

Principles and Practices of Financial Management

2024 Annual Compliance Report to 100:0 With-Profits Fund Policyholders

5 June 2025



Introduction

This report:

- tells you how we've managed the 100:0 With-Profits Fund (the fund) in 2024,
- explains how we used our discretion in managing the fund, and
- gives information about the fund's investments, and the returns earned from them.

How we've managed the fund in 2024

We've done this in line with our published rulebook:

Principles and Practices of Financial Management (PPFM)

The PPFM plays an important role in the governance of with-profits business and achieving good outcomes for our customers. It:

- covers the standards, methods and controls we use to ensure we run the fund fairly, and
- explains how we respond to changes in the economic environment.

You may wish to refer to the PPFM for definitions of technical terms.

Version 14 of the PPFM was effective from 1 January 2022 and applied until 30th April 2024.

On 1 May 2024, we published an updated PPFM. You can find it on our website at: zurich.co.uk/with-profits and a summary of the changes made is on page 2.

The fund **only accepts** contractual premium increases and switches, and other options it's obliged to allow under the terms of existing plans.

The opinion of Zurich Assurance Ltd (ZAL) Board

The ZAL Board has considered the matters covered in this report and the evidence presented to them by the With-Profits Actuary, together with advice from the With-Profits Advisory Arrangement.

The Directors' opinion is that, during 2024:

- ✓ the company has complied with the PPFM,
- ✓ the way the company exercised discretion was appropriate, and
- ✓ the company has addressed any competing or conflicting rights, interests, or expectations in a reasonable and proportionate manner.

This report provides information in support of that opinion.



Good outcomes for customers

Our aim is to achieve good outcomes for all customers and ensure fairness



- between different types and groups of with-profits policyholders, and
- between them and our shareholders.

We believe good outcomes can be achieved by;

- **keeping our promises** to pay at least the guaranteed minimum payments when they apply,
- aiming to **pay out a fair share of investment performance** to each with-profits policyholder. We use smoothed asset shares as a measure of the fair share for each policy - Appendix A of the PPFM describes how we calculate asset shares,
- aiming to **achieve growth over the long term** by having a proportion of investments in higher-risk assets such as company shares, while ensuring that we can meet the fund's guarantees,
- aiming to **smooth through some of the peaks and troughs** of stock market values, and
- **adding regular bonuses** – remembering that, where guarantees apply, we can't take away regular bonuses once we've added them to your investment.

There are **five main controls** in place to ensure customers in the fund achieve a good outcome:

1. The scrutiny provided by our With-Profits Governance.
The ZAL Board is responsible for managing the with-profits business including setting bonus rates. A broad description of the Board's governance role can be found on page 6 of the PPFM.
2. When we make important choices that affect the way we manage our with-profits policies, our With-Profits Actuary (who advises the Board) presents a report to the Directors giving the reasons behind the proposals and how these comply with the PPFM. The Board has appointed Martin Godwin as With-Profits Actuary.
3. To support the Board and the With-Profits Actuary in these roles, ZAL has established a With-Profits Oversight Group. This group oversees management of the with-profits funds, and associated customer propositions, ensuring the funds are properly controlled and managed.
4. Throughout the year, all the data, work and actions that support our decisions have been recorded. The With-Profits Actuary has reviewed this evidence and has provided his own opinion at the end of this report.
5. The Board has appointed a With-Profits Advisory Arrangement to provide an independent assessment of compliance with the PPFM and how any competing or conflicting rights and interests of policyholders and shareholders have been addressed. The Board has appointed Alison Carr as its With-Profits Advisory Arrangement.

Investment strategy

The assets of the fund are invested with the aim of;

- achieving above average returns when compared to agreed market indicators, in the longer term, and
- making sure the fund can always meet its guarantees.

In 2024, the fund produced overall investment returns of

5.0% for pension plans
before charges

4.2% for life plans
lower due to differences
in the way they're taxed

This performance was **slightly above our long-term expectations** due to better-than-expected returns on shares (equities).

Investment strategy – the detail

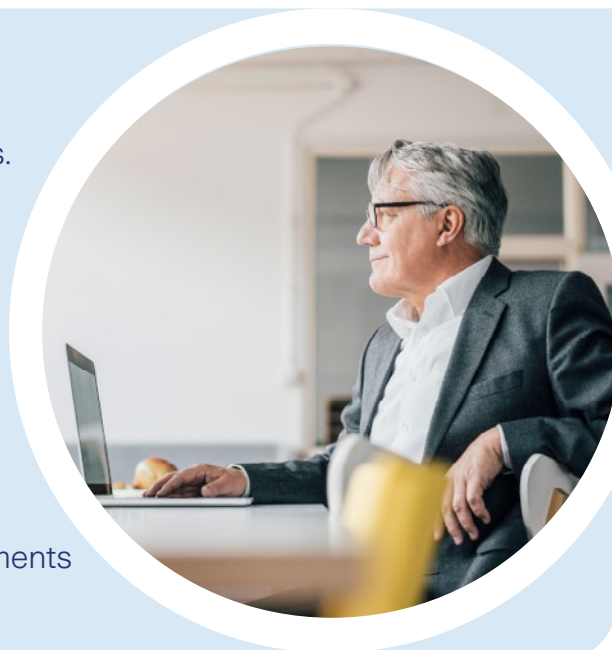
- The percentage invested in equities ranged between 28.4% and 30.0% - against a target of 29%. We expect this range to remain between 27.5% and 29.8% for the time being.
- The rest of the fund is invested in fixed interest and variable yield securities and cash.
- Throughout 2024 the total percentage invested in equities and properties was consistent with our expected range.
- We'll continue to keep the mix of assets under review with any proposals to significantly change the investment strategy being presented to the Board for approval.

Sustainable investments

We aim to be a responsible and impactful business. This means striving for a positive impact on society and our planet in everything we do, from the way we treat our customers and employees, to the suppliers we choose to work with and the companies we invest in.

You can read about our approach to sustainability, including our climate commitment and annual sustainability report, at zurich.co.uk/sustainability.

You'll also find information on how we manage climate-related risks in respect of customer investments and climate-related information for the fund.



Annual bonuses

The size of any annual, or regular, bonus depends mainly on what bonuses we have already added, on past investment performance, and on what we expect in the future.

Where guarantees apply, we can't take away regular bonuses once we've added them – so where these have been high in the past we may set lower rates, sometimes at zero, to balance them out over the life of your plan.

If we didn't set rates this way, the guarantees in the fund could become big enough to force us to increase the percentage of the fund's assets invested in lower risk assets. This change to the fund's assets would mean we'd expect to achieve a lower total return on your investment over the long term - even though the guaranteed part of the return on your investments, that comes from regular bonuses, might be higher.

In January 2024, we declared increased rates of annual bonus by 0.75% for pension plans and by 0.5% for life plans.

Final bonuses and Market Value Reductions

Final bonuses: The full investment returns earned over the plans' lifetimes will normally exceed the amount that's been added through annual bonuses - so we use final bonuses to 'top up' pay-outs so policyholders benefit from the rest of those returns.

Market value reductions (MVRs): When you take money out of the fund, we may need to apply an MVR if the value of your units meant your investment would be worth more than your fair share. We guarantee an MVR won't apply on death, or on the future date you've asked for your plan to end.

No MVRs were applied to any withdrawals in 2024.

Final bonus and MVR rates depend on when the investment was made. This helps ensure performance is shared fairly between plans starting at different times to reflect that they'll have experienced different investment returns over their lifetimes.

Our final bonus and MVR rates are reviewed regularly, and any changes to these rates are made in line with our published policy.

For the fund, we determine final bonuses and MVRs daily on a plan-specific basis to reflect in broad terms each plan's fair share of the investment returns.

During 2024, we set final bonuses to target an average of 100% of asset share to be paid to all withdrawals. To reduce the impact of daily fluctuations in investment values, smoothing is applied in the calculation of the amount paid.

Distribution of excess estate

At least once a year, we calculate the Estate to determine if it's more than is needed to meet the aims of the prudent management of the fund. It's calculated as:



During 2024, we continued to distribute the Estate to customers using the final bonus mechanism described in the PPFM.

This distribution is achieved by considering whether to include an enhancement within asset shares at the time of claim. The enhancement can be altered or removed at any time.

For withdrawals paid during 2024, we applied enhancements, at point of withdrawal, of

9% to asset shares
on withdrawals effective
before 8 January 2024

10% to asset shares
on all other withdrawals

Note: the enhancement may be lower for investments made within five years of the time of claim.

During 2024, before 1 May, we reserved the right to exclude from Estate distribution any new investment into the fund made after 1 January 2021. From 1 May, we have only reserved the right to exclude from Estate distribution any new investment into the fund made after 1 January 2023.

All investments withdrawn from the fund during 2024 benefitted from the distribution.

Target ranges

Our target is for at least 90% of maturity and surrender payments to be between 90% to 110% of unsmoothed asset share.

During 2024, all claims were paid within these target ranges.

Excluded from this assessment are any maturities where a guaranteed amount was paid that fell outside the target range.

This range is narrower than is used for most with-profits funds but we believe it's appropriate for this fund because:

- final bonuses are calculated for each plan individually, rather than by pooling experience over a group of plans, and
- plans participate only in investment profits and losses, and not those from other sources.

Expenses and Charges

For plans in the 100:0 Fund, we levy policy specific charges defined in the policy conditions. These include charges for the costs of administration and risk benefits. These charges have a direct impact on the asset shares.

During 2024, we met the costs of certain other guaranteed benefits from the resources in excess of asset shares. An example of guaranteed benefits is the promise not to apply an MVR on certain dates.

Communication to policyholders

Two communications were made available to policyholders during 2024;

- an annual statement, including information on the with-profits fund, is usually sent close to the policy anniversary, and
- the 2023 annual report on compliance with the PPFM was published in June 2024 on our website at zurich.co.uk/with-profits.

Statement from the With-Profits Actuary

2024 Annual Report from the With-Profits Actuary to 100:0 Fund Policyholders

In my opinion, the annual report from ZAL and the exercise of discretion by ZAL during 2024, has considered the interests of the different categories of with-profits policyholder in a reasonable and proportionate manner.

I have formed this opinion based on the information and explanations given to me by ZAL and considering the relevant rules and guidance issued by the Financial Conduct Authority.

My report, and the work on which it's based, complies with the technical actuarial standards issued by the Financial Reporting Council and the professional standards issued by the Institute and Faculty of Actuaries.

Martin Godwin

With-Profits Actuary

Zurich Assurance Ltd

5th June 2025

