

## Frequently Asked Questions

### The proposed Capital Reduction

- What is a capital reduction?

A reduction of capital occurs when a company reduces the amount of its company capital, which includes share premium.

- What is share premium?

Share premium is created when a company issues shares at a premium to their nominal value, which is a common occurrence. By way of example, if a company issues a share with a nominal value of €1.00 for a subscription price of €10.00, €9.00 of the amount subscribed will be share premium.

- What is the process for effecting a capital reduction?

As Zurich Insurance plc (the “**Company**”) is a public limited company incorporated in Ireland, the capital reduction process requires the Company to obtain approval from its shareholders and seek an order from the High Court of Ireland confirming the capital reduction.

- How does the Company propose to reduce its share capital?

The Company proposes to reduce its share capital by cancelling its entire share premium account. There is currently approximately €2.87 billion of share premium in the share capital and reserves section of the Company's balance sheet. The share premium account has accumulated over time as the result of the Company issuing shares at a premium to their nominal value. A share premium account is not a distributable reserve and accordingly, the purposes for which a company can use its share premium account are extremely restricted. In particular, it cannot be used for the purposes of paying dividends.

- What will happen as a result of the cancellation of the share premium account?

A reduction of capital results in the creation of a reserve equal to the amount of the capital cancelled. A reserve arising from a reduction of capital is generally treated as a realised profit, increasing distributable reserves.

### More about the Capital Reduction

- What is the purpose of increasing distributable reserves?

A company may only pay dividends and make other distributions out of profits available for that purpose. The proposed capital reduction will increase existing distributable reserves, which will give the Company greater flexibility to make dividend payments to shareholders in the future. Any future distribution to shareholders will be subject to strict compliance with legal and regulatory requirements.

- Will there be a return of capital to shareholders as part of the capital reduction process?

No, the capital reduction is a balance sheet restructuring exercise which will not reduce the underlying net assets of the Company and will not involve a dividend payment or any other return of capital to shareholders. The number of shares in the Company in issue and their nominal value will also remain the same.

- Do I need to do anything?

You are not required to take any action in connection with the proposed capital reduction.

- How will I know if the capital reduction has been approved?

The Company will include an update on its website ([www.zurich.com/ZIP](http://www.zurich.com/ZIP)) following the final Court hearing.

### **Protection of interests**

- What will be the impact on creditors (including policyholders)?

There will be no impact on creditors or policyholders. As noted above, the proposed capital reduction is a balance sheet restructuring exercise. The proposed capital reduction will not change the Company's regulatory capital position.

- Who will ensure that the interests of creditors and policyholders are safeguarded?

Details of the proposed capital reduction, including the date of the final Court hearing, are being communicated to creditors - either directly or by the Company publishing legal notices in certain newspapers. The Court will only confirm the proposed reduction of capital if it is satisfied that the interests of the Company's creditors are not adversely affected by the proposed capital reduction.

- Why have KPMG been engaged by the Company in connection with the capital reduction?

The Company has engaged KPMG to prepare an independent report addressed to the Irish High Court to assess the likely impact that the capital reduction will have on the creditors and policyholders of the Company. KPMG concluded that the security for creditors and policyholders will not be adversely affected by the capital reduction as the financial strength of the Company will remain unchanged following the capital reduction. A copy of KPMG's report is available [\[click here\]](#).

- Is the proposed capital reduction an indication of financial distress?

No. Cancelling share premium in order to increase distributable reserves is a balance sheet restructuring exercise which provides further flexibility for the Company to facilitate the payment of future dividends in the future and is common practice in Ireland.

### **Policyholders**

- I am a Zurich policyholder. Does the capital reduction affect my Zurich policy in any way?

The capital reduction does not affect your policy in any way. Specifically, the capital reduction will not result in any change to the terms and conditions or coverage of your policy. Similarly, the capital reduction will not affect any claim that you may have under your policy whether made now or in the future. The capital reduction is simply a balance sheet restructuring exercise.

### **Further information**

- What can I do if I have any concerns or queries?

If you have any concerns or queries about the proposed capital reduction, please contact the Company by email at [ZIP.creditor@zurich.com](mailto:ZIP.creditor@zurich.com).

Whether or not you have contacted us, interested parties have the right to be heard at the Court hearing scheduled to take place on 13 November 2018. If you wish to appear at the hearing of the application you should give written notice of such intention to the Company's solicitors, McCann FitzGerald (at Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland) not later than 5pm on 2 November 2018. The written notice should indicate whether you support or object to the application. If you wish to object to the application, the written notice should provide details of the grounds on which you object. If you wish to make submissions or rely on evidence at the hearing of the application, any written submissions and any affidavit setting out that evidence should be filed with the Court and a copy served on the Company's solicitors (at the aforementioned address) not later than that time.