tool, with Europe and China taking steps to increase imports from the U.S. Although growth prospects in Europe are more limited, inflation pressures moderate, with rapid wage growth subsiding in early 2025. The Federal Reserve adopts a cautious approach, guiding interest rates higher, but bond market sentiment remains stable as inflationary prices are diluted. Credit markets acknowledge the improvement in the policy and growth environment, though upside potential is limited due to already tight credit spreads and lower Treasury yields compared to the base case, resulting in credit spreads remaining modestly wider compared to 2024.

Table 23.1

Scenario weights and macroeconomic assumptions for ECL measurement of debt securities

As of December 31	USA	Eurozone	USA	Eurozone	Assigned weights in %	
		2024		2023	2024	2023
Upside scenario						
GDP year-on-year change in %	2.5	0.8	1.8	0.8		
10-year interest rate in %	3.5	1.6	3.7	2.5		
Credit spread in basis points	90	100	100	90	15%	25%
Base case scenario						
GDP year-on-year change in %	2.5	0.8	0.2	0.4		
10-year interest rate in %	4.3	2.1	3.5	2.3		
Credit spread in basis points	100	110	125	120	55%	50%
Downside scenario						
GDP year-on-year change in %	0.0	(0.4)	(0.6)	(0.4)		
10-year interest rate in %	3.8	1.8	3.0	2.0		
Credit spread in basis points	200	250	250	250	30%	25%

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The scenario weights reflect management's assessment of economic and political risks that might affect the expected credit losses from financial assets held. Table 23.2 provides a sensitivity analysis of the effect of the calibration of the macroeconomic scenario on the recognition of expected credit losses of debt securities.

ECL sensitivity to future economic conditions

Table 23.2

Scenarios as of December 31	2024			2023		
	Pro forma ECL (assuming application of 100% weighting)	**in % of Base case**	**Actual ECL**	Pro forma ECL (assuming application of 100% weighting)	in % of Base case	Actual ECL
Upside	(55)	75%		(58)	65%	
Base case	(73)	100%		(90)	100%	
Downside	(216)	295%	(112)	(200)	222%	(109)

The ZIC Group applies the low credit risk simplification for the rated debt securities and recognizes a 12-months ECL for debt securities that have an external or internal rating equivalent to 'investment grade' (i.e., AAA to BBB–). Other exposures are assessed for significant increase in credit risk. Tables 23.3a and 23.3b below show the carrying amount of debt securities by credit risk rating grades and the related expected credit losses recognized.

Debt securities by rating of issuer- Carrying amount and ECL allowance – current period

Table 23.3a

in USD millions, as of December 31, 2024	Carrying amount	% of total	12 months ECL	Lifetime ECL
Rating:				
AAA	25,309	23	(3)	–
AA– up to and including AA+	35,103	32	(6)	–
A– up to and including A+	18,558	17	(7)	–
BBB up to and including BBB+	19,966	18	(13)	–
BBB–	5,593	5	(7)	–
BB+ and below	5,740	5	(55)	(21)
Total	**110,270**	**100**	**(91)**	**(21)**

Debt securities by rating of issuer- Carrying amount and ECL allowance – prior period

Table 23.3b

in USD millions, as of December 31, 2023	Carrying amount	% of total	12 months ECL	Lifetime ECL
Rating:				
AAA	22,836	23	(5)	–
AA– up to and including AA+	28,147	29	(5)	–
A– up to and including A+	16,021	16	(7)	–
BBB up to and including BBB+	19,387	20	(16)	–
BBB–	5,684	6	(9)	–
BB+ and below	5,459	6	(46)	(20)
Total	**97,534**	**100**	**(88)**	**(21)**

Maximum exposure to credit risk and ECL recognized

Tables 23.4a and 23.4b provide a reconciliation for financial assets measured at fair value through OCI or at amortized cost between the gross carrying amount and the net carrying amount, including the recognition of 12-months ECL and lifetime ECL by asset type.

The gross carrying amount represents fair value for debt instruments measured at FVOCI and amortized cost (prior to recognition of any ECL) for debt instruments measured at amortized cost. The net carrying amount represents the balance sheet carrying amount (i.e., fair value for debt instruments measured at FVOCI and amortized cost less ECL allowance for debt instruments measured at amortized cost).

Table 23.4a

Maximum exposure to credit risk and ECL by type of financial asset – current period

In USD millions, as of December 31, 2024	Gross carrying amount	12 months ECL	Lifetime ECL	Net carrying amount
Debt securities:				
of which governments and supra-national bonds	59,465	(40)	(3)	59,422
of which corporate securities	41,555	(50)	(17)	41,488
of which mortgages and asset-backed securities	9,255	(1)	–	9,253
Total debt securities	110,275	(91)	(21)	110,163
Mortgage loans at amortized cost	4,048	–	(1)	4,047
Other financial assets at amortized cost	4,048	(6)	(3)	4,039
Receivables and other financial assets	11,726	–	(14)	11,712
Total	**130,097**	**(97)**	**(39)**	**129,961**

Table 23.4b

Maximum exposure to credit risk and ECL by type of financial asset – prior period

In USD millions, as of December 31, 2023	Gross carrying amount	12 months ECL	Lifetime ECL	Net carrying amount
Debt securities:				
of which governments and supra-national bonds	49,839	(28)	(3)	49,808
of which corporate securities	37,641	(58)	(18)	37,566
of which mortgages and asset-backed securities	10,057	(1)	–	10,056
Total debt securities	97,537	(88)	(21)	97,429
Mortgage loans at amortized cost	4,325	–	(1)	4,324
Other financial assets at amortized cost	3,694	(5)	(6)	3,682
Receivables and other financial assets	10,403	–	(18)	10,385
Total	**115,959**	**(94)**	**(46)**	**115,820**

The carrying amount includes USD 19 million and USD 42 million of debt securities subject to individual impairment with carrying amount reduced by cumulative impairment losses of USD (14) million and USD (22) million as of December 31, 2024 and 2023, respectively. Furthermore, the carrying amount includes USD 108 million and USD 47 million of debt securities that were purchased or originated credit-impaired financial assets (POCI) as of December 31, 2024 and 2023, respectively. The carrying amount includes USD 28 million and USD 0 million of credit-impaired other financial assets at amortized cost with carrying amount reduced by cumulative impairment losses of USD (1) million and USD 0 million as of December 31, 2024 and 2023, respectively. There was no undiscounted lifetime expected credit losses associated with POCI financial assets initially recognized during 2024 or 2023. There were no material credit-impaired mortgage loans at amortized cost as of December 31, 2024 or 2023.

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Development of ECL allowances

Tables 23.5a and 23.5b show how the allowances for expected credit losses from financial assets in tables 23.4a and 23.4b developed during the period ended December 31, 2024 and 2023.

Table 23.5a

Development of ECL allowance by type of financial asset – current period

in USD millions	Debt securities[1]		Mortgage loans at amortized cost		Other financial assets at amortized cost	
	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
As of January 1, 2024	(88)	(21)	–	(1)	(5)	(6)
Transfer to lifetime expected credit losses	4	(4)	–	–	–	–
Transfer to 12-months expected credit losses	(3)	3	–	–	–	–
Debt securities that have been derecognized during the period	62	8	–	–	2	1
Additions	(65)	(1)	–	–	(3)	–
Write-offs	1	–	–	–	–	–
Other changes[2]	(8)	(7)	–	–	–	2
Foreign currency translation effects	5	1	–	–	–	–
As of December 31, 2024	**(91)**	**(21)**	**–**	**(1)**	**(6)**	**(3)**

1 Presented as loss allowance on FVOCI debt securities through comprehensive income within shareholders' equity.
2 Remeasurement without stage transfer/change in methodology.

Table 23.5b

Development of ECL allowance by type of financial asset – prior period

in USD millions	Debt securities[1]		Mortgage loans at amortized cost		Other financial assets at amortized cost	
	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
As of January 1, 2023	(68)	(21)	–	(2)	(5)	(2)
Transfer to lifetime expected credit losses	3	(3)	–	–	–	–
Transfer to 12-months expected credit losses	(1)	1	–	–	–	–
Debt securities that have been derecognized during the period	37	7	–	–	1	5
Additions	(37)	(1)	–	–	(1)	–
Write-offs	1	4	–	–	–	–
Other changes[2]	(22)	(13)	–	1	(1)	(9)
Foreign currency translation effects	–	4	–	–	–	–
As of December 31, 2023	**(88)**	**(21)**	**–**	**(1)**	**(5)**	**(6)**

1 Presented as loss allowance on FVOCI debt securities through comprehensive income within shareholders' equity.
2 Remeasurement without stage transfer/change in methodology.

In addition to the above, impairment gains/(losses) of USD (9) million and USD (29) million were recognized in profit or loss for individually impaired debt securities measured at FVOCI and amortized cost in 2024 and 2023, respectively. There were impairment gains/(losses) of USD 4 million and USD 2 million recognized for POCI debt securities in 2024 and 2023, respectively. Impairment losses for credit-impaired mortgage loans and other financial assets at amortized cost were not material in 2024 or 2023.

24. Related-party transactions

In the normal course of business, the ZIC Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the ZIC Group include, among others, subsidiaries, associates, joint ventures, key management personnel, and the post-employment benefit plans (please see note 19). Transactions between the ZIC Group and its subsidiaries are eliminated on consolidation, and they are not disclosed in the consolidated financial statements. A list of the ZIC Group's significant subsidiaries is shown in note 27. The transactions of the ZIC Group concluded with its associates and joint ventures are not considered material to the ZIC Group, either individually or in aggregate.

Table 24 summarizes related-party transactions with key management personnel reflected in the consolidated financial statements. Key management personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Executive Committee.

Related party transactions – key personnel

Table 24

in USD millions, for the years ended December 31	**2024**	2023
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	42	43
Post-employment benefits	2	–
Share-based compensation	37	46
Other remuneration	4	3
Total remuneration of key personnel	**85**	**92**

As of December 31, 2024 and 2023, there were no loans, advances or credits outstanding from members of the Executive Committee. No loans and guarantees were granted to members of the Board of Directors as of December 31, 2024 and 2023. The terms 'members of the Board of Directors' and 'members of the Executive Committee' in this context include the individual as well as members of their respective households. The figures in table 24 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 7 million for both years ended December 31, 2024 and 2023.

The cash compensation, current benefits and fees are short term in nature.

Consolidated financial statements (continued)

25. Relationship with the Farmers Exchanges

Farmers Group, Inc. (FGI) and certain of its subsidiaries provide certain non-claims services to the Farmers Exchanges as their attorneys-in-fact, and also provide certain ancillary services to the Farmers Exchanges. Farmers Group, Inc. is a wholly owned subsidiary of the Group. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, following the acquisition of the three brokerage entities and the flood servicing business from Farmers Exchanges (see note 4), FGI, through the acquired brokerages, receives access to the Farmers Exchanges' distribution network in exchange for an agency access fee to the Farmers Exchanges, and provides flood program administration services to the Farmers Exchanges in exchange for a fee from the Farmers Exchanges.

The relationships with the Farmers Exchanges are further described below.

a) Quota share reinsurance treaties with the Farmers Exchanges

Farmers Reinsurance Company (Farmers Re), a wholly owned subsidiary of FGI, assumes risk through a quota share reinsurance treaty, the All Lines Quota Share reinsurance agreement (All Lines agreement) with the Farmers Exchanges.

The All Lines agreement provides for an assumption of a quota share of the all lines insurance results of the Farmers Exchanges. Subject to regulatory approval, effective December 31, 2024, Farmers Re assumed an 8.00 percent quota share of which 4.50 percent was retroceded to Zurich Insurance Company Ltd and Zurich Reinsurance Company Ltd. Another 22.00 percent was assumed by other third parties.

Table 25.1

Quota share reinsurance treaties

in USD millions, for the years ended December 31	All Lines agreement	
	2024[1]	2023[2]
Insurance revenue	1,929	1,536
Insurance service expense[3]	(1,790)	(1,461)
Insurance service result	**139**	**75**

1 Effective December 31, 2023, Farmers Re assumed a 10.00 percent quota share of which 8.25 percent was retroceded to Zurich Global, Ltd. Another 23.00 percent was assumed by other third parties.
2 Effective December 31, 2022, Farmers Re assumed an 8.50 percent quota share of which 6.75 percent was retroceded to Zurich Global, Ltd. Another 22.50 percent was assumed by other third parties.
3 Under the All Lines agreement, Farmers Re catastrophe losses are subject to a maximum amount each year. Under the agreement effective December 31, 2023, catastrophe losses occurring in 2024 were limited to USD 255 million. Under the agreement effective December 31, 2022, catastrophe losses occurring in 2023 were limited to USD 174 million.

Consolidated financial statements (continued)

b) Farmers management fees and other related revenues

Farmers Group, Inc. and certain of its subsidiaries (FGI), wholly owned subsidiaries of the Group, are the appointed attorneys-in-fact of the Farmers Exchanges, which are not owned by FGI. As the attorney-in-fact, FGI is permitted by policyholders of the Farmers Exchanges to receive a management fee of up to 20 percent (up to 25 percent in the case of Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. This management fee, the primary source of revenue for FGI, has an agreed upon margin cap of 7 percent which is derived from FGI gross management result divided by the gross premium earned by the Farmers Exchanges. The expected revenues and expenses are assessed monthly to determine if expected revenues will be in excess of the cap, in which case the revenue is reduced on a pro-rata basis to ensure that no revenue is recognized for the amounts exceeding the cap. In addition, FGI revenue includes reimbursement of certain ancillary service costs incurred by FGI on behalf of primarily the Farmers Exchanges that are not covered under the attorney-in-fact contracts. The amounts incurred for these services are reimbursed to FGI at cost in accordance with allocations that are subject to approval by the Farmers Exchanges Boards of Governors.

FGI has historically charged a lower management fee than the amount allowed by policyholders. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 28.0 billion and USD 26.7 billion for the years ended December 31, 2024, and 2023, respectively.

Table 25.2

Farmers Management Services[1]

in USD millions, for the years ended December 31	**2024**	2023	Change
Fee income	4,392	4,529	(3%)
Management fees	3,595	3,577	1%
Revenues for ancillary services	707	865	(18%)
Membership fees	52	51	2%
Other revenues	39	37	5%
Fee business expenses	(2,378)	(2,587)	8%
Expenses for ancillary services	(707)	(865)	18%
Management and other expenses	(1,671)	(1,722)	3%
Fee result	2,014	1,942	4%
Other management related income/expenses	(54)	(67)	20%
Gross management result[2]	**1,960**	**1,875**	**5%**
Managed gross earned premium margin	7.0%	7.0%	0.0 pts

1 Excludes the agency brokerage entities acquired in 2023 (see note 4).
2 Includes the impact of amortization/impairment of intangible assets acquired as part of a business combination.

Consolidated financial statements (continued)

26. Segment information

The ZIC Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The ZIC Group's reportable segments have been identified on the basis of the businesses operated by the ZIC Group and how these are strategically managed to offer different products and services to specific customer groups. The ZIC Group has identified 13 reportable segments and segment information is presented accordingly as follows:

- P&C regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The ZIC Group's reportable segments comprise the following:

P&C and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

P&C regions provide a variety of motor, home and commercial products and services for individuals, as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

The **Farmers** segment includes Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group, which, along with certain of its subsidiaries, provides certain non-claims and ancillary services to the Farmers Exchanges as their attorney-in-fact and receive fees for their services. The Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. and are owned by their policyholders. Zurich Insurance Company Group has no ownership in the Farmers Exchanges. This segment also includes all reinsurance assumed from the Farmers Exchanges by the ZIC Group and the activities of Farmers New World Life, a subsidiary of FGI and writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the ZIC Group's Holding and Financing and Headquarters activities, including central initiatives in Zurich Global Ventures. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the ZIC Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-core businesses are mainly situated in the U.S., Bermuda and in Europe.

Consolidated financial statements (continued)

Aggregations and additional information

Regional P&C and Life results are further aggregated to show a total P&C and total Life business view.

- P&C – Total
- Life – Total

For additional informational purposes, the ZIC Group also discloses income statement information for P&C Commercial Insurance and P&C Retail and Other Insurance results. Other Insurance includes SME, direct market and other program business.

- P&C Commercial Insurance
- P&C Retail and Other Insurance

Business operating profit

The segment information includes business operating profit, which is the ZIC Group's key performance measure. Business operating profit (BOP) indicates the underlying performance of the ZIC Group's businesses, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operating variables.
This measure is the basis on which the ZIC Group manages its operating performance. BOP is a pre-tax measure of operating performance adjusted for:

- Net capital gains/(losses) and expected credit losses on investments (except investments in hedge funds as at fair value through profit or loss and certain securities held for specific economic hedging purposes) after considering the effect of changes in fair value of underlying items held for direct participating contracts and effects of hyperinflation,
- Restructuring charges,
- Charitable contributions,
- Large one-off regulatory implementation efforts,
- Specific items related to business combinations, including amortization of related intangible assets, and
- Gains and losses on divestment of businesses and impairments of goodwill.

Consolidated financial statements (continued)

Property & Casualty – Overview by segment

Table 26.1

in USD millions, for the year ended December 31	Europe, Middle East & Africa		North America	
	2024	2023	**2024**	2023
Insurance revenue	18,651	17,170	20,985	20,607
Insurance service expense	(16,426)	(15,558)	(17,886)	(16,716)
Net expenses from reinsurance contracts held	(905)	(852)	(1,421)	(1,962)
Insurance service result	1,320	760	1,678	1,929
Net investment income on Group investments	908	736	1,141	1,094
Net capital gains/(losses) on Group investments	79	18	194	185
Net investment result on Group investments	987	755	1,335	1,278
Re-/Insurance finance income/(expenses)	(380)	(222)	(690)	(534)
Net investment result	608	533	644	744
Fee income	222	213	206	210
Fee business expenses	(170)	(162)	(134)	(131)
Fee result	52	51	72	79
Other revenues	185	143	175	130
Interest expense on debt	(54)	(52)	(16)	(14)
Other expenses	(753)	(687)	(340)	(417)
Restructuring costs and other items not included in BOP	156	90	101	196
Other result	(466)	(506)	(80)	(105)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	–	–	–	–
Business operating profit before non-controlling interests	1,514	839	2,313	2,647
Non-controlling interests	26	23	–	–
Business operating profit	**1,487**	**816**	**2,313**	**2,647**

Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
3,793	3,434	3,162	2,812	799	781	(2,598)	(2,511)	44,792	42,293
(2,927)	(2,723)	(2,345)	(2,400)	(652)	(431)	1,758	1,373	(38,479)	(36,454)
(491)	(393)	(535)	(194)	(301)	(391)	840	1,138	(2,812)	(2,653)
375	319	282	218	(154)	(42)	–	–	3,500	3,186
180	134	271	224	4	2	–	–	2,503	2,191
(1)	(3)	(5)	17	3	8	–	–	269	225
178	131	265	242	7	10	–	–	2,772	2,416
(59)	(52)	(78)	(59)	(27)	(20)	–	–	(1,233)	(887)
120	80	187	183	(20)	(11)	–	–	1,539	1,529
55	53	–	–	–	–	–	–	483	476
(79)	(65)	–	–	–	–	(2)	(4)	(385)	(361)
(24)	(12)	–	–	–	–	(2)	(4)	98	115
18	27	27	19	63	65	(7)	(11)	461	373
(2)	(2)	(2)	(4)	(5)	(10)	–	11	(80)	(71)
(156)	(122)	(170)	(174)	(61)	(45)	8	4	(1,471)	(1,442)
23	6	15	41	16	–	–	–	311	334
(116)	(92)	(130)	(118)	12	10	2	4	(779)	(807)
(5)	(2)	–	–	–	–	–	–	(5)	(2)
349	293	339	284	(162)	(42)	–	–	4,353	4,020
6	2	116	102	–	–	–	–	149	127
343	**290**	**223**	**181**	**(162)**	**(42)**	**–**	**–**	**4,204**	**3,893**

Consolidated financial statements (continued)

Life – Overview by segment

Table 26.2

in USD millions, for the years ended December 31	Europe, Middle East & Africa		North America	
	2024	2023	**2024**	2023
Insurance revenue	6,566	5,912	160	194
Insurance service expense	(4,999)	(4,410)	(83)	(83)
Net expenses from reinsurance contracts held	(113)	(169)	(31)	(25)
Insurance service result	1,455	1,333	46	86
Net investment income on Group investments	2,252	2,164	64	59
Net capital gains/(losses) on Group investments	(96)	(234)	18	26
Net investment result on Group investments	2,156	1,930	82	85
Net investment income on unit-linked investments	1,160	1,090	–	–
Change in liabilities for investment contracts and other funds	(796)	(700)	–	–
Re-/Insurance finance income/(expenses)	(2,137)	(2,017)	(93)	(90)
Net investment result	384	304	(11)	(5)
Fee income	888	802	–	–
Fee business expenses	(624)	(594)	–	–
Fee result	264	208	–	–
Other revenues	184	115	30	24
Interest expense on debt	(13)	(16)	–	–
Other expenses	(450)	(402)	(8)	3
Restructuring costs and other items not included in BOP	64	10	–	–
Other result	(215)	(292)	23	27
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	(141)	(137)	–	–
Business operating profit before non-controlling interests	1,746	1,416	57	108
Non-controlling interests	171	148	–	–
Business operating profit	**1,575**	**1,268**	**57**	**108**

Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
2,302	2,258	2,687	2,637	27	30	(43)	(35)	11,700	10,996
(2,009)	(1,919)	(2,060)	(2,047)	(15)	(10)	36	11	(9,130)	(8,458)
17	(46)	(33)	(34)	(8)	(7)	7	24	(161)	(256)
310	293	594	557	4	13	–	–	2,409	2,281
240	224	437	478	–	–	(1)	(1)	2,992	2,924
(6)	–	(33)	63	(3)	(12)	–	–	(121)	(156)
234	224	404	542	(3)	(12)	(1)	(1)	2,871	2,768
65	54	35	16	–	–	–	–	1,260	1,160
(47)	(33)	–	–	–	–	–	–	(842)	(733)
(184)	(156)	(271)	(340)	–	(1)	–	–	(2,685)	(2,603)
67	89	168	218	(3)	(13)	(1)	(1)	604	592
43	60	20	18	–	–	–	–	951	880
(8)	(17)	(13)	(13)	–	–	–	–	(646)	(624)
35	43	7	5	–	–	–	–	306	256
17	15	25	20	3	5	–	–	259	180
(38)	(18)	(3)	(3)	–	–	1	1	(53)	(36)
(136)	(141)	(108)	(149)	–	–	–	–	(701)	(689)
6	23	(26)	42	–	–	–	–	44	75
(151)	(120)	(111)	(90)	2	5	1	1	(451)	(469)
(20)	(31)	(1)	(2)	–	–	–	–	(163)	(170)
242	274	657	687	3	5	–	–	2,705	2,490
(1)	(1)	300	283	–	–	–	–	470	430
243	**275**	**357**	**404**	**3**	**5**	**–**	**–**	**2,235**	**2,060**

Consolidated financial statements (continued)

Business operating profit by business

Table 26.3

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2024	2023	**2024**	2023
Insurance revenue	44,792	42,293	11,700	10,996
Insurance service expense	(38,479)	(36,454)	(9,130)	(8,458)
Net expenses from reinsurance contracts held	(2,812)	(2,653)	(161)	(256)
Insurance service result	3,500	3,186	2,409	2,281
Net investment income on Group investments	2,503	2,191	2,992	2,924
Net capital gains/(losses) on Group investments	269	225	(121)	(156)
Net investment result on Group investments	2,772	2,416	2,871	2,768
Net investment income on unit-linked investments	–	–	1,260	1,160
Change in liabilities for investment contracts and other funds	–	–	(842)	(733)
Re-/Insurance finance income/(expenses)	(1,233)	(887)	(2,685)	(2,603)
Net investment result	1,539	1,529	604	592
Fee income	483	476	951	880
Fee business expenses	(385)	(361)	(646)	(624)
Fee result	98	115	306	256
Other revenues	461	373	259	180
Interest expense on debt	(80)	(71)	(53)	(36)
Other expenses	(1,471)	(1,442)	(701)	(689)
Restructuring costs and other items not included in BOP	311	334	44	75
Other result	(779)	(807)	(451)	(469)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	(5)	(2)	(163)	(170)
Business operating profit before non-controlling interests	4,353	4,020	2,705	2,490
Non-controlling interests	149	127	470	430
Business operating profit	**4,204**	**3,893**	**2,235**	**2,060**

Consolidated financial statements (continued)

Farmers 2024	Farmers 2023	Group Functions and Operations 2024	Group Functions and Operations 2023	Non-Core Businesses 2024	Non-Core Businesses 2023	Eliminations 2024	Eliminations 2023	Total 2024	Total 2023
2,941	2,553	–	293	97	98	(22)	(135)	59,507	56,099
(2,525)	(2,190)	–	(296)	(338)	(131)	16	107	(50,456)	(47,422)
(209)	(131)	–	–	144	32	7	28	(3,031)	(2,981)
208	233	–	(2)	(97)	(1)	–	–	6,020	5,696
46	146	239	142	147	145	(198)	(161)	5,729	5,387
(4)	7	156	142	(60)	16	–	–	241	234
43	153	395	284	88	161	(198)	(161)	5,970	5,622
64	47	–	–	–	–	–	–	1,325	1,207
(2)	(1)	–	–	(7)	(8)	–	–	(851)	(742)
(47)	(16)	–	(2)	(36)	(122)	–	–	(4,002)	(3,631)
58	182	395	281	44	31	(198)	(161)	2,442	2,456
4,577	4,529	(1)	–	–	–	–	–	6,011	5,885
(2,535)	(2,586)	–	(1)	–	–	(9)	(9)	(3,575)	(3,583)
2,042	1,942	(1)	(1)	–	–	(9)	(9)	2,436	2,303
67	33	256	227	24	21	(703)	(613)	363	221
(7)	(2)	(749)	(737)	(63)	(58)	498	431	(453)	(473)
(152)	(242)	(904)	(636)	(98)	(31)	413	352	(2,913)	(2,688)
70	150	71	42	87	–	–	–	584	601
(22)	(61)	(1,326)	(1,103)	(49)	(68)	207	170	(2,420)	(2,339)
–	–	–	–	–	–	–	–	(168)	(172)
2,286	2,296	(932)	(826)	(102)	(37)	–	–	8,310	7,944
99	101	–	–	–	–	–	–	717	658
2,187	**2,195**	**(931)**	**(825)**	**(102)**	**(37)**	**–**	**–**	**7,593**	**7,286**

Consolidated financial statements (continued)

Reconciliation of BOP to net income after income taxes

Table 26.4

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2024	2023	**2024**	2023
Business operating profit net	**4,204**	**3,893**	**2,235**	**2,060**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on Group investments	567	(130)	328	(201)
Net capital gains/(losses) on unit-linked investments	–	–	14,579	12,426
Change in liabilities for investment contracts and other funds	–	–	(7,261)	(5,637)
Re-/insurance finance income/(expenses)	–	–	(7,775)	(6,769)
Net gains/(losses) on divestment of businesses[1]	16	–	98	(116)
Restructuring costs	(234)	(211)	(33)	(34)
Other adjustments[2]	(77)	(123)	(11)	(42)
Add back:				
Business operating profit attributable to non-controlling interests	149	127	470	430
Net income before shareholders' taxes	4,625	3,557	2,630	2,119
Income tax expense/(benefit) attributable to policyholders (BOP relevant)	5	2	163	170
Net income before income taxes	**4,630**	**3,559**	**2,793**	**2,289**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

1 In 2024, gains and losses on divestment included gains of USD 27 million related to the reversal of the amounts previously held for sale regarding the legacy traditional life insurance book of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, losses of USD 13 million as Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book and gains of USD 84 million as Inversiones Suizo-Chilena S.A. agreed to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4). In 2023, Life included losses of USD 15 million as Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, losses of USD 2 million as Inversiones Suizo-Chilena S.A. agreed to sell the annuity book of Zurich Chile Seguros de Vida S.A. and losses of USD 99 million as Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book (see note 4).

2 Other adjustments in 2024 include amortization of intangibles from business combinations, charitable contributions and litigation costs. Other adjustments in 2023 include charges related to the implementation of IFRS 17, charitable contributions and litigation costs.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	2,187	**2,195**	**(931)**	**(825)**	**(102)**	**(37)**	**7,593**	**7,286**
	(2)	(479)	156	(199)	(22)	8	1,026	(1,001)
	158	182	–	–	322	377	15,059	12,984
	–	–	–	–	–	–	(7,261)	(5,637)
	(158)	(180)	–	–	(310)	(383)	(8,242)	(7,332)
	–	–	(1)	12	–	–	114	(104)
	(4)	(75)	(6)	(7)	–	–	(277)	(327)
	(66)	(75)	(65)	(35)	(87)	–	(307)	(275)
	99	101	–	–	–	–	717	658
	2,214	1,669	(848)	(1,055)	(199)	(36)	8,422	6,253
	–	–	–	–	–	–	168	172
	2,214	**1,669**	**(848)**	**(1,055)**	**(199)**	**(36)**	**8,590**	**6,425**
							(2,243)	(1,725)
							(179)	(172)
							(2,064)	(1,552)
							6,347	**4,700**
							464	430
							5,883	4,270

Consolidated financial statements (continued)

Assets and liabilities by business

Table 26.5

in USD millions, as of December 31

	Property & Casualty		Life	
	2024	2023	**2024**	2023
Assets				
Cash and cash equivalents	7,468	7,175	4,614	4,866
Total Group investments	68,038	68,102	80,041	67,891
Equity securities	8,796	8,445	5,258	4,674
Debt securities	49,404	49,527	60,194	47,399
Investment property	4,573	5,047	7,061	8,454
Mortgage loans	865	964	3,182	3,360
Other financial assets	4,396	4,116	4,324	3,979
Investments in associates and joint ventures	5	3	24	26
Investments for unit-linked contracts	–	–	144,343	137,249
Total investments	68,038	68,102	224,385	205,140
Insurance contract assets	342	357	426	223
Reinsurance contract assets	13,264	13,569	3,004	3,197
Goodwill	2,245	1,855	1,286	1,412
Other intangible assets	1,382	1,453	1,430	1,597
Other assets[1]	6,854	7,207	5,287	27,843
Total assets (after cons. of investments in subsidiaries)	**99,594**	**99,718**	**240,433**	**244,277**
Liabilities				
Liabilities for investment contracts	–	–	66,364	60,115
Insurance contract liabilities	63,083	63,252	154,192	140,897
Reinsurance contract liabilities	14	19	332	347
Other liabilities[2]	11,715	11,848	7,823	30,729
Senior debt	987	1,163	–	402
Subordinated debt	901	917	601	611
Total liabilities	**76,700**	**77,199**	**229,312**	**233,102**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	887	312	61	58

1 As of December 31, 2024, the ZIC Group had USD 1.2 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4). In addition, assets held for sale included land and buildings formerly classified as investment property of USD 48 million. In 2023, the ZIC Group had USD 23.8 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4). In addition, assets held for sale included land and buildings formerly classified as investment property of USD 2 million.

2 As of December 31, 2024, the ZIC Group had USD 1.2 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4). In 2023, the ZIC Group had USD 23.9 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc (now known as Zurich Insurance Europe AG) and Zurich Insurance Company Ltd, UK Branch (see note 4).

Consolidated financial statements (continued)

Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
914	2,633	2,826	3,137	556	390	(9,615)	(10,927)	6,762	7,273
1,163	1,172	8,158	9,425	3,697	4,162	(7,437)	(8,552)	153,661	142,200
57	29	1,108	1,242	61	61	–	–	15,280	14,452
1,068	1,023	4,255	4,149	3,494	3,826	–	–	118,415	105,924
30	113	–	–	70	70	–	–	11,734	13,684
–	–	–	–	–	–	–	–	4,047	4,324
7	7	2,677	3,987	72	145	(7,437)	(8,552)	4,039	3,682
–	–	117	46	–	60	–	–	146	135
1,422	1,245	–	–	2,769	2,650	–	–	148,535	141,144
2,586	2,417	8,158	9,425	6,467	6,812	(7,437)	(8,552)	302,196	283,344
–	–	–	–	–	–	–	–	768	580
3,125	3,094	–	–	2,089	2,115	(33)	(33)	21,450	21,942
1,264	1,264	10	10	–	–	–	–	4,805	4,541
1,118	1,232	46	55	–	–	–	–	3,977	4,337
3,550	3,591	4,211	2,921	2,176	2,226	(2,943)	(3,205)	19,136	40,584
12,555	**14,231**	**15,251**	**15,549**	**11,288**	**11,543**	**(20,028)**	**(22,716)**	**359,093**	**362,601**
40	42	–	–	103	113	–	–	66,507	60,270
5,579	5,355	3	3	7,652	7,488	(30)	(33)	230,479	216,962
91	138	–	–	–	–	–	–	437	504
1,398	1,433	10,672	11,188	2,491	3,100	(12,669)	(14,247)	21,430	44,052
–	–	7,537	8,504	324	292	(4,818)	(5,159)	4,030	5,202
–	760	9,880	9,548	–	–	(2,511)	(3,277)	8,871	8,559
7,108	**7,728**	**28,092**	**29,243**	**10,571**	**10,993**	**(20,028)**	**(22,716)**	**331,754**	**335,549**
								25,590	25,329
								1,749	1,724
								27,339	27,052
								359,093	**362,601**
45	664	13	79	–	–	–	(61)	1,005	1,051

Consolidated financial statements (continued)

Table 26.6

Property & Casualty – Commercial and Retail Insurance overview[1]

in USD millions, for the years ended December 31	Commercial Insurance		Retail and Other Insurance	
	2024	2023	**2024**	2023
Insurance revenue	30,453	29,475	16,135	14,550
Insurance service expense	(24,936)	(23,664)	(14,635)	(13,716)
Net expenses from reinsurance contracts held	(2,948)	(3,087)	(413)	(330)
Insurance service result	2,569	2,724	1,086	503
Net investment income on Group investments	1,656	1,501	844	690
Net capital gains/(losses) on Group investments	284	258	(18)	(41)
Net investment result on Group investments	1,940	1,759	826	649
Re-/insurance finance income/(expenses)	(945)	(718)	(262)	(149)
Net investment result	995	1,041	565	500
Fee result	90	94	9	22
Other result	(267)	(286)	(526)	(534)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	–	–	(5)	(2)
Business operating profit before non-controlling interests	3,386	3,574	1,129	489
Non-controlling interests	–	–	149	127
Business operating profit	**3,387**	**3,573**	**980**	**362**

1 Commercial and Retail Insurance overview exclude Group Reinsurance and Eliminations.

Consolidated financial statements (continued)

Table 26.7

Property & Casualty – Revenues and non-current assets by region

in USD millions	Insurance revenue from external customers						Property, equipment and intangible assets	
	Total		of which Commercial Insurance		of which Retail and Other Insurance			
	for the years ended December 31		for the years ended December 31		for the years ended December 31		as of December 31	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Europe								
Austria	679	643					35	116
France	432	402					10	13
Germany	3,244	2,943					477	570
Italy	1,837	1,671					27	15
Ireland	654	655					49	62
Portugal	414	385					18	16
Spain	1,702	1,563					240	268
Switzerland	2,823	2,645					693	762
United Kingdom	4,393	4,012					99	119
Rest of Europe	1,166	994					193	166
Middle East & Africa								
Middle East	142	150					1	1
Europe, Middle East & Africa	17,486	16,064	6,160	5,752	11,326	10,313	1,842	2,107
North America								
Canada	997	1,022					53	36
United States	19,439	19,065					997	1,065
North America	20,437	20,088	20,437	20,088	–	–	1,050	1,101
Asia-Pacific								
Australia	1,270	1,192					664	741
Hong Kong	385	363					44	45
Japan	824	807					10	10
Malaysia	468	410					49	49
Rest of Asia-Pacific	745	574					781	251
Asia-Pacific	3,692	3,346	991	965	2,702	2,381	1,546	1,096
Latin America								
Argentina	622	326					248	163
Brazil	1,098	1,062					86	110
Chile	380	424					18	14
Mexico	850	767					114	148
Rest of Latin America	237	232					49	51
Latin America	3,187	2,812	1,071	948	2,116	1,864	515	487
Group Reinsurance	7	8	–	–	7	8	1	1
Total	**44,809**	**42,318**	**28,659**	**27,752**	**16,150**	**14,567**	**4,955**	**4,793**

Consolidated financial statements (continued)

Life – Revenues and non-current assets by region

Table 26.8

in USD millions	Insurance Revenue from external customer for the years ended December 31		Property/equipment and intangible assets as of December 31	
	2024	2023	**2024**	2023
Europe, Middle East & Africa				
Austria	53	47	19	6
Germany	1,194	1,107	6	7
Italy	310	273	349	366
Ireland[1]	373	347	75	85
Spain	620	610	890	953
Switzerland	1,337	1,320	3	3
United Kingdom	1,588	1,460	92	94
Zurich International Life[2]	571	627	24	28
Rest of Europe, Middle East & Africa	475	117	2	3
Europe, Middle East & Africa	6,522	5,907	1,460	1,545
North America				
United States	160	192	–	–
North America	160	192	–	–
Asia Pacific				
Australia	1,747	1,719	1,037	1,144
Hong Kong	54	54	1	2
Indonesia	27	27	–	1
Japan	281	264	9	7
Malaysia	197	195	34	33
Asia Pacific	2,306	2,259	1,081	1,186
Latin America				
Argentina	152	102	43	27
Brazil	1,388	1,411	143	198
Chile	462	502	171	218
Mexico	573	520	67	91
Uruguay	76	65	2	3
Colombia	35	37	–	–
Latin America	2,687	2,637	426	537
Total	**11,675**	**10,996**	**2,967**	**3,268**

1 Includes business written under freedom of services and freedom of establishment in Europe, and the related assets.
2 Includes business written through licenses, mainly into Asia Pacific and Middle East, and the related assets.

Consolidated financial statements (continued)

27. Interest in subsidiaries

Significant subsidiaries are defined as those subsidiaries which either individually or in aggregate, contribute significantly to insurance revenue, shareholders' equity, total assets or net income attributable to shareholders.

Significant subsidiaries – non-listed

Table 27.1

as of December 31, 2024	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Australia					
Cover-More Group Limited	Sydney	100	100	AUD	1,014.17
Zurich Australia Limited	Sydney	100	100	AUD	543.52
Zurich Australian Insurance Limited	Sydney	100	100	AUD	6.62
Zurich Financial Services Australia Limited	Sydney	100	100	AUD	2,983.02
Austria					
Zürich Versicherungs-Aktiengesellschaft	Vienna	99.98	99.98	EUR	9.75
Bermuda					
Zurich Global, Ltd.	Hamilton	100	100	USD	0.50
Brazil					
Zurich Santander Brasil Seguros e Previdência S.A.[1]	Sao Paulo	51	51	BRL	2,509.18
Zurich Minas Brasil Insurance Company	Belo Horizonte	100	100	BRL	2,316.01
Zurich Reinsurance Brasil S.A.	Sao Paulo	100	100	BRL	124.00
Zurich Santander Brasil Seguros S.A	Sao Paulo	100	100	BRL	138.96
Chile					
Zurich Chile Seguros de Vida S.A.	Santiago	99.23	99.23	CLP	137,899.88
Zurich Santander Seguros de Vida Chile S.A.[1]	Santiago	51	51	CLP	24,252.93
Germany					
Deutscher Herold Aktiengesellschaft	Cologne	100	100	EUR	18.43
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	100	100	EUR	152.88
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Cologne	100	100	EUR	68.45
Zurich Immobilien (Deutschland) AG & Co. KG	Cologne	100	100	EUR	0.002
Zurich Life Legacy Versicherung AG (Deutschland)	Cologne	100	100	EUR	54.00
Zurich Insurance Europe AG	Frankfurt	100	100	EUR	8.16
India					
Zurich Kotak General Insurance Company (India) Limited	Mumbai	70	70	INR	10,727.28
Indonesia					
PT Zurich Asuransi Indonesia Tbk	Jakarta Selatan	80	80	IDR	3,101,846.00
Ireland					
Zurich Life Assurance plc	Dublin	100	100	EUR	17.53
Zurich Holding Ireland Limited	Dublin	100	100	EUR	0.10
Italy					
Zurich Investments Life S.p.A.	Milan	100	100	EUR	207.93
Zurich Italy Bank S.p.A.	Milan	100	100	EUR	49.00
Japan					
Zurich Life Insurance Japan Company Ltd	Nakano-ku	100	100	JPN	7,316.31
Luxembourg					
Zurich (Lux) Real Estate I S.C.S. SICAV-SIF	Luxembourg	100	100	EUR	2,229.78
Malaysia					
Zurich Life Insurance Malaysia Berhad	Kuala Lumpur	100	100	MYR	579.00
Zurich Holdings Malaysia Berhad	Kuala Lumpur	100	100	MYR	878.44
Mexico					
Zurich Santander Seguros México, S.A.[1]	Mexico City	51	51	MXN	190.00

Consolidated financial statements (continued)

Significant subsidiaries – non-listed (continued)

Table 27.1

as of December 31, 2024	Registered office	Voting rights %	Ownership interest %		Nominal value of share capital (in local currency millions)
Spain					
Bansabadell Pensiones, E.G.F.P, S.A.	Madrid	50	50	EUR	7.81
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	10.00
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	43.86
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100	100	EUR	43.00
Zurich Santander Holding (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	942.77
Zurich Santander Holding Dos (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	94.28
Zurich Santander Insurance America, S.L.	Boadilla del Monte	51	51	EUR	40.00
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	100	100	EUR	56.45
Switzerland					
Zurich Finance Company Ltd	Zurich	100	100	CHF	0.20
Zurich Life Insurance Company Ltd	Zurich	100	100	CHF	60.00
Zurich Reinsurance Company Ltd	Zurich	100	100	CHF	11.68
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100	100	GBP	597.69
Zurich Assurance Ltd	Swindon, England	100	100	GBP	356.24
Zurich Employment Services Limited	Swindon, England	100	100	GBP	417.28
Zurich Financial Services (UKISA) Limited	Swindon, England	100	100	GBP	1,460.94
Zurich Holdings (UK) Limited	Fareham, England	100	100	GBP	318.30
Zurich International Life Limited	Douglas, Isle of Man	100	100	GBP	123.40
Zurich UK General Services Limited	Fareham, England	100	100	GBP	470.88
United States of America					
Farmers Group, Inc.[2]	Carson City, NV	88	95	USD	0.000001
Farmers Reinsurance Company[2]	Woodland Hills, CA	88	95	USD	0.0001
Farmers New World Life Insurance Company[2]	Bellevue, WA	88	95	USD	0.000001
Zurich American Insurance Company	New York, NY	100	100	USD	5.00
Zurich American Life Insurance Company	Schaumburg, IL	100	100	USD	2.50
Zurich Holding Company of America, Inc.[3]	Wilmington, DE	100	100	USD	–
Centre Group Holdings (U.S.) Limited	Wilmington, DE	100	100	USD	0.000001
ZCM (U.S.) Limited	Wilmington, DE	100	100	USD	0.000001
Zurich Structured Finance, Inc.	Wilmington, DE	100	100	USD	0.012
Kraft Lake Insurance Agency, Inc.	Grand Rapids, MI	88	95	USD	0.0001

1 Zurich Insurance Company Ltd (ZIC) indirectly owns 51 percent.
2 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
3 Shares have no nominal value in accordance with the company's articles of association and local legislation.

Consolidated financial statements (continued)

Due to the nature of the insurance industry, the Group's business is subject to extensive regulatory supervision, and companies in the Group are subject to numerous legal restrictions and regulations. These restrictions may refer to minimum capital requirements or the ability of the Group's subsidiaries to pay dividends imposed by regulators in the countries in which the subsidiaries operate. These are considered industry norms, generally applicable to insurers who operate in the same markets.

For Zurich Santander Insurance America, S.L. and its subsidiaries, and the Bansabadell insurance entities, certain protective rights exist, which, among others, include liquidation, material sale of assets, transactions affecting the legal ownership structure, dividend distribution and capital increase, distribution channel partnerships and governance, which are not quantifiable.

For details on the Group's capital restrictions, see the capital management section in the 2024 Risk Review, which forms an integral part of the consolidated financial statements.

Table 27.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the ZIC Group. Farmers Group, Inc and its subsidiaries are owned 95.38 percent by Zurich Insurance Company Ltd and in total 100 percent by the Group. Therefore, they are not separately disclosed.

Table 27.2

Non-controlling interests

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2024	2023	**2024**	2023
Non-controlling interests percentage	49%	49%	50%	50%
Total Investments	19,015	20,680	9,644	9,881
Other assets	1,015	1,325	1,605	1,733
Insurance and investment contract liabilities	18,362	20,048	9,056	9,431
Other liabilities	668	780	718	701
Net assets	**1,000**	**1,177**	**1,475**	**1,481**
Non-controlling interests in net assets	**490**	**577**	**737**	**741**
Insurance revenue	2,573	2,465	643	620
Net income after taxes	504	483	281	255
Other comprehensive income	(232)	86	(85)	25
Total comprehensive income	**272**	**569**	**196**	**280**
Non-controlling interests in total comprehensive income	**133**	**279**	**98**	**140**
Dividends paid to non-controlling interests	209	224	101	12

28. Events after the balance sheet date

No events after the balance sheet date.

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Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Company Ltd, Zurich

Zurich, March 19, 2025

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Zurich Insurance Company Ltd and its subsidiaries (the ZIC Group), which comprise the consolidated balance sheet as of December 31, 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 33 to 162) and the audited sections of the risk review (pages 3 to 22) give a true and fair view of the consolidated financial position of the ZIC Group as of December 31, 2024, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the ZIC Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards* (IESBA Code)), 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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Report of the statutory auditor (continued)

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Insurance contract liabilities - Estimation of future cash outflows for Incurred but not Reported (IBNR) losses measured under the Premium Allocation Approach (PAA)

Area of focus	The Liability of Incurred Claims (LIC) reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows for incurred loss and loss adjustment expense, as well as an explicit risk adjustment for non-financial risk. It is a component of the insurance contract liabilities within the consolidated balance sheet. Expected future cash outflows for incurred loss and loss adjustment expense are made of case reserves for incurred and reported losses, and IBNR reserves for incurred but not reported losses, both of which are discounted to determine their present value. The estimation of the IBNR reserves is a complex process, applying actuarial and statistical methods over historical data and patterns requiring the use of estimates and judgments. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate or incomplete input data may be used. This is specifically the case for lines of insurance business that are considered longer-tail, such as worker's compensation, general, and professional liability, and other business and specialty lines, including automotive, where certain longer-term assumptions are required as part of the projection techniques. These projection techniques also consider emerging risks, which can have a significant impact on the determination of the ultimate settlement costs, but where available data is limited, including uncertainty around claims litigation, timeliness of claims reporting, and inflation. Additionally, the expected future cash outflows relating to the IBNR losses for catastrophes which are usually of less frequency but higher severity, are more difficult to estimate and their calculation require the use of expert judgment, especially for events taking place close to period end. Accordingly, we have identified the expected future cash outflows for IBNR losses as a key audit matter. The material accounting policies and critical accounting estimates and judgments regarding the IBNR reserves are described in Note 3, with additional information presented in Note 7 to the consolidated financial statements.

Report of the statutory auditor (continued)

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Our audit response	We obtained an understanding, evaluated the design, and tested the operating effectiveness of a sample of controls over methods selection, completeness and accuracy of the underlying data, relevant information technology and assumption setting used by management related to the estimation of the IBNR reserves. To test the IBNR reserves, our audit procedures were executed with the assistance of our actuarial specialists and included: ► Testing the completeness and accuracy of data utilized by the ZIC Group in estimating the IBNR losses by reconciling such amounts to the underlying accounting records and performing data-enabled audit procedures and claims data plausibility checks on selected samples. ► Evaluating the actuarial methods and assessing key assumptions used within projection techniques by the ZIC Group via quantitative and qualitative analysis. ► Comparing the IBNR reserves recorded in the consolidated financial statements to our independently developed range of IBNR reserves, for certain lines of business selected based on risk. ► Evaluating the appropriateness of any significant adjustments made by management relating to the valuation of the IBNR reserves. Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

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Insurance contract liabilities - Estimation of the present value of future cash flows (PVFCF) measured under the building block approach (BBA) and variable fee approach (VFA)

Area of focus

The liability for remaining coverage (LRC) is a component of the insurance contract liabilities within the consolidated balance sheet and for groups of insurance contracts measured under the BBA and VFA approaches, is the total of:

- Fulfilment cash flows, which comprise of:
  - (i) estimates of the PVFCF which represents the future cash flows, adjusted to reflect the time value of money and financial risks.
  - (ii) risk adjustment for non-financial risk.
- Contractual service margin (CSM), which represents the unearned profit the ZIC Group will recognize as it provides service under the related insurance contracts.

The PVFCF are associated with significant uncertainties requiring the use of expert judgment within complex actuarial models relying on subjective assumptions in relation to future events. Key assumptions include mortality, morbidity, lapse and expense assumptions as well as modelled future decisions of management and of policyholders.

Moreover, because of the long duration of many life insurance products, relatively small changes in key assumptions may have a significant impact on PVFCF.

The determination of the PVFCF requires the use of complex formulas as well as the construction of models and other computational tools that may be incorrectly designed or configured, and for which inadequate assumptions and/or incomplete or inaccurate input data may be used.

Accordingly, we have identified PVFCF within the recorded LRC as a key audit matter.

The material accounting policies and critical accounting judgments and estimates regarding the PVFCF are described in Notes 3, with additional information presented in Note 7 to the consolidated financial statements.

Report of the statutory auditor (continued)

Our audit response

We obtained an understanding, evaluated the design, and tested the operating effectiveness of a sample of controls over methods selection, completeness and accuracy of the underlying data, relevant information technology, assumption setting, and the models used by management related to the estimation of the PVFCF.

To test the PVFCF, our audit procedures were executed with the assistance of our actuarial specialists and included, for certain lines of insurance business selected based on risk:

- Testing of the completeness and accuracy of data, including in-force policyholder data as utilized by the ZIC Group to value estimated future cash flows by reconciling such amounts to the underlying accounting records.
- Assessing key best estimate assumptions used in selected actuarial models via quantitative and qualitative analysis, including considerations of their reasonableness based on studies of the historical experience of key data points such as claims and lapses, our knowledge of the ZIC Group and local markets, products offered, publicly available market and macroeconomic data.
- Reviewing a sample of experience studies supporting specific assumptions.
- Challenging the nature, timing and completeness of changes in key assumptions, models and methods and assessing whether individual changes were corrections of prior period errors or refinements of estimates.
- Testing the models used through review of the calculation logic on a sample basis as well as through performing independent calculations of the PVFCF and comparing the results to those of the ZIC Group.
- Performing analytical review procedures, including period-to-period analysis of changes in the PVFCF and assessing whether such changes appropriately reflect current period facts and circumstances.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

Shape the future
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Recoverability of goodwill and attorney-in-fact contracts (AIF)

Area of focus

Goodwill and AIF are allocated to the cash-generating units (CGUs) that are identified at the segment level. Management tests goodwill and AIF for impairment annually, or more frequently if there are indications that the amount of goodwill and AIF is not recoverable.

Estimation of the recoverable amount requires management to use complex models, expert judgment, and is based on subjective assumptions, particularly in respect of projections of future income based on prospective business plans, perpetual growth rates, and discount rates.

Accordingly, we deem the measurement of the recoverable amount of goodwill and the AIF contract intangibles to be a key audit matter.

The material accounting policies and critical accounting judgments and estimates related to goodwill and AIF are disclosed in Note 3, with additional information presented in Note 13 to the consolidated financial statements.

Our audit response

We obtained an understanding and evaluated the design of controls over the model used and key assumptions.

To test the recoverability of goodwill and AIF, our audit procedures included:

- Assessing, with assistance of our valuation specialists, the valuation methods used and the reasonableness of the key assumptions within these models, i.e., discount rates, perpetual growth rates and tax rate.
- Evaluating whether the goodwill and AIF allocation to CGUs as identified by management is supportable.
- Performing risk-based substantive procedures for selected CGUs regarding key assumptions, including evaluating:
  - consistency of projected future cash flows with management's most recent estimates, including those used in the ZIC Group's planning process;
  - assumptions made with respect to projected future cash flows and whether they are reasonable in terms of the applicable CGU's economic and financial outlook, including the impacts of the current macro-economic environment;
  - comparison of actual results versus historically projected financial information;
  - completeness and accuracy of data used by management to project future cash flows; and
  - sensitivity analysis performed by management.
- Analyzing the recoverable amounts against market capitalization to corroborate fair value estimates.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

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Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the ZIC Group'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 Board of Directors either intends to liquidate the ZIC Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISA and SA-CH 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report of the statutory auditor (continued)

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac	David Jewell
Licensed audit expert	Fellow of the Institute of Chartered Accountants
(Auditor in charge)	(Aust & NZ)

Financial statements – statutory accounts

Contents

Financial statements – statutory accounts (continued)

Board of Directors and auditors, as of December 31, 2024

Board of Directors and auditors

	Residence	Expiration of current term of office
Board of Directors		
Michel M. Liès, Chairman	Zollikon, Switzerland	2025
Christoph Franz, Vice Chairman	Zug, Switzerland	2025
Joan Amble	Darien, CT, USA	2025
Catherine Bessant	Charlotte, NC, USA	2025
Michael Halbherr	Andermatt, Switzerland	2025
Sabine Keller-Busse	Zumikon, Switzerland	2025
Monica Mächler	Pfäffikon SZ, Switzerland	2025
Kishore Mahbubani	Singapore, Singapore	2025
Peter Maurer	Bern, Switzerland	2025
John Rafter	Miami, FL, USA	2025
Jasmin Staiblin	Pfäffikon SZ, Switzerland	2025
Barry Stowe	Nashville, TN, USA	2025
Kathrin Hoppe, Company Secretary		
Auditors		
Ernst & Young Ltd		

Financial statements – statutory accounts (continued)

Management report

Zurich Insurance Company Ltd (ZIC or the Company) is an insurance company domiciled in Zurich, Switzerland, that was incorporated on November 1, 1872. The Company is the principal operating insurance entity of Zurich Insurance Group (the Group). ZIC also acts as the holding company for the majority of subsidiaries of the Group.

The results of ZIC include the direct Property and Casualty (P&C) and assumed P&C and Life insurance business in Switzerland. ZIC operates in Europe, Middle East & Africa, North America and Asia Pacific through its main branches located in United Kingdom, Canada, Japan and Hong Kong as well as assumes P&C and Life reinsurance business from its subsidiaries and the Farmers Exchanges.[1]

On January 1, 2024, the Whole Account Quota Share (WAQS) reinsurance treaty for the accident years 2018 to 2022 with Zurich American Insurance Company (ZAIC) was novated to ZIC and had a material impact on the Company's result in 2024. In 2023, the accident year 2023 of this WAQS was novated to the Company. This portfolio was earlier ceded to the Group's Bermuda-based entity Zurich Global, Ltd.

ZIC reported a net income after taxes (NIAT) of CHF 3.0 billion in 2024, a 46 percent increase compared to 2023. The main reasons for this increase were the higher net investment result and net underwriting result, partially offset by higher administrative and other expense. In 2023, the NIAT was negatively impacted by the novation of the WAQS reinsurance treaty for the accident year 2023 with ZAIC as well as by the inclusion of the new UK branch.

Total gross written premiums and policy fees increased by CHF 5.1 billion or 23 percent to CHF 27.5 billion for the year ended December 31, 2024. Direct gross written premiums and policy fees increased by CHF 45 million to CHF 9.3 billion mainly due to the ongoing growth in Switzerland. Assumed gross written premiums and policy fees increased by CHF 5.0 billion to CHF 18.2 billion mainly due to additional Group internal U.S. business.

Net investment result increased by CHF 1.5 billion to CHF 4.8 billion for the year ended December 31, 2024, mainly due to higher net realized capital gains as well as higher net write-ups on equity securities and debt securities, both following the overall improvement in the financial markets during 2024. Further, the increase is due to higher dividend income from subsidiaries and associates and higher interest income on debt securities. The increase was partially offset by higher write-downs on investments in subsidiaries and associates in 2024 compared to 2023.

Net insurance reserves increased by CHF 6.7 billion compared with the year ended December 31, 2023, following the increase in the Group internal U.S. reinsurance business as well as the ongoing overall increase in the Group internal reinsurance business in 2024. Further, the increase in net insurance reserves was driven by the impact of the foreign currency translation, in particular of the U.S. dollar and British pound appreciation against CHF.

Shareholder's equity decreased by CHF 1.8 billion to CHF 19.5 billion for the year ended December 31, 2024. This decrease reflects the dividend payment to Zurich Insurance Group Ltd of CHF 4.8 billion in 2024, which was approved at the Annual General Meeting on April 10, 2024, partially offset by the net income after taxes of CHF 3.0 billion.

The management continues to carefully monitor any development of regulatory and legal requirements in the relevant jurisdictions.

ZIC is fully integrated into the Group-wide risk assessment process of the Group. This risk process also addresses the nature and scope of business activities and the specific risks of ZIC. For more information, see the Risk review on pages 3 to 22 of this Annual Report.

1 The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, and certain of its subsidiaries, provide certain non-claims and ancillary services to the Farmers Exchanges as their attorney-in-fact and receive fees for their services.

Financial statements – statutory accounts (continued)

On November 2, 2023, the Company entered into a strategic alliance with Kotak Mahindra Bank Limited to acquire a majority stake in Kotak Mahindra General Insurance Company Limited. On June 18, 2024, after obtaining all the necessary approvals, the Company completed the acquisition of a 70 percent stake in Kotak Mahindra General Insurance Company Limited (subsequently renamed Zurich General Kotak Insurance Company (India) Limited) for a consideration of approximately CHF 594 million, through a combination of capital injections and share purchases. The Company holds this investment as a direct investment in subsidiaries.

Several of the Company's direct or indirect subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. Most of the litigation has been filed in United States courts in addition to test cases filed in Australia and some in the UK. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the Company or its subsidiaries.

Financial statements – statutory accounts (continued)

Income statements

Income statements

in CHF millions, for the years ended December 31	Notes	2024	2023
Gross written premiums and policy fees		27,521	22,464
Premiums ceded to reinsurers		(7,586)	(7,550)
Net written premiums and policy fees		19,935	14,914
Change in reserves for unearned premiums, gross		(981)	(1,982)
Change in reserves for unearned premiums, ceded		207	1,196
Net earned premiums and policy fees		19,161	14,128
Other income		1,169	1,247
Total technical income		**20,330**	**15,375**
Claims paid, annuities and loss adjustment expenses, gross		(12,501)	(4,291)
Claims paid, annuities and loss adjustment expenses, ceded		3,444	(667)
Change in insurance reserves, gross	14	(5,207)	(10,118)
Change in insurance reserves, ceded	14	642	4,735
Insurance benefits and losses, net of reinsurance		(13,622)	(10,341)
Underwriting & policy acquisition costs, gross		(6,033)	(4,785)
Underwriting & policy acquisition costs, ceded		1,436	1,396
Underwriting & policy acquisition costs, net of reinsurance		(4,597)	(3,390)
Administrative and other expense	4	(2,690)	(2,024)
Total technical expense		**(20,908)**	**(15,755)**
Investment income	5	5,670	4,478
Investment expenses	6	(875)	(1,165)
Net investment result		4,795	3,314
Other financial income		314	417
Other financial expense		(200)	(196)
Operating result		**4,330**	**3,155**
Interest expense on debt and other interest expense		(952)	(888)
Net income before taxes		**3,378**	**2,267**
Direct tax expenses		(379)	(215)
Net income after taxes		**2,999**	**2,052**

The notes to the financial statements are an integral part of these financial statements.

Financial statements – statutory accounts (continued)

Balance sheets

Assets

in CHF millions, as of December 31	Notes	2024	2023
Investments			
Real estate		1,011	1,110
Investments in subsidiaries and associates	7	36,816	36,543
Debt securities		25,104	21,601
Other loans		2,393	4,404
Mortgage loans		728	755
Equity securities		4,929	3,878
Mixed investments funds		115	74
Other investments	8	5,255	4,069
Total investments		**76,351**	**72,433**
Other assets			
Derivative assets		318	280
Deposits made under assumed reinsurance contracts		2,571	2,331
Cash and cash equivalents		2,015	2,086
Insurance reserves, ceded	13	13,118	11,786
Fixed assets	9	73	74
Deferred acquisition costs, net of reinsurance	10	2,117	1,996
Intangible assets	11	108	98
Receivables from insurance and reinsurance business	12	3,409	3,459
Other receivables		3,484	2,594
Other assets		13	14
Accrued assets		1,269	1,091
Total other assets		**28,495**	**25,809**
Total assets		**104,845**	**98,241**

The notes to the financial statements are an integral part of these financial statements.

Financial statements – statutory accounts (continued)

Liabilities and shareholder’s equity

in CHF millions, as of December 31	Notes	2024	2023
Liabilities			
Insurance reserves, gross	13	53,553	45,562
Provisions	16	1,346	1,399
Senior and other debt	17	9,149	10,943
Derivative liabilities		256	629
Deposits received under ceded reinsurance contracts		369	296
Liabilities from insurance and reinsurance business	18	1,976	1,979
Other liabilities		6,321	4,656
Accrued liabilities		2,152	2,077
Subordinated debt	17	10,207	9,385
Total liabilities		**85,330**	**76,925**
Shareholder’s equity (before appropriation of available earnings)			
Share capital	19	825	825
Capital contribution reserve		5,570	5,570
Legal reserve		485	485
General free reserve		4,272	4,272
Retained earnings:			
Beginning of year		*10,165*	*13,283*
Dividend paid		*(4,800)*	*(5,170)*
Net income after taxes		*2,999*	*2,052*
Retained earnings, end of year		8,363	10,165
Total shareholder’s equity (before appropriation of available earnings)		**19,515**	**21,317**
Total liabilities and shareholder’s equity		**104,845**	**98,241**

The notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

1. Basis of presentation

The Company's financial statements are presented in accordance with the Swiss Code of Obligations and relevant insurance supervisory law, including the Swiss Financial Market Supervisory Authority FINMA Insurance Supervision Ordinance (ISO-FINMA).

All amounts in the financial statements, unless otherwise stated, are shown in CHF, rounded to the nearest million with the consequence that the rounded amounts may not add up to the total in all cases. All variances are calculated using the actual figures rather than the rounded amounts.

2. Summary of significant accounting policies

Investments

Real estate held for investment and for own use held in Switzerland is carried at the acquisition cost less required or permissible impairment, and is valued on a single valuation basis. Real estate held by branches located outside Switzerland is carried at the local statutory value valid in the country where the real estate is located, valued on a single valuation basis.

Investments in subsidiaries and associates are held at acquisition cost less necessary impairments. The method to determine the necessary impairments is considering the similarity of the underlying investments in subsidiaries and associates such as the fungibility of capital or the pooling of reinsurance as well as the potential dependency with other investments in subsidiaries and associates. Investments in subsidiaries and associates in both "Property and Casualty (P&C)" and "Life" are assessed on a regional basis (Europe, Middle East & Africa, North America, Asia Pacific, Latin America and Group Reinsurance), further "Farmers", "Group Functions and Operations" and "Non-Core Businesses" are considered as similar assets. For these sub-groups, the book value of the sub-group is compared to its IFRS Net Asset Value/Value-in-use. If this book value exceeds the carrying value of the investments in subsidiaries and associates, the carrying value is impaired accordingly.

Debt securities are carried at amortized cost using the effective interest rate method. The valuation of debt securities held in the single investor funds in Switzerland is the same as for directly held securities.

Mortgage and other loans are valued at their nominal value less any necessary impairments.

Equity securities which are quoted on a stock exchange are carried at the stock exchange price as of December 31. Unquoted equity securities are carried at the acquisition cost with a deduction for necessary impairments. The valuation of equity securities held in single investor funds in Switzerland is the same as for directly held securities.

Mixed investments funds invest into different asset types. Mixed investment funds are carried at market price as of December 31.

Other investments consist of asset-backed and mortgage-backed securities as well as collaterized debt/loan obligations, which are carried at amortized cost using the effective interest rate method.

Other assets

Derivative financial instruments

Derivative financial instruments held for purposes of economic hedging are carried at fair value.

Deposits made under assumed reinsurance contracts

Reinsurance deposits consist of funds deposited with ceding insurers to guarantee contractual liabilities for assumed reinsurance.

Deferred acquisition costs, net of reinsurance

Acquisition costs related to reinsurance business are deferred. For P&C business, the deferred costs are subsequently amortized over the period in which the related assumed premiums are earned. For life business, the deferred costs are amortized over the life of the contract based on expected premiums or insurance services provided over the life of the contract, depending on the type of underlying contracts.

Accrued assets
This amount relates primarily to interest income accruals, other prepaid expenses and other accrued income. Accrued investment income within the single investor funds in Switzerland is recorded as a write-up on investments.

Insurance reserves

Reserves for unearned premiums represent the portion of the premiums written relating to the unexpired term of insurance coverage as of the balance sheet date. In many insurance contracts, the insurance period for which the insurance company assumes a risk against a premium paid does not correspond to the company's financial year. Thus, an amount equivalent to the unearned portion of the premium is set up as a reserve at the end of the financial year.

Reserves for losses and loss adjustment expenses represent reserves for reported claims and estimates for losses incurred but not yet reported (IBNR). The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. In addition, equalization reserves are included where these are accepted or required by the regulator in the country where such reserves are held. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the income statements in the period in which estimates are changed.

Future life policyholders' benefits represent the best estimate liability (BEL) for life insurance policies, including the value of accumulated declared bonuses or dividends that have vested to policyholders. BEL is measured using current non-financial assumptions such as mortality, morbidity, persistency and expenses. In addition, prudency is included to meet the regulatory requirements in the country where such reserves are held. This prudency is determined using current financial and non-financial assumptions.

Other income and administrative and other expense

Other income includes interest income on deposits received under ceded reinsurance contracts as well as other technical and other non-technical income. Administrative and other expense represent primarily technical expense in connection with the operation of the insurance business.

Investment income and expense

Realized capital gains/losses on investments occur when the sales price or redemption value is higher or lower than the carrying value at the time of sale. The gain/loss is the difference between carrying value and the sales price or redemption value.

Write-downs and write-ups on investments include losses arising from a decrease in the fair value below cost or the carrying value at the previous year end on equity securities and necessary impairments of debt securities and investments in subsidiaries and associates. Write-ups of quoted equity securities are gains resulting from the difference between the lower carrying value at the beginning of the year or at the later purchase date and the higher carrying value as of December 31, write-ups also include gains as a result of the reversal of impairments on unquoted equity securities up to the acquisition cost value. Write-downs and write-ups further include the change in valuation of the single investor funds, which also include the investment income of the investments within these funds.

Other financial income and expense

Other financial income include interest income on cash and cash equivalents as well as gains on derivatives. Other financial expenses include mainly losses on derivatives.

Direct tax expenses

Direct tax expenses include both Swiss and foreign income tax expense and capital tax expense in Switzerland as well as foreign withholding tax expense on investment income.

Financial statements – statutory accounts (continued)

3. Exchange rates

The presentation currency for ZIC and its branches is Swiss franc. Several ZIC branches operate outside Switzerland with different functional currencies. A functional currency is the currency of the primary economic environment in which the branch operates. Assets and liabilities of those branches with functional currencies other than Swiss franc are translated into the presentation currency at end-of-period exchange rates, except for investments in subsidiaries and associates where historical exchange rates are used. Revenues and expenses are translated using the average exchange rate of the year. The resulting exchange differences are recorded in the income statements, whereas the unrealized foreign exchange gains are deferred and recorded in the balance sheet.

The table below summarizes the principal exchange rates that have been used for translation purposes.

Principal exchange rates

CHF per foreign currency unit	Balance sheets		Income statements	
	12/31/2024	12/31/2023	**2024**	2023
Canadian dollar	0.6298	0.6377	0.6427	0.6657
Euro	0.9381	0.9308	0.9522	0.9714
British pound	1.1345	1.0726	1.1246	1.1170
Japanese yen	0.0058	0.0060	0.0058	0.0064
U.S. dollar	0.9062	0.8422	0.8799	0.8983

4. Administrative and other expense

Administrative and other expense

in CHF millions, for the years ended December 31	**2024**	2023
Administration and other general expenses	(1,396)	(1,234)
Personnel expenses	(1,179)	(1,194)
Amortization and impairments of software and equipment	(45)	(52)
Foreign currency transaction gains and losses	(545)	849
Gains and losses on foreign currency derivatives	475	(393)
Total administrative and other expense	**(2,690)**	**(2,024)**

Administrative and other expense increased by CHF 665 million to CHF 2,690 million in 2024, mainly due to the negative impact of foreign currency transactions and derivatives in 2024 compared to 2023.

Financial statements – statutory accounts (continued)

5. Investment income

Investment income

in CHF millions, for the years ended December 31	Current income		Write-ups		Realized capital gains		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Real estate	74	80	3	–	122	176	199	256
Investments in subsidiaries and associates	3,138	2,778	–	–	–	–	3,138	2,778
Debt securities	720	486	188	17	118	20	1,025	523
Other loans	54	153	–	–	65	–	118	153
Mortgage loans	10	10	–	–	–	–	10	10
Equity securities	89	59	535	237	275	235	899	531
Mixed investments funds	6	6	–	1	–	–	6	6
Other investments	234	178	–	–	39	43	273	220
Total investment income	**4,325**	**3,751**	**726**	**255**	**618**	**473**	**5,670**	**4,478**

Total investment income increased by CHF 1,191 million or 27 percent to CHF 5,670 million in 2024, mainly due to higher income on debt securities by CHF 503 million and on equity securities by CHF 368 million due to the improved market conditions in 2024 compared to 2023. Further, the increase was driven by the higher volume of investments, mainly related to the novation of the WAQS treaties with ZAIC and transfer of the underlying investments to ZIC.

Dividend income from subsidiaries and associates increased by CHF 360 million to CHF 3,138 million in 2024, mainly due to higher dividend income from Zurich Reinsurance Company Ltd (ZRe) and from Farmers Group, Inc., partially offset by the absence of dividend income from Zurich Insurance Europe AG (formerly known as Zurich Insurance plc).

6. Investment expenses

Investment expenses

in CHF millions, for the years ended December 31	Write-downs		Realized capital losses		Total	
	2024	2023	**2024**	2023	**2024**	2023
Real estate	(7)	(11)	(1)	(5)	(8)	(17)
Investments in subsidiaries and associates	(464)	(71)	–	–	(464)	(71)
Debt securities	(9)	(217)	(122)	(326)	(131)	(543)
Other loans	–	–	(1)	(85)	(1)	(85)
Mortgage loans	–	–	–	–	–	–
Equity securities	(62)	(60)	(62)	(125)	(123)	(185)
Mixed investments funds	(5)	–	–	–	(5)	–
Other investments	–	–	(49)	(173)	(49)	(173)
Sub-total investment expenses	**(547)**	**(360)**	**(234)**	**(715)**	**(781)**	**(1,074)**
Investment general expenses	n.a.	n.a.	n.a.	n.a.	(94)	(90)
Total investment expenses					**(875)**	**(1,165)**

Total investment expenses decreased by CHF 290 million to CHF 875 million in 2024, mainly due to lower write-downs on debt securities by CHF 208 million. Further, the realized capital losses on debt securities and on other investments decreased by CHF 204 million and CHF 124 million, respectively, due to the favorable market conditions in 2024.

On the other hand, investment expenses on investments in subsidiaries and associates increased by CHF 393 million due to higher write-downs on investments in subsidiaries and associates of CHF 464 million in 2024 compared to CHF 71 million in 2023. The write-downs in 2024 mainly relate to ZRe and offset the dividend income from ZRe which was paid out of its capital contribution reserve.

Financial statements – statutory accounts (continued)

7. Investments in subsidiaries and associates

The table below shows the significant subsidiaries of ZIC with a carrying value of at least CHF 500 million and/or net income exceeding CHF 100 million. The carrying value of the listed subsidiaries and associates represents 87 percent of the total investments in subsidiaries and associates of CHF 36.8 billion.

Significant subsidiaries

as of December 31, 2024	Registered office	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Australia					
Zurich Financial Services Australia Limited[1]	Sydney	100.0	100.0	AUD	2,983.0
Brazil					
Zurich Minas Brasil Insurance Company[1]	Belo Horizonte	100.0	100.0	BRL	2,316.0
Germany					
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)[1]	Frankfurt	100.0	100.0	EUR	152.9
Zurich Insurance Europe AG[1,2,6]	Frankfurt	29.6	29.6	EUR	8.2
India					
Zurich Kotak General Insurance Company (India) Limited[7]	Mumbai	70.0	70.0	INR	10,727.3
Ireland					
Zurich Holding Ireland Limited	Dublin	100.0	100.0	EUR	0.1
Italy					
Zurich Investments Life S.p.A.[1]	Milan	100.0	100.0	EUR	207.9
Spain					
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100.0	100.0	EUR	43.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal[1]	Madrid	100.0	100.0	EUR	56.4
Switzerland					
Zurich Life Insurance Company Ltd[1]	Zurich	100.0	100.0	CHF	60.0
Zurich Reinsurance Company Ltd[1]	Zurich	100.0	100.0	CHF	11.7
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100.0	100.0	GBP	597.7
Zurich Holdings (UK) Limited	Fareham, England	100.0	100.0	GBP	318.3
Zurich International Life Limited[1]	Douglas, Isle of Man	100.0	100.0	GBP	123.4
United States of America					
Farmers Group, Inc.[1,3,4]	Carson City, NV	87.9	95.4	USD	0.0
Zurich Holding Company of America, Inc.[5]	Wilmington, DE	100.0	100.0	USD	–

1 Regulated companies.
2 The indirectly held voting rights percentage and ownership interest percentage are 100 percent for Zurich Insurance Europe AG (formerly known as Zurich Insurance plc).
3 The ownership percentages in Farmers Group, Inc., and its wholly owned subsidiaries have been calculated based on the participation rights of ZIC in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
4 The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, and certain of its subsidiaries, provide certain non-claims and ancillary services to the Farmers Exchanges as their attorney-in-fact and receive fees for their services.
5 Shares have no nominal value in accordance with the company's articles of association and local legislation.
6 Zurich Insurance Europe AG (formerly known as Zurich Insurance plc), relocated from Ireland to Germany.
7 New acquisition in 2024.

Financial statements – statutory accounts (continued)

The table below shows the most significant indirectly held subsidiaries of ZIC with a Net Asset Value exceeding USD 1.0 billion (based on IFRS values) and ownership interest of more than 10 percent.

Significant indirect subsidiaries

as of December 31, 2024	Registered office	Parent company	Voting rights %[2]	Ownership interest %[2]
Australia				
Zurich Australia Limited	Sydney	Zurich Financial Services Australia Limited[1]	100.0	100.0
Bermuda				
Zurich Global, Ltd.	Hamilton	Zurich Holding Company of America, Inc.[1]	100.0	100.0
Luxembourg				
Zurich (Lux) Real Estate I S.C.S. SICAV-SIF	Luxembourg	Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	100.0	100.0
Spain				
Zurich Santander Holding (Spain), S.L.	Boadilla del Monte	Zurich Santander Insurance America, S.L.	51.0	51.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal[1]	50.0	50.0
United Kingdom				
Zurich Financial Services (UKISA) Limited	Swindon, England	Allied Zurich Holdings Limited[1]	100.0	100.0
United States of America				
Zurich American Insurance Company	New York, NY	Zurich Holding Company of America, Inc.[1]	100.0	100.0

1 Direct subsidiary of the Company.
2 The voting and ownership percentage are disclosed based on a Zurich Insurance Company Group view.

Financial statements – statutory accounts (continued)

8. Other investments

Other investments

in CHF millions, as of December 31	2024	2023
Asset-backed securities	1,068	904
Mortgage-backed securities	3,632	2,567
Collateralized debt/loan obligations	556	597
Total other investments	**5,255**	**4,069**

The increase in other investments was mainly driven by the additional assets transferred following the novation of the WAQS reinsurance treaty with ZAIC in 2024.

9. Fixed assets

Fixed assets

in CHF millions, as of December 31	2024	2023
Furniture and equipment	401	386
Accumulated amortization	(328)	(312)
Total fixed assets	**73**	**74**

10. Deferred acquisition costs

Deferred acquisition costs, net of reinsurance

in CHF millions, as of December 31	2024	2023
Deferred acquisition costs, assumed reinsurance	2,232	2,085
Deferred acquisition costs, retroceded reinsurance	(115)	(90)
Total deferred acquisition costs, net of reinsurance	**2,117**	**1,996**

11. Intangible assets

Intangible assets consists of self-developed and acquired software in the amount of CHF 108 million and CHF 98 million as of December 31, 2024 and 2023, respectively.

12. Receivables from insurance and reinsurance business

Receivables from insurance and reinsurance business

in CHF millions, as of December 31	2024	2023
Receivables from policyholders	394	367
Receivables from agents and intermediaries	819	757
Receivables from insurance and reinsurance companies	2,195	2,335
Total receivables from insurance and reinsurance business	**3,409**	**3,459**

Financial statements – statutory accounts (continued)

13. Insurance reserves, net

Insurance reserves, net

in CHF millions, as of December 31	2024	2023
Gross		
Reserves for unearned premiums	7,982	6,771
Reserves for losses and loss adjustment expenses	39,872	33,086
Other technical reserves	909	846
Future life policyholders' benefits	4,776	4,848
Reserves for policyholders' dividends	15	11
Total insurance reserves, gross	**53,553**	**45,562**
Ceded		
Reserves for unearned premiums	(2,795)	(2,488)
Reserves for losses and loss adjustment expenses	(10,287)	(9,260)
Other technical reserves	–	–
Future life policyholders' benefits	(36)	(39)
Reserves for policyholders' dividends	–	–
Total insurance reserves, ceded	**(13,118)**	**(11,786)**
Net		
Reserves for unearned premiums	5,187	4,283
Reserves for losses and loss adjustment expenses	29,585	23,826
Other technical reserves	909	846
Future life policyholders' benefits	4,739	4,810
Reserves for policyholders' dividends	15	11
Total insurance reserves, net of reinsurance	**40,435**	**33,775**

Total net insurance reserves increased by CHF 6,660 million or 20 percent to CHF 40,435 million. Main driver for the increase in reserves for losses and loss adjustment expenses were the additional Group internal U.S. reinsurance business as well as the further increase in the Group internal reinsurance business in 2024. The increase in reserves for unearned premiums was mainly driven by the new Group internal All Lines Quota Share treaty with Farmers Reinsurance Company. Further, the increase in net insurance reserves was driven by the impact of the foreign currency translation, in particular the appreciation of the U.S. dollar and British pound against CHF.

Financial statements – statutory accounts (continued)

14. Change in insurance reserves (excluding change in reserves for unearned premiums), net

Change in insurance reserves (excluding change in reserves for unearned premiums), net

in CHF millions, for the years ended December 31	**2024**	2023
Gross		
Change in reserves for losses and loss adjustment expenses	(5,431)	(9,633)
Change in other technical reserves	(33)	(59)
Change in reserves for future life policyholders' benefits	270	(409)
Change in reserves for policyholders' dividends	(13)	(17)
Total change in insurance reserves, gross	**(5,207)**	**(10,118)**
Ceded		
Change in reserves for losses and loss adjustment expenses	647	4,740
Change in other technical reserves	–	–
Change in reserves for future life policyholders' benefits	(5)	(6)
Change in reserves for policyholders' dividends	1	–
Total change in insurance reserves, ceded	**642**	**4,735**
Net		
Change in reserves for losses and loss adjustment expenses	(4,785)	(4,893)
Change in other technical reserves	(33)	(59)
Change in reserves for future life policyholders' benefits	265	(415)
Change in reserves for policyholders' dividends	(12)	(16)
Total change in insurance reserves, net of reinsurance	**(4,565)**	**(5,383)**

In 2024, the negative impact in the income statement due to the change in net insurance reserves was mainly driven by the Group internal reinsurance treaties with ZAIC with a change in gross insurance reserves of CHF 4,614 million, thereof CHF 3,945 million due to the novation of the accident years 2018 to 2022 as of January 1, 2024. This was partially offset by a release of reserves for future life policyholders' benefits following the Group internal recapture of life reinsurance treaties with Zurich Life Insurance Japan Company Ltd.

In 2023, the negative impact in the income statement due to the change in net insurance reserves in 2023 was on the one hand driven by the new UK business with a net change in insurance reserves of CHF 2,417 million (gross: CHF 6,733 million) in 2023 and the new Group internal reinsurance treaty with ZAIC with a gross and net change in insurance reserves of CHF 2,008 million in 2023. On the other hand, the continuing growth in the direct business in Switzerland and in the assumed business, mainly Group internal business, had contributed to the negative impact. This was partially offset by the reserve release of the WAQS reinsurance treaty with ZAIC which is in run-off and by the recapture of the life reinsurance business with Farmers New World Life Insurance Company in 2023.

Financial statements – statutory accounts (continued)

15. Direct and assumed business

Direct and assumed business

in CHF millions, for the years ended December 31	**2024**	2023
Gross written premiums and policy fees, direct business	9,336	9,291
Gross written premiums and policy fees, assumed business	18,185	13,173
Premiums ceded to reinsurers	(7,586)	(7,550)
Net written premiums and policy fees	**19,935**	**14,914**
Change in reserves for unearned premiums, direct business	(135)	(1,419)
Change in reserves for unearned premiums, assumed business	(846)	(563)
Change in reserves for unearned premiums, ceded	207	1,196
Change in reserves for unearned premiums, net of reinsurance	**(774)**	**(786)**
Claims paid, annuities and loss adjustment expenses, direct business	(5,471)	645
Claims paid, annuities and loss adjustment expenses, assumed business	(7,029)	(4,937)
Claims paid, annuities and loss adjustment expenses, ceded	3,444	(667)
Claims paid, annuities and loss adjustment expenses, net of reinsurance	**(9,057)**	**(4,958)**
Change in insurance reserves, direct business	(759)	(6,624)
Change in insurance reserves, assumed business	(4,448)	(3,494)
Change in insurance reserves, ceded	642	4,735
Change in insurance reserves, net of reinsurance	**(4,565)**	**(5,383)**
Underwriting & policy acquisition costs, direct business	(1,906)	(1,836)
Underwriting & policy acquisition costs, assumed business	(4,127)	(2,950)
Underwriting & policy acquisition costs, ceded	1,436	1,396
Underwriting & policy acquisition costs, net of reinsurance	**(4,597)**	**(3,390)**

In 2024, the increase in assumed business was mainly driven by the WAQS treaties with ZAIC.

16. Provisions

The provisions were established in anticipation of expected, estimated or perceived expenditures or exposures and decreased by CHF 53 million in 2024, mainly due to the release of the provision for unrealized foreign currency gains of CHF 230 million.

Financial statements – statutory accounts (continued)

17. Debt

a) Senior and other debt

Senior and other debt

in CHF millions, as of December 31		**2024**	2023
Issuances to capital markets under Euro Medium Term Note Programme	1.750% EUR 500 million, due September 2024	–	465
	0.500% CHF 350 million, due December 2024	–	350
	1.500% CHF 150 million, due July 2026	150	150
	0.750% CHF 200 million, due October 2027	200	200
	1.000% CHF 200 million, due October 2028	200	200
	1.500% EUR 500 million, due December 2028	469	465
	1.125% CHF 400 million, due July 2029	400	400
	0.000% CHF 200 million, due August 2031	200	200
	0.100% CHF 250 million, due August 2032	250	250
Zurich Insurance Group companies	various	7,269	8,243
Other debt	various	10	19
Total senior and other debt		**9,149**	**10,943**
	thereof due in one to five years[1]	*2,754*	*1,015*
	thereof due in more than five years[1]	*1,722*	*850*

1 In the previous year, the numbers disclosed under "thereof due in one to five years" and "thereof due in more than five years" would have amounted to CHF 1,414 million and CHF 1,926 million, respectively.

b) Subordinated debt

Subordinated debt

in CHF millions, as of December 31		**2024**	2023
Zurich Insurance Group Ltd	6.300% CHF 2.1 billion perpetual loan	2,132	2,132
Zurich Finance (Ireland) DAC	1.875 % EUR 750 million, first callable on June 17, 2030, due September 2050	704	698
Zurich Finance (Ireland) DAC	3.000% USD 1,750 million, first callable on January 19, 2031, due April 2051	1,586	1,474
Zurich Finance (Ireland) DAC	3.500% USD 500 million, first callable on January 2031, due May 2052	453	421
Zurich Finance (Ireland) DAC	5.125% GBP 1 billion, first callable on November 2032, due November 2052	1,135	1,073
Zurich Finance (Ireland) DAC	1.600% EUR 200 million, first callable on September 17, 2032, due December 2052	188	186
Zurich Finance (Ireland) DAC	5.500 % USD 500 million, first callable on October 23, 2034, due December 2055	453	–
Issuances to capital markets under Euro Medium Term Note Programme	4.250% USD 300 million subordinated notes, first callable on October 1, 2025, due October 2045	272	253
	5.625% USD 1 billion subordinated notes, first callable on June 24, 2026, due June 2046	906	842
	3.500% EUR 750 million subordinated notes, first callable on October 1, 2026, due October 2046	704	698
	5.125% USD 500 million subordinated notes, first callable on June 1, 2028, due June 2048	453	421
	4.875% USD 500 million subordinated notes, first callable on October 2, 2028, due October 2048	453	421
	2.750% EUR 500 million subordinated notes, first callable on February 19, 2029, due February 2049	469	465
	1.5000%, CHF 300 million subordinated notes, first callable on February 2032, due May 2052	300	300
Total subordinated debt		**10,207**	**9,385**
	thereof due in one to five years	*2,985*	*2,635*
	thereof due in more than five years	*6,950*	*6,749*

Financial statements – statutory accounts (continued)

18. Liabilities from insurance and reinsurance business

Liabilities from insurance and reinsurance business

in CHF millions, as of December 31	**2024**	2023
Amounts due to policyholders	55	75
Amounts due to agents and intermediaries	32	28
Amounts due to insurance and reinsurance companies	1,889	1,877
Total liabilities from insurance and reinsurance business	**1,976**	**1,979**

19. Share capital

Share capital

number of shares, as of December 31	**2024**	2023
Issued shares, CHF 10.00 par value	82,500,000	82,500,000

a) Issued share capital

On December 31, 2024, and on December 31, 2023, respectively, the issued share capital of ZIC amounted to CHF 825,000,000, consisting of 82,500,000 registered shares with a par value of CHF 10.00 each.

b) Shareholder

As of December 31, 2024 and 2023, respectively, Zurich Insurance Group Ltd owned 100 percent of the Company's registered shares.

Shareholder's equity

in CHF millions, as of December 31	**2024**	2023	Change
Shareholder's equity			
Share capital	825	825	–
Capital contribution reserve	5,570	5,570	–
Legal reserve	485	485	–
General free reserve	4,272	4,272	–
Retained earnings:			
Beginning of year	*10,165*	*13,283*	*(3,118)*
Dividend paid	*(4,800)*	*(5,170)*	*370*
Net income after taxes	*2,999*	*2,052*	*947*
Retained earnings, end of year	8,363	10,165	(1,801)
Total shareholder's equity	**19,515**	**21,317**	**(1,801)**

Financial statements – statutory accounts (continued)

20. Assets and liabilities relating to companies within the Zurich Insurance Group

Assets and liabilities relating to direct and indirect subsidiaries

in CHF millions, as of December 31	2024	2023
Assets		
Investments in subsidiaries and associates	36,816	36,543
Other loans	2,235	4,303
Derivative assets	77	64
Deposits made under assumed reinsurance contracts	2,296	2,109
Cash and cash equivalents	2	–
Insurance reserves, ceded	5,993	5,385
Deferred acquisition costs, net of reinsurance	2,132	2,007
Receivables from insurance and reinsurance business	1,230	1,437
Other receivables	672	545
Accrued assets	148	159
Total assets	**51,600**	**52,553**
Liabilities		
Insurance reserves, gross	32,196	26,005
Provisions	15	7
Senior and other debt	7,269	8,243
Derivative liabilities	20	46
Deposits received under ceded reinsurance contracts	177	160
Liabilities from insurance and reinsurance business	1,394	1,381
Other liabilities	4,640	3,638
Accrued liabilities	249	411
Subordinated debt	4,518	3,852
Total liabilities	**50,478**	**43,743**

Assets and liabilities relating to Zurich Insurance Group Ltd

in CHF millions, as of December 31	2024	2023
Assets		
Equity securities	982	1,029
Other receivables	–	–
Accrued assets	–	–
Total assets	**982**	**1,029**
Liabilities		
Other liabilities	66	8
Accrued liabilities	91	91
Subordinated debt	2,132	2,132
Total liabilities	**2,290**	**2,232**

Financial statements – statutory accounts (continued)

21. Supplementary information

Supplementary information

in CHF millions, as of December 31	**2024**	2023
Limited guarantees, indemnity liabilities and pledges in favor of third parties	14,324	14,166
Leasing obligations not recorded on the balance sheet	269	267
Security deposits	9,213	6,222
Audit fees	(13)	(9)
Other service fees	(2)	(1)
Number of employees – Average full time equivalents	6,831	6,783

In addition to the guarantees listed above, the Company has provided unlimited guarantees in support of various subsidiaries belonging to the Zurich Insurance Group.

According to regulatory requirements, CHF 10.2 billion and CHF 12.3 billion (eligible value) were attributed to tied assets, as of December 31, 2024 and 2023, respectively. After the entry into force of the revised Swiss Insurance Supervision Act on January, 1, 2024, ZIC is no longer allowed to hold tied assets for the insurance portfolios of its foreign branches.

To secure the insurance reserves of the assumed reinsurance business, investments with a value of CHF 9.2 billion and CHF 6.2 billion as of December 31, 2024 and 2023, respectively, were deposited in favor of ceding companies. The increase in 2024 was mainly driven by the novation of the WAQS reinsurance treaty with ZAIC.

In July and August 2023, the administrators of Greensill Bank AG (GBAG) served two Particulars of Claim on Zurich Insurance plc (ZIP) (now known as Zurich Insurance Europe AG) issued in the London Commercial Court, alleging non-payment of claims presented under a trade credit policy written by ZIP. Subsequently, the Company was substituted in the actions for ZIP. The Company's defense to both actions was filed on January 26, 2024. In the defense, the Company also filed counterclaims against GBAG and other third parties. The Company believes that it has meritorious defenses to the policy and the claims raised and will vigorously contest the actions.

22. Net release of hidden reserves

In 2024 and in 2023, there was no material release of hidden reserves to be reported according to Swiss Code of Obligations.

Financial statements – statutory accounts (continued)

Proposed appropriation of available earnings

The available earnings for 2024 originate as follows:

in CHF	Available earnings
Available earnings	
As of January 1, 2024	10,164,604,828
Dividend paid	(4,800,000,000)
Net income after taxes	2,998,749,337
Available earnings, as of December 31, 2024	**8,363,354,165**

The Board of Directors proposes to the Annual General Meeting to be held on April 9, 2025, to appropriate the available earnings as follows:

in CHF	Available earnings
Appropriation of available earnings	
As of December 31, 2024	8,363,354,165
Dividend of CHF 3,900,000,000[1]	(3,900,000,000)
Balance carried forward[1]	**4,463,354,165**

1 These figures are based on the share capital issued on December 31, 2024, of CHF 825,000,000 divided into 82,500,000 registered shares with a nominal value of CHF 10 each.

Zurich, March 19, 2025

On behalf of the Board of Directors of Zurich Insurance Company Ltd

Michel M. Liès

Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Company Ltd, Zurich

Zurich, March 19, 2025

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Zurich Insurance Company Ltd (hereinafter referred to as “the Company”), which comprise the balance sheet as of December 31, 2024, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 176 to 192) comply with Swiss law and the Company’s articles of association.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and 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 provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Report of the statutory auditor (continued)

Building a better
working world

Valuation of certain Property & Casualty insurance reserves

Area of focus

The Company underwrites Property & Casualty business and acts as a reinsurance company, mainly for affiliated companies. Reserves for losses and loss adjustment expenses is a material item within total liabilities and gross insurance reserves financial statement line item.

As described in the notes to the financial statements, reserves for losses and loss adjustment expenses are estimates of future payments for reported and unreported claims losses and related expenses with respect to insured events that have occurred.

Reserving for incurred but not reported claims is a complex process applying actuarial and statistical methods over historical data and patterns requiring the use of informed estimates and judgments. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate or incomplete input data may be used.

This is specifically the case for Property & Casualty lines of business that are considered longer-tail where certain longer-term assumptions are required as part of the projection techniques. These actuarial projections also consider uncertainty around claims litigation, timeliness of claims reporting and resultant impact of challenges with supply chains and inflation.

Additionally, reserves for catastrophe events which are usually of less frequency but higher severity, are more difficult to estimate and include expert judgments, specifically for events taking place close to period end.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgments and estimates of the Company about the valuation of the loss and loss adjustment expense reserves are described in Note 2 (“Summary of significant accounting policies”) and additional information regarding these insurance reserves is presented in Note 13 (“Insurance reserves, net”) to the statutory financial statements.

Report of the statutory auditor (continued)

Building a better working world

Our audit response

We assessed and tested the design effectiveness of selected key controls within the actuarial reserve valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these insurance reserves and related changes as included in the income statement using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment on all lines of business based on multiple criteria including materiality, tail length and prior year developments.
- Analytical reviews considering separately current accident year loss ratio from prior years developments by significant lines of business.
- Evaluation of the appropriateness of the loss reserve levels for significant catastrophe events.

For selected lines of business, our procedures further included:

- On a sample basis, testing the completeness and accuracy of data utilized by management in estimating the loss reserves by reconciling such amounts and related output to the underlying accounting records and the financial statements as appropriate.
- Performing data-enabled audit procedures and claims data plausibility checks on selected samples to support completeness and accuracy of claims triangles.
- Independent projections of ultimate losses and calculation of a reasonable range for required loss reserves for selected lines of business. We also assessed managements' recorded loss reserves as compared to our independently developed loss reserve range.
- Analysis of actuarial methods and assessment of the reasonableness of the quantitative and qualitative assumptions used within projection techniques by the Company's actuaries for the valuation of loss reserves on selected lines of business.
- Assessment of current year inflation impacts on reserves and our independent projections.
- Evaluation of the appropriateness of any significant adjustments made by management relating to the actuarial reserves estimate.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the financial statements.

Report of the statutory auditor (continued)

Building a better working world

Valuation of certain actuarially determined life insurance reserves

Area of focus

The Company acts as a reinsurance company, mainly for life business written by affiliated companies. Future life policyholders' benefit reserves is a material item within total liabilities and gross insurance reserves financial statement line item.

The valuation of the above mentioned actuarially determined life insurance reserves is associated with significant uncertainties requiring the use of expert judgement within complex actuarial models relying on complex and subjective assumptions in relation to future events.

The assumptions and data used for calculations of these balances require both economic and non-economic assumptions, including interest rates, investment returns, mortality, morbidity, longevity, persistency, expenses and the modelled future decisions of the policyholders.

Moreover, because of the long duration of many life insurance products, relatively small changes in key assumption may have a significant impact on the valuation of the actuarially determined life insurance reserves. Specifically, the significant increase in interest rates around the globe, and the related impact to policyholder behavior, creates specific risks for insurers to consider.

The valuation of these life insurance reserves requires the use of complex formulas and the constructions of models and other computational tools that may be incorrectly designed or configured, and for which inadequate assumptions and incomplete or inaccurate input data may be used.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgements and estimates of the Company about the valuation of the actuarially determined life insurance reserves are described in Note 2 ("Summary of significant accounting policies") and additional information regarding these insurance reserves is presented in Note 13 ("Insurance reserves, net") to the statutory financial statements.

Report of the statutory auditor (continued)

Building a better working world

Our audit response

We assessed and tested the design effectiveness of selected key controls within the life insurance reserves actuarial valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these balances and related changes as included in the income statements using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment for selected product based on multiple criteria including materiality, complexity and specific product features.
- Assessing the consistency of the life actuarial methods and best estimate assumptions used across the Company's significant business units.
- Assessing the level of prudency considered in the future life policyholder benefit reserves.

For selected products, our procedures further included:

- On a sample basis, testing of the completeness and accuracy of data, including in-force policyholder data and experience studies, as utilized by management to value insurance reserves by reconciling such amounts and related output to the underlying accounting records and the financial statements as appropriate.
- On a sample basis, reviewing actuarial models used in the determination of these life insurance reserves and their compliance with products specificities and related guarantees.
- Assessing the quantitative and qualitative key best estimate assumptions used in selected actuarial models, including considerations of their reasonableness based on experience studies, our knowledge of the Company and local markets, products offered, publicly available market and macroeconomic data.
- On a sample basis, independent calculation of future life policyholder benefit reserves balances.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the financial statements.

Report of the statutory auditor (continued)

EY
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Recoverability of investments in subsidiaries

Area of focus

We consider the investments in subsidiaries to be a key audit matter not only due to the judgment involved but also based on the magnitude of the balance, which makes up a significant part of the Company's total assets.

Investments in subsidiaries are carried at cost less necessary impairments. The need for impairment is assessed by grouping the subsidiaries into segments and into regional sub-groups (Life and Property & Casualty). The groups correspond to the published IFRS segments of the Company.

The Company compares the carrying value of a group to its IFRS Net Asset Value as of December 31, 2024 to identify any impairment triggers. In the case of an impairment trigger, further qualitative and quantitative assessments are performed by the Company based on the IFRS recoverable amount of the group or specific DCF analysis.

Estimation of the recoverable amount requires management to use complex models, expert judgment and is based on several complex and subjective assumptions, particularly in respect of projections of future income based on prospective business plans, perpetual growth rates, and discount rates.

Accordingly, we have identified this as a key audit matter.

Refer to Note 2 ("Summary of significant accounting policies") and Note 7 ("Investments in subsidiaries and associates") to the statutory financial statements.

Report of the statutory auditor (continued)

Our audit response

We assessed and tested the design effectiveness of selected key controls over the recoverability of the carrying value of investments in subsidiaries.

With the assistance of our valuation specialists where appropriate, our procedures included:

- Assessment of the valuation methodology and models used by management for impairment testing.
- Assessment of key assumptions provided at the Group level, i.e. discount rates, perpetual growth rates, including consistency of key assumptions with market and industry specific reference values, and tax rate.
- Performance of risk based substantive procedures for selected segments regarding key assumptions (e.g. consistency of projected future cash flows with management's most recent estimates including those used in the Group's planning process, the comparison of actual results versus historical projected financial information etc.).
- Re-performing management's impairment test on the carrying value of investments in subsidiaries and challenging the impairment decisions taken.

Finally, we assessed the appropriateness of the accounting policies used and adequacy of the disclosures in the statutory financial statements.

Report of the statutory auditor (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Zurich Insurance Company Ltd, the audited sections of the risk review and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines 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 Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report of the statutory auditor (continued)

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 Swiss law and SA-CH 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Based on our audit in accordance with Art. 728a para. 1 item 2 CO, we confirm that the proposal of the Board of Directors complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac Licensed audit expert (Auditor in charge)	David Jewell Fellow of the Institute of Chartered Accountants (Aust & NZ)

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy, underwriting and claims results, business initiatives (including, but not limited to, sustainability matters), as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans, policies, initiatives and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators, and the possibility of conflict between different governmental standards and regulatory regimes may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and the Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

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