

PROSPECTUS

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the UK Financial Services and Markets Act 2000, as amended ("**FSMA**") or, if outside the United Kingdom, another appropriately authorised financial adviser. A copy of this document, which comprises a prospectus ("**Prospectus**") relating to Swiss Re Ltd ("**SRL**" or the "**Company**") prepared in accordance with the relevant provisions of Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU (the "**PD 2010 Amending Directive**") and the Prospectus Rules (the "**Prospectus Rules**") of the Financial Conduct Authority (the "**FCA**") in connection with the Swiss Re Global Share Participation Plan 2016 (the "**Plan**"), has been filed with the FCA and has been made available to the public in accordance with rule 3.2 of the Prospectus Rules. This Prospectus has been approved by the FCA under Section 87A of FSMA.

This Prospectus will be passported pursuant to the Prospectus Directive into Germany and Slovakia (the "**passport jurisdictions**"), being those Member States of the European Economic Area ("**EEA**") in which offerings under the Plan are considered public offerings. A list of the names of the regulators in each of the passported jurisdictions is set out in "General Information - Passporting Countries and Regulators".



SWISS RE

Global Share Participation Plan 2016 Prospectus

This Prospectus is for Eligible Employees (as defined in E.2a of the Summary) in Switzerland, the United Kingdom and the passported jurisdictions. Subject to applicable local legislation in the United Kingdom, this Prospectus will be made available to such employees, at Swiss Re's main offices in Switzerland at Mythenquai 50/60, CH-8022 Zurich and in the United Kingdom at 30 St Mary Axe, London EC3A 8EP. In addition, electronic copies of this Prospectus will be made available to such employees on the Company's website (www.swissre.com).

Employees who are located in other jurisdictions, including the United States, Australia, Canada, Japan, Hong Kong and South Africa (or with registered addresses in those jurisdictions) should note that this Prospectus is not directed at them and they will not be eligible to participate in the Plan pursuant to this Prospectus. See "*Offering and Transfer Restrictions*".

No action has been taken in any jurisdiction by Swiss Re that would permit a public offering of SRL Shares (as defined below) in any jurisdiction other than Switzerland, the United Kingdom and the passported jurisdictions. The SRL Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in the United States (within the meaning of Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from the registration requirements of the Securities Act. There is no public offer of securities in the United States. The SRL Shares will be offered and sold pursuant to this Prospectus, in each case, in reliance on Regulation S, and in accordance with all other applicable securities laws.

Except as expressly noted in this Prospectus, this Prospectus may not be sent to any person in the United States, Australia, Canada, Japan, Hong Kong, South Africa or any other jurisdiction in which it would not be permissible to make an offer to participate in the Plan, or offer the SRL Shares, and the SRL Shares may not be offered, sold, resold, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in any of such jurisdiction.

Participating in the Plan involves risks. For a discussion of certain factors that should be considered in deciding whether to participate in the Plan and invest in fully paid in registered shares of SRL with a nominal value of presently CHF 0.10 ("**SRL Shares**"), see "*Risk Factors*" beginning on page 18. Participation in the Plan is subject to the same risks as are inherent in any other investment in SRL Shares.

The existing SRL Shares are currently listed in accordance with the International Reporting Standard of, and admitted to trading on, the SIX Swiss Exchange. On 3 May 2016, the closing sale price of an SRL Share on the SIX Swiss Exchange was CHF 86.10. It is the current intention of the Company that no new SRL Shares will be issued for purposes of the Plan and that Purchased Shares (as defined in E.3 of the Summary) or Matching Shares (as defined in E.3 of the Summary) will be made available in the form of SRL Shares previously acquired in open market purchases or to be acquired in the future in open market purchases. To the extent that Purchased Shares or Matching Shares are not existing SRL Shares, application will be made for new underlying SRL Shares to be listed in accordance with the International Reporting Standard of the SIX Swiss Exchange and accepted for clearance through SIX SIS Ltd. ("**SIS**"), Clearstream Banking SA/NV, Luxembourg ("**Clearstream**") and Euroclear Bank SA ("**Euroclear**").

The Company and the members of its board of directors (the "**Board**" or the "**Board of Directors**", each Board member a "**Director**" and collectively the "**Directors**"), whose names appear on page 63 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Prospectus, including the underlying Plan document included as Exhibit A, should be read in its entirety before making any decision to participate in the Plan.

The date of this Prospectus is 5 May 2016

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A - E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings		
A.1	Introduction	This summary should be read as introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent for intermediaries	Not applicable – there will be no resale or final placement of securities by financial intermediaries.

Section B – Issuer		
B.1	Legal and commercial name of the issuer	Swiss Re Ltd; Swiss Re.
B.2	Domicile and legal form of the issuer, the legislation under which it operates and its country of incorporation	Not applicable. Under guidance released by the European Securities and Markets Authority ("ESMA") on 19 December 2012 for prospectuses for offers of shares to employees this information can be omitted.
B.3	Description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes	Not applicable. Under guidance released by ESMA on 19 December 2012 for prospectuses for offers of shares to employees this information can be omitted.

B.4a	Description of the most significant recent trends affecting the issuer and the industries in which it operates	There has been no material adverse change in the prospects of Swiss Re since 31 December 2015, the date of our last published audited financial statements. Subject to uncertainties surrounding the occurrence of major catastrophe events and the impact of further instability in the financial and credit markets on our assets, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on Swiss Re's prospects for the rest of the current financial year.
B.5	If the issuer is part of a group, a description of the group and the issuer's position within the group	Not applicable. Under guidance released by ESMA on 19 December 2012 for prospectuses for offers of shares to employees this information can be omitted.
B.6	In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest, and whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control	Not applicable. Under guidance released by ESMA on 19 December 2012 for prospectuses for offers of shares to employees this information can be omitted.

B.7

Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information

We extracted without material adjustment the selected consolidated financial data as of and for the years ended 31 December 2014 and 2015 from the 2015 Financial Statements (defined below), which have been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP (defined below). We extracted without material adjustment the selected consolidated financial data as of and for the year ended 31 December 2013 from the 2014 Financial Statements (defined below), which have been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP (defined below). We extracted without material adjustment the selected consolidated financial data as of and for the three months ended 31 March 2015 and 2016 from our unaudited consolidated interim financial statements as of and for the three months ended 31 March 2015 and 2016, which have not been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP (defined below).

				Three months ended 31 March	
	2013	2014	2015	2015	2016
	USD	USD	USD	USD	USD
					(unaudited)
	(in millions, except ratios)				
Income Statement Data:					
Revenues					
Premiums earned					
Property & Casualty					
Reinsurance	14,452	15,598	15,090	3,767	3,956
Life & Health					
Reinsurance	9,967	11,212	10,914	2,592	2,823
Corporate Solutions	2,922	3,444	3,379	882	865
Life Capital	844	502	368	172	168
Group items	1	-	-	-	-
Total premiums earned	28,276	30,756	29,751	7,413	7,812
Fee income from policyholders	542	506	463	149	128
Net investment income - non-participating business	3,947	4,103	3,436	890	934
Net realised investment gains/(losses) - non-participating business	766	567	1,206	559	692
Net investment result-unit-linked and with-profit business	3,347	1,381	814	1,441	405
Other revenues	24	34	44	12	12
Total revenues	36,902	37,347	35,714	10,464	9,983
Expenses					
Claims and claim adjustment expenses	(9,655)	(10,577)	(9,848)	(2,435)	(2,867)
Life and health benefits	(9,581)	(10,611)	(9,080)	(2,357)	(2,539)
Return credited to policyholders	(3,678)	(1,541)	(1,166)	(1,452)	(350)
Acquisition costs	(4,895)	(6,515)	(6,419)	(1,538)	(1,773)
Other expenses	(3,508)	(3,155)	(3,303)	(770)	(745)
Interest expenses	(760)	(721)	(579)	(161)	(155)
Total expenses	(32,077)	(33,120)	(30,395)	(8,713)	(8,429)
Income before income tax expense	4,825	4,227	5,319	1,751	1,554
Income tax expense	(312)	(658)	(651)	(294)	(311)
Net income before attribution of non-controlling interests	4,513	3,569	4,668	1,457	1,243
Income attributable to non-controlling interests	(2)	-	(3)	-	3
Net income after attribution of non-controlling interests	4,511	3,569	4,665	1,457	1,246
Interest on contingent capital instruments	(67)	(69)	(68)	(17)	(17)
Net income attributable to common shareholders	4,444	3,500	4,597	1,440	1,229

		Balance Sheet Data (at period end):						
		Total investments	150,075	143,987	137,810	144,056	163,516	
		Total assets	213,520 ^(d)	204,461 ^(d)	196,135 ^(d)	208,319	231,486	
		Total liabilities.....	180,543 ^(d)	168,420 ^(d)	162,529 ^(d)	170,535	195,467	
		Unpaid claims and claim adjustment expenses.....	61,484	57,954	55,518	55,868	57,684	
		Liabilities for life and health policy benefits	36,033	33,605	30,131	32,016	46,281	
		Policyholder account balances	31,177	29,242	31,422	29,005	36,802	
		Shareholders' equity	32,952	35,930	33,517	37,680	35,929	
		Total equity	32,977	36,041	33,606	37,784	36,019	
		Other Data (unaudited)^(a)						
		Property & Casualty Reinsurance operating ratios (traditional business)						
		Claims ratio in % ^(b)	54.2	54.5	52.3	52.1	60.0	
		Expense ratio in % ^(c)	29.1	29.2	33.7	32.2	33.3	
		Property & Casualty Reinsurance combined ratio (including unwind of discount)	83.3	83.7	86.0	84.3	93.3	
		Corporate Solutions operating ratios						
		Claims ratio in %.....	60.6	59.6	57.8	53.7	57.0	
		Expense ratio in %	34.5	33.4	36.0	34.1	33.4	
		Corporate solutions combined ratio.....	95.1	93.0	93.8	87.8	90.4	
		Life & Health Reinsurance management expense ratio in % ^(d)	8.3	6.9	7.3	6.5	5.2	
		Life & Health Reinsurance operating margin in % ^(e)	5.2	2.6	9.9	14.5	12.1	
						144,056	163,516	
		(a)	Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).					
		(b)	Represents the sum of claims paid and change in the provisions for unpaid claims and claim adjustment expenses divided by premiums earned.					
		(c)	Represents the sum of acquisition costs and other operating costs and expenses divided by premiums earned					
		(d)	Represents annual Life & Health Reinsurance business other operating costs and expenses divided by Life & Health Reinsurance business operating revenues (excluding unit-linked and with-profit business).					
		(e)	Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.					
		The following sets forth highlights of the results of Swiss Re and its consolidated subsidiaries, with references to P&C Re, L&H Re, Corporate Solutions and Life Capital being to the Property & Casualty Reinsurance and Life & Health Reinsurance segments of the Reinsurance Business Unit, the Corporate Solutions Business Unit and the Life Capital (formerly, the Admin Re®) Business Unit (which also reflects from its date of acquisition of 6 January 2016 the results of Guardian Holdings Europe Limited and its consolidated subsidiaries (collectively, "Guardian").						
		First Quarter Results						
		<i>Group</i>						
		Swiss Re reported strong net income of USD 1.2 billion for the first quarter, below the USD 1.4 billion reported in the prior-year period. The result reflected continued good underwriting discipline and higher income from Life Capital.						
		The annualised Group return on equity (ROE) for the first quarter of 2016 was 14.6% (compared to 16.1% for the first quarter of 2015), with earnings per share (EPS) of CHF 3.68 or USD 3.68, compared with CHF 4.00 or USD 4.21 for the first quarter of 2015.						

	The net operating margin in the first quarter of 2016 was 17.8% (compared to 21.2% in the first quarter of 2015). Swiss Re has introduced net operating margin as a new, more comprehensive metric to facilitate an easier comparison of performance not only across its three Business Units, but also across industries. Premiums earned and fee income for the Group totalled USD 7.9 billion for the first quarter of 2016, up from USD 7.6 billion for the same quarter of the previous year. At constant exchange rates, premiums earned and fees increased by 9.0%, reflecting growth in selected markets and lines of business, often through tailored transactions. Common shareholders' equity increased to USD 34.8 billion as of 31 March 2016 from USD 32.4 billion at the end of December 2015. Book value per common share was USD 105.04 or CHF 100.57 at the end of March 2016, compared to USD 95.98 or CHF 96.04 at the end of December. The Group's Swiss Solvency Test (SST) ratio was 223% as reflected in the submission to FINMA at the end of April 2016, reaffirming the Group's very strong capital position. For a better comparison with peers in the EU, Swiss Re also published a comparable Group Solvency II ratio, which is estimated to be 312% on the same basis. <i>P&C Re</i> P&C Re delivered strong net income of USD 587 million in the first quarter of 2016 (compared to USD 808 million in the first quarter of 2015), reflecting good underwriting and continued benign natural catastrophe experience and higher realised gains, partly offset by unfavourable prior-year developments. The annualised ROE for the first quarter of 2016 was 19.1% (compared to 22.7% for the first quarter of 2015). Net operating margin in the first quarter of 2016 declined to 18.0% (compared to 25.4% in the first quarter of 2015), due to a lower underwriting result, pricing pressures and prior-year development. Net premiums earned increased 5.0% to USD 4.0 billion, up from USD 3.8 billion in the prior-year period. At constant exchange rates, premiums earned increased by 8.9%, mainly driven by large transactions in the US and Europe. The combined ratio was 93.3%, compared to 84.3% for the previous year. <i>L&H Re</i> L&H Re reported solid net income of USD 244 million for the first quarter of 2016, compared to USD 277 million for the same period in 2015. The decrease was mainly driven by lower realised investment gains. The ROE was 16.1% (compared to 17.2% for the first quarter of 2015). The L&H Re net operating margin in the first quarter of 2016 was 12.1% (compared to 14.5% in the first quarter of 2015), impacted by lower foreign exchange re-measurement gains and higher revenues. Premiums earned and fee income rose to USD 2.8 billion. At constant exchange rates, premiums earned and fees increased by 13.6%, driven by several large transactions in the US, UK and Australia.

		<i>Corporate Solutions</i> Corporate Solutions reported net income of USD 80 million in the first quarter of 2016 (compared to USD 167 million in the first quarter of 2015). The 2016 result was driven by profitable business performance across most lines of business and moderate income from investment activities, partially offset by realised losses from insurance in derivative form, due to the continued impact of the unseasonably mild winter. The ROE was 13.5% for the first quarter of 2016 compared to 29.0% in the first quarter of 2015. Net operating margin in the first quarter of 2016 was 12.3%, (compared to 22.9% in the first quarter of 2015), impacted by lower realised gains on equities and realised losses from insurance in derivative form. Net premiums earned were USD 865 million, a decrease of 1.9%, driven by foreign exchange rate movements. At constant exchange rates, net premiums earned increased 0.6%. In March 2016, Corporate Solutions completed the previously announced acquisition of IHC Risk Solutions, LLC (IHC), a leading US employer stop loss underwriter. This acquisition broadens Corporate Solutions capabilities in the small- and middle-market self-funded healthcare benefits segment. <i>Life Capital</i> Created on 1 January 2016, Life Capital manages Swiss Re's closed and open life and health insurance books, including the existing closed book business and primary life and health insurance business. Comparative information has been restated accordingly. For the first quarter of 2016, Life Capital reported a net income of USD 321 million (compared to USD 206 million in the first quarter of 2015). The 2016 result included the contribution from Guardian since the date of acquisition. Net realised gains on the Guardian investment portfolio contributed to the increase in net income in the period. The ROE was 21.2% in the first quarter, compared to 12.7% in the same period of 2015. Life Capital's net operating margin for the first quarter of 2016 increased to 44.9% (compared to 28.5% for the first quarter of 2015) driven by the investment result, mainly from the Guardian portfolio. Gross cash generation was a negative USD 25 million in the first quarter of 2016 (compared to a positive USD 52 million in the first quarter of 2015), reflecting the fact that from January 2016 the metric is calculated based on Solvency II, which is more sensitive to economic movements. As a result, large movements in interest rates and credit spreads can have a more pronounced impact on reported gross cash generation during a period. Net premiums earned and fee income was slightly lower in the first quarter of 2016, at USD 284 million (compared to USD 306 million in the first quarter of 2015). Annual Results Group All Business Units contributed positively to a 31% increase in Group

net income to USD 4.6 billion in 2015 (compared to USD 3.5 billion in 2014). The result benefited from strong underwriting, the absence of major natural catastrophes and from reserve releases, as well as from the strong result in L&H Re.

The ROE for 2015 was 13.7% with earnings per share of CHF 12.93 or USD 13.44, compared with CHF 9.33 or USD 10.23 for the prior year.

Premiums earned and fee income for the Group totaled USD 30.2 billion for 2015, compared to USD 31.3 billion for 2014, mainly reflecting unfavorable foreign exchange rate movements. At constant exchange rates, premiums and fees increased by 4%.

We achieved a strong full-year investment result in a difficult low-yield environment. The Group's return on investments (ROI) was 3.5% for 2015 (compared to 3.7% for 2014), as Swiss Re continued to maintain a steady return, with a high-quality, well balanced portfolio. Net investment income was USD 3.4 billion (compared to USD 4.1 billion in 2014), in part driven by net asset outflows.

Common shareholders' equity was USD 32.4 billion at the end of 2015 (compared to USD 34.8 billion at the end of 2014). Book value per common share was USD 95.98 or CHF 96.04 as of 31 December 2015, compared to USD 101.78 or CHF 101.12 at the end of 2014.

P&C Re

P&C Re's net income declined to USD 3.0 billion in 2015 (vs USD 3.6 billion in 2014), following price softening, large man-made loss burden and lower realized investment gains. The results reflected continued solid underwriting performance supported by benign natural catastrophe experience and prior-year net reserve releases. The combined ratio was 86.0%, compared to 83.7% for the previous year.

Net premiums earned were USD 15.1 billion (compared to USD 15.6 billion in 2014). The decrease was mainly driven by foreign exchange rate movements. Excluding this impact, premiums earned increased by USD 497 million in 2015, driven by higher premiums in US casualty and higher earnings from contracts written in prior years in the EMEA region.

L&H Re

L&H Re reported net income of USD 939 million for 2015, reflecting a strong operating result, lower interest charges and net realized gains. This compared to a loss of USD 462 million in 2014, which was mainly due to management actions taken to address the pre-2004 US individual life business.

The L&H Re segment met the 10%–12% ROE target set for it at the June 2013 Investors' Day with an adjusted ROE of 11.8%. Unadjusted, the 2015 ROE was 15.7%.

Premiums earned and fee income decreased by 2.7% to USD 11.0 billion in 2015 (compared to USD 11.3 billion in 2014). At constant exchange rates, premiums earned and fee income were 6% higher in 2015, benefiting from new longevity deals in Europe and large transactions in Australia.

Corporate Solutions

Corporate Solutions delivered a net income of USD 340 million in 2015

		(compared to USD 319 million in 2014), reflecting continued profitable business performance across most lines of business and increased investment income. Premiums earned were USD 3.4 billion, a decrease of 1.9% driven by the challenging market and foreign exchange rate movements. At constant exchange rates, premiums earned increased by 1.7%. The combined ratio slightly increased to 93.8% from 93.0% in 2014, due to higher large man-made losses. The quality of the book remained consistently high year on year, with better than expected natural catastrophe experience. Corporate Solutions opened operations in a number of locations during the year expanding the distribution network to 52 offices in 20 countries. <i>Admin Re®</i> Admin Re® reported a strong net income of USD 422 million for 2015 (compared to USD 34 million in 2014). The result was driven mainly by higher realized gains from sales of assets as part of the preparation for Solvency II and tax credits in the UK during 2015. The 2014 result was impacted by the loss of USD 203 million on the sale of Aurora National Life Assurance Company. Gross cash generation was strong at USD 543 million in 2015, including positive impacts from UK assumption updates, primarily to mortality rates, and the UK half-year valuation. The Guardian Group Acquisition has positioned Admin Re® as a leading closed life book consolidator in the UK. No Significant Change There has been no significant change to the financial condition and operating results of the Swiss Re Group since 31 March 2016, the end of the last financial period for which interim financial information has been published.
B.8	Selected key pro forma financial information, identified as such	Not applicable as this Prospectus does not contain pro forma financial information.
B.9	Where a profit forecast or estimate is made, state the figure	Not applicable as this Prospectus does not contain profit forecasts or estimates.
B.10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable as the audit reports on the historical financial information contained in this Prospectus do not contain any qualifications.
B.11	If the issuer's working capital is not sufficient for the issuer's present requirements an explanation should be included	Not applicable as the Company is of the opinion that the working capital available to it is sufficient for Swiss Re Group's present requirements (that is, at least the next 12 months from the date of this Prospectus).

Section C – Securities		
C.1	Description of the type and class of securities being offered and/or admitted to trading, including any security identification number	SRL Shares are registered shares of SRL with a current nominal value of CHF 0.10 each and currently listed in accordance with the International Reporting Standard of, and admitted to trading on, the SIX Swiss Exchange. ISIN: CH0126881561
C.2	Currency of the securities issue	The Swiss franc is the currency of the Plan, accordingly the Contributions (as defined in E.3) and payments for SRL Shares are each payable in Swiss francs. The SRL Shares are denominated in Swiss francs.
C.3	The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value	As of 3 May 2016, the Company had 370,706,931 registered shares with a nominal value of CHF 0.10 in issue, including 39,098,579 treasury shares. The registered shares and treasury shares are fully paid up.
C.4	A description of the rights attached to the securities	Until SRL Shares have been purchased and delivered to an Eligible Employee (as defined in E.3 below) who enrolls in the Plan (a "Participant"), such Participant will have no rights as a holder of SRL Shares as a result of participating in the Plan. No Participants shall have any voting, dividend or other shareholder rights with respect to any offering of SRL Shares under the Plan until such SRL Shares have been purchased and delivered to a Participant. Following such purchase and delivery, a Participant shall be entitled to the same rights as those attached to existing SRL Shares subject to the fact that if a Participant sells Purchased Shares (as defined in E.3 below) or pledges or otherwise encumbers them, their right to receive Matching Shares will be reduced pro rata to the number of Purchase Shares sold or encumbered.
C.5	A description of any restrictions on the free transferability of the securities	Subject to SRL's articles of association (the " Articles of Association "), the restrictions imposed by the Swiss Re Group's Code of Conduct (the " Code of Conduct "), the listing rules of the SIX Swiss Exchange or any other applicable laws or regulations of any relevant jurisdiction, including any applicable internal policies and guidelines of SRL which impose restrictions on share dealing and selling restrictions dictated by applicable laws, the SRL Shares are freely transferable.
C.6	An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets	Not applicable as the securities offered are not and will not be the object of an application for admission to trading on a regulated market and are not and will not be traded on a regulated market.

	where the securities are or are to be traded	
C.7	A description of the dividend policy	Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities. The Group aims to ensure a superior capitalisation at all times and maximise financial flexibility, growing the regular dividend with long-term earnings and at a minimum maintaining it. Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buy-back programmes.

Section D – Risks		
D.1	Key Information on the key risks specific to the issuer or its industry	Our results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that we use in setting the prices for our products and in establishing our reserves, and we face risks that our reserves may prove to be inadequate to cover our actual claims and benefits experience. Our reserves may not adequately cover future claims and benefits, which could have a material adverse impact on our business, financial condition and results of operations. A catastrophic event or multiple catastrophic events may cause unexpected large losses and could have a material adverse effect on our financial condition, results of operations, business and prospects. Catastrophic events, such as hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as explosions, industrial accidents and fires, and pandemics, are inherently unpredictable in terms of both their frequency and severity. Catastrophic events expose us to the risk of unexpected large losses, which could have an adverse impact on our business, financial condition, results of operations and prospects. The effects of emerging claim and coverage issues on our business are uncertain. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either requiring us to extend coverage beyond our underwriting intent or by increasing the number or size of claims, either of which could have a material adverse effect on our business, financial condition and results of operations. Cyclicality of the reinsurance industry has caused, and can be expected to continue to cause, fluctuations in our results. The supply of reinsurance is related to prevailing prices, the level of insured losses and the level of industry surplus, which may fluctuate in response to changes in premium rates and rates of return on investments being earned in the reinsurance industry. As a result, the reinsurance business has historically been cyclical, particularly the property and casualty market, which is characterised by periods of intense competition on price and policy terms due to excessive underwriting capacity as well as periods when shortages of capacity permit favourable premium rates and policy terms and conditions. The cyclical nature of the reinsurance industry could have a material adverse effect on our financial condition, results of operations, business and prospects. We are impacted by changes in the insurance industry that affect ceding companies. Some of our ceding company clients now have greater

		market capitalisations than we and our reinsurance company peers. Among other effects of changes affecting the primary market, ceding companies are retaining an increasing portion of their business, relying less on reinsurance to mitigate their risk exposure and rationalising reinsurance procurement policies (particularly for recurring ("flow") business obtained in the open market) through central purchasing platforms. Excess capital available to ceding companies, combined with excess supply of and competition within the reinsurance sector, limits our ability to increase premium rates. Any of the above could have a material adverse impact on our financial condition, results of operations, business and prospects. Competition in the types of reinsurance we provide is based on many factors, including the overall financial strength of the reinsurer, expertise, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered, premiums charged, contract terms and conditions and speed of claims payment. A failure to compete effectively may result in the loss of existing business, and of opportunities to capture new business, each of which could have a material adverse effect on our business, financial condition, results of operations and/or prospects. We continually review our risk management policies and procedures and will continue to do so in the future. Many of our methods of managing risk and exposures are based upon observed historical market behaviour and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. The occurrence of future risks that our risk management procedures fail to identify or anticipate could have a material adverse effect on our business model, financial condition, results of operations and liquidity. The success of our reinsurance underwriting efforts depends, in part, on the policies, procedures and expertise of the ceding companies making the original underwriting decisions. We may not have adequate visibility as to the assumptions, modelling and other techniques that ceding companies use and such assumptions, modelling and other techniques may not prove beneficial to us. We depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess the risks they underwrite, which may lead us to inaccurately assess the risks we reinsure and the premiums that are ceded to us may not adequately compensate us. As a result, our profitability could be materially and adversely impacted. If we fail to accurately assess the risks we underwrite, we may inaccurately assess the risks we reinsure and the premiums that we receive may not adequately compensate us. High growth markets are subject to greater risks than more developed markets. While we seek to expand our footprint in high growth markets because that is where we perceive there to be the greatest potential for future growth for Property & Casualty and Life & Health reinsurance business (including in Brazil, China, India, Indonesia and Mexico, with a longer horizon for Vietnam and Sub-Saharan Africa) and Corporate Solutions business (including in Brazil, China and Colombia), the political, economic and market conditions in many of these markets present risks that could make it more difficult to operate our businesses in those regions successfully. We may be unable to achieve our goals for growth as planned and on a timely basis. We may be unable to recoup expenditures to the extent

		we are unable to achieve our goals. Depending on the particular opportunity, failure to achieve our strategic goals could have an adverse impact on our competitive position and on our results. In the short-term, pursuit of growth initiatives can have an impact on costs. Our operations as well as our investment returns are subject to market volatility and macro-economic factors, which are outside of our control and are often inter-related. Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. Any such developments and trends could also have an adverse effect on our investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on our overall results, make it difficult to determine the value of certain assets in our portfolio and/or make it more difficult to acquire suitable investments to meet our risk and return criteria. Our business is materially affected by conditions in the financial markets and economic conditions, particularly in Europe and the United States and, increasingly, in high growth markets as we enhance our presence in such markets. If significant, market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, reduced market liquidity, declines in equity prices, and foreign currency movements, alone or in combination, could have a material adverse effect on our financial condition, results of operations or cash flows through realized losses, impairments or changes in unrealized positions. Volatility in the capital markets also impacts costs of hedging, and lower asset values reduce shareholders' equity. Our ability to meet liquidity needs across the Swiss Re Group may be constrained by regulations that require our regulated entities to maintain or increase regulatory capital (on a statutory equity basis) or that restrict the flow of intra-Group funds, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradeable. If we are designated as systemically important, applicable regulations could become more onerous. We may have adequate capital on a consolidated group basis, but a need for liquidity (cash or liquid assets that can be converted to cash, to meet financial obligations) could arise in a particular legal entity and our ability to access group liquidity for that entity may be limited by legal, tax or regulatory constraints on the flow of intra-Group funds. As claims paying and financial strength ratings are a key factor in establishing the competitive position of insurers and reinsurers, a decline in Swiss Re's ratings or the ratings of the SRZ Group or Corporate Solutions alone, could make insurance or reinsurance provided by us less attractive to clients relative to insurance or reinsurance from our competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase insurance or reinsurance only from insurers or reinsurers with certain ratings, or whose confidence in us is otherwise diminished. If changes are made to existing legislation or if new legislation is adopted or new regulations are promulgated covering our operations and other activities, they could increase the cost of doing business, reduce access to liquidity, limit the scope of permissible activities or affect the competitive balance. In addition, we could be adversely

		impacted by changes in interpretations by regulators of existing or new regulations or by the imposition of new requirements by regulators based on discretionary authority or otherwise. Regulatory changes may also have an impact on us to the extent they result in reinsurance or insurance becoming a less attractive option for ceding companies (in the case of changes aimed at primary insurance companies) or other clients, or otherwise have an adverse effect on ceding companies (in the case of changes aimed at primary insurance companies or those that have broader applicability but impact business models of primary insurance companies) or other clients. Moreover, regulations aimed at financial institutions generally might impact our capital requirements and/or required reserve levels or have other direct or indirect effects on us.
D.3	Key Information on the key risks specific to the securities	The market price of SRL Shares may be volatile in response to various factors, many of which are beyond our control. The market price of SRL Shares therefore may be adversely affected by any of these various factors regardless of our actual results of operations and financial condition. You may not be able to participate in future equity offerings. Our constitutional documents provide for pre-emptive rights to be granted to our existing shareholders, unless such rights are disappplied by shareholder resolution or by specific provisions included in the Articles of Association; however, certain shareholders, including those in the United States, Australia, Canada or Japan, may not be entitled to exercise such rights unless the rights and shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, there is the risk that you may suffer dilution of your shareholding should you not be permitted to participate in future pre-emptive equity offerings. SRL Shares are quoted only in Swiss francs and any future payments of dividends on SRL Shares will be denominated in Swiss francs. The U.S. dollar or other currency equivalent of any dividends paid on SRL Shares or received in connection with any sale of SRL Shares could be adversely affected by the appreciation of the Swiss franc against other currencies. Shareholders in countries with currencies other than the Swiss franc face additional investment risk from currency exchange rate fluctuations in connection with their holding of SRL Shares.

Section E – Offer		
E.1	The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror	Under current expectations, Contributions (as defined below) will be applied to acquire SRL Shares in the open market. In the event that SRL were to decide to issue new SRL Shares in connection with the Plan, Contributions would be used to subscribe for new SRL Shares and the proceeds of the issue of such SRL Shares would be available for general corporate purposes. There are no expenses charged to the investor.
E.2a	Reasons for the offer/issue, use of proceeds, estimated net amount of the proceeds	The purpose of the Plan is to provide employees of the Company and its subsidiary companies (collectively the "Swiss Re Group") designated by the board of directors of SRL (the "Board" or the "Board of Directors") as eligible to participate in the Plan ("Eligible Employees") with a convenient means of acquiring SRL Shares. SRL Shares are acquired through payroll deductions with a matching award incentive to develop a stronger incentive for continued employment by, and to work for the continued success of, Swiss Re.
E.3	A description of the terms and conditions of the offer	The Board may invite Eligible Employees of the Swiss Re Group to participate in the Plan. Eligible Employees may enrol in the Plan during a period beginning on or about 9 May 2016 and ending on or about 29 May 2016 or a second period beginning on or about 7 November 2016 and ending on or about 27 November 2016 (an "Enrolment Period"). Following the expiry of the relevant Enrolment Period, each Plan cycle will run for a period of three years ("Plan Cycle Period"). A Participant will choose to use a certain amount of their monthly cash compensation ("Contribution") to purchase SRL Shares ("Purchased Shares") each month over a period of three consecutive years ("Contribution Period"). The minimum and maximum annual contribution limit for each Plan Cycle Period is CHF 120 and CHF 7,000, respectively, provided that each year a Participant may not contribute more than 10 per cent. of his annual base salary in aggregate to any Plan Cycle Period in which he participates. Any dividend payments made to a Participant in respect of their Purchased Shares during the Contribution Period will be used to acquire extra shares ("Dividend Shares"), unless the Board determines otherwise. Each Contribution will be applied to purchase SRL Shares as soon as practicable after the Contribution is made, at the market price of the SRL Shares on the date of purchase. Upon enrolment in the Plan, Participants are granted a non-transferable right to receive a number of SRL Shares ("Matching Shares") at the end of the Plan Cycle Period free of charge ("Matching Share Award"). The number of SRL Shares received by a Participant under the Matching Share Award will be calculated by applying a ratio (the "Matching Share Ratio") to the number of Purchased Shares and Dividend Shares that are (i) acquired under the Plan during a Plan Cycle Period, and (ii) not sold or transferred before the end of a Plan Cycle Period. Apart from as described in the Summary of the Plan section of this Prospectus (under the heading "<i>Eligibility under the Plan - Cessation of Employment of Participants</i>"), SRL Shares issued under a Matching Share Award are to be delivered as soon as practicable after the end of the Plan Cycle Period. The Matching Share Ratio is 30 per cent. Of the aggregate number of Purchased Shares and Dividend Shares.

		All SRL Shares which have been purchased and/or delivered to a Participant pursuant to the Plan will rank equally (<i>pari passu</i>) in all respects with SRL Shares then in issue.
E.4	A description of any interest that is material to the issue/offer including conflicting interests	Not applicable as there are no interests that are material to the issue/offer.
E.5	Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up	Swiss Re Ltd. No lock-up agreements are being entered into in connection with the offer.
E.6	The amount and percentage of immediate dilution resulting from the offer. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer	On the basis of current expectations, there will be no dilution resulting from the offer. Although the Plan provides for this possibility, the current intention of SRL is that no new SRL Shares will be issued.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	Not applicable as there are no expenses charged to the investor.

NOTICE TO ELIGIBLE EMPLOYEES

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company to participate in the Plan or subscribe for or purchase any SRL Shares in any circumstances or in any jurisdiction where such offer or invitation is unlawful. For a description of certain further restrictions on offers and sales of the shares and distribution of the Prospectus see below "*Offering and Transfer Restrictions*".

Notice to Prospective Participants in the United States

The SRL Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States, except in a transaction registered under the Securities Act or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The SRL Shares are being offered and sold pursuant to this Prospectus outside the United States in reliance on Regulation S. See "*Offering and Transfer Restrictions*".

Notice to Prospective Participants in Australia, Canada, South Africa and Japan

The SRL Shares have not been and will not be registered or qualified for distribution under the applicable securities laws of Australia, Canada, South Africa or Japan. The SRL Shares may not be offered for sale or subscription or sold or subscribed directly or indirectly in Australia, Canada, South Africa or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada, South Africa or Japan.

Notice to Prospective Participants in the EEA

This Prospectus has been approved by the FCA, being the competent authority in the United Kingdom. We have requested that the FCA provide a certificate of approval and copy of this Prospectus to the competent authorities in Germany and Slovakia (the "**passport jurisdictions**") pursuant to the passporting provisions of FSMA and the Prospectus Directive.

No action has or will be taken in any member state of the EEA other than in the United Kingdom and the passported jurisdictions that as at the date of this Prospectus has implemented the Prospectus Directive (each such member state where no action has or will be taken, a "**Relevant Member State**") to permit an offer to the public of participation in the Plan or the SRL Shares. Accordingly, subject to compliance with other restrictions in certain Relevant Member States as set forth in this Prospectus, no offer may be made to the public in a Relevant Member State other than:

- to any legal entity which is a "**qualified investor**" as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Company; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

(each, a "**Permitted Investor**"), **provided that** no such offer of participation in the Plan or SRL Shares shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person who in a Relevant Member State acquires any securities pursuant to the Plan, shall be taken by so doing to have represented and warranted to the Company that it is a Permitted Investor and that it has complied with any other restrictions applicable to that Relevant Member State as set out in this Prospectus. For the purposes of this provision, the expression "made to the public" in relation to the Plan or any SRL Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the securities to be offered so as to enable prospective participants to decide to participate in the Plan and to purchase or subscribe for the SRL Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Notice to Prospective Participants in the United Kingdom

This Prospectus is for distribution only to, and is only directed at, persons in the United Kingdom who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by anyone who is not a relevant person. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice for Employees in Other Countries

Employees outside the United Kingdom and the passported jurisdictions should note that this Prospectus is not directed at and may not be distributed to them and they are not able to participate in the Plan pursuant to this Prospectus. For information for investors in certain other countries, see "*Offering and Transfer Restrictions*".

RISK FACTORS

Participation in the Plan and an investment in SRL Shares is subject to a number of risks.

Prospective investors should note that the risks relating to the Group, its industry and the SRL Shares summarised in the section of this document headed "Summary" are the risks that the Company believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the SRL Shares. However, as the risks which we face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part 1: Summary Information but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the SRL Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Company, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and/or financial position and, if any such risk should occur, the price of the SRL Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the SRL Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

This Prospectus also contains forward-looking statements that involve risks and uncertainties that could cause our actual results or outcomes to differ materially from those expressed in any such forward-looking statements, as a result of any factor or combination of factors, including but not limited to the risks we face as described below and elsewhere in this Prospectus. For more information about forward-looking statements see "Cautionary Note on Forward-Looking Statements".

Risks Relating to our Operations

Our reserves may not adequately cover future claims and benefits.

Our results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that we use in setting the prices for our products and in establishing our reserves, and we face risks that our reserves may prove to be inadequate to cover our actual claims and benefits experience.

We maintain reserves in our Property & Casualty Reinsurance lines to cover our estimated ultimate liability for claims and claim adjustment expenses for reported and unreported claims incurred as of the end of each accounting period. We also maintain reserves for future policy benefits for our Life & Health Reinsurance lines. Reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time and estimates of trends in claims severity, and other variable factors, including new bases of liability and general economic conditions, and can change over time. The process of estimating reserves and future policy benefits involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, foreign currency movements, legal trends and legislative changes, among others. The impact of many of these items on ultimate costs for claims is difficult to estimate.

We continually review the adequacy of the established reserves, including emerging claims development, and actual claims compared to the original assumptions used to estimate reserves. Based on current information available to us, we believe that our reserves are sufficient. However, changes in trends or other variable factors underlying our reserve estimates could result in claims in excess of reserves. For example, our assumptions concerning future claims cost inflation could prove to be too low, resulting in higher claims. For some types of claims, most significantly asbestos-related, environmental pollution and health hazard claims and certain liability claims (namely, our long-tail exposures), it has been necessary, and may over time continue to be necessary, to revise estimated potential claims exposure and, therefore, the related claims reserves. Consequently, actual claims, benefits and related expenses paid may differ from estimates reflected in the reserves in our consolidated financial statements. Premium levels in our Life & Health Reinsurance business are often guaranteed for the life of a contract, which could be 30 years or more. If premium levels prove to be inadequate, we would make provision for the shortfall for the remaining lifetime of the contract. In addition, morbidity benefits are often payable over many years

and there is uncertainty involved in estimating the number of years over which benefits will be paid. In general, mortality and morbidity-related products give rise to risks if mortality or morbidity increases above assumed levels, while longevity products give rise to risks if mortality decreases below assumed levels.

Additional claims may emerge, including claims arising from changes in the legal and regulatory environment, the type or magnitude of which we cannot foresee. Additional claims could also arise from changes in general economic conditions (which in the current environment may be more pronounced) that impact companies whose obligations are backed by credit insurance or reinsurance or financial guarantees. In particular, the values of the life-related benefits under certain products and life contracts, most notably variable annuity ("VA") business, are tied to financial market values. These contracts have specific guarantees. As markets fall, the value of these guarantees increases, and, while we have discontinued writing new VA business and have an extensive hedging program covering our existing VA business, there is a risk that market fluctuations could have a negative financial impact on our business.

There can be no assurance that going forward we will not experience adverse development. To the extent reserves (taking into account the adverse loss development reinsurance agreement ("**ADC**") with National Indemnity Company ("**National Indemnity**"), a subsidiary of Berkshire Hathaway, Inc. ("**Berkshire Hathaway**"), are insufficient to cover actual claims, claim adjustment expenses or future policy benefits, we would have to add to these reserves and incur a charge to our earnings. In addition, there may be regulatory and/or legislative changes that impact our required reserve levels that we cannot anticipate and that may render our reserves insufficient. These insufficiencies in reserves could have a material adverse effect on our financial condition and results of operations.

Catastrophic events expose us to the risk of unexpected large losses.

A catastrophic event or multiple catastrophic events may cause unexpected large losses and could have a material adverse effect on our financial condition, results of operations, business and prospects. Natural disasters, such as hurricanes, windstorms, floods and earthquakes, and man-made disasters, such as acts of terrorism and other disasters such as explosions, industrial accidents and fires, as well as pandemics, are inherently unpredictable in terms of both their frequency and severity. We have generally believed, and continue to believe, that one or more catastrophic events that produce significant losses eventually will occur and there can be no assurances that our efforts to protect ourselves against catastrophic losses, such as the diversification of business written, the use of selective underwriting practices, the use of quantitative models, prudent reserving, the monitoring of risk accumulations and risk protection arrangements, will prove to be adequate.

The increasing concentration of economic activities and people living and working in areas with heightened exposure to natural catastrophes has resulted in increased exposure and complexity, in addition to rising insured losses for catastrophes, due principally to weather-related catastrophes. Increasing insurance penetration, growing technological vulnerability and higher property values have further compounded our exposure. The potential occurrence of high severity events, such as the earthquake in Chile in 2010, the floods in Australia and Thailand in 2010 and 2011, respectively, the earthquakes in New Zealand and Japan in 2010 and 2011, respectively, Hurricane Sandy in the United States in 2012, the German hailstorms and Canadian floods in 2013, and rain storms and flooding in the United Kingdom at the end of 2015 and in early 2016, is an integral part of our business, and providing cover for these natural catastrophes will remain fundamental to our value proposition.

The possible effects of natural catastrophes are compounded by the correlation between climate change and severe storms, floods and drought as well as adverse agricultural yields. The effects of global warming and climate change cannot be predicted and are likely to aggravate potential loss scenarios, risk modeling and financial performance. Furthermore, climate change could lead to severe weather events spreading to parts of the world that have not previously experienced extreme weather conditions. Significant volatility in weather conditions (for example, unseasonably warm weather in winter) can also affect our weather derivatives business in Corporate Solutions, the triggers for which are either solely weather or a combination of weather and commodity price movement. We are subject particularly to risks of persistently too warm or too cold weather in the United States and Europe for cover provided to power producers or summer demand during heat waves and lack of demand during cooler periods.

We are also subject to risks relating to man-made catastrophes. Complex technology intersecting with increased population density, infrastructure and higher rates of utilization of natural resources increase the

likelihood and the magnitude of catastrophic man-made events. Man-made disasters involving chemical, biological or nuclear hazards in particular bear high potential for losses. The explosion in the Chinese port city of Tianjin in August 2015 was the largest man-made loss event in Asia to date. Due to the uncertainty of the occurrence and the level of loss of man-made disasters, unexpected large losses could have a material adverse effect on our financial condition, results of operations, business and prospects. In addition to man-made disasters caused by accident or negligence, we continue to face risks related to terrorist acts or other criminal acts on a significant scale (including acts intended to cause maximum strain on financial and other critical infrastructures, which, given reliance on complex technology, the increasing inter-connectedness of technologies symbolized by the "internet of things" and the proliferation of cloud-based technology, could be triggered by cyber threats). Our exposure to terrorism and similar acts arises from all lines of business to varying degrees. While we have established some basic limit frameworks and use quantitative modeling, there can be no assurances that our efforts to mitigate the impact of terrorism or similar acts will be successful.

We have significant exposure to mortality and morbidity risk through, for example, our Life & Health Reinsurance business covers. Consequently, an influenza pandemic is a material risk as it has the potential to impact all markets across the world. We believe that a pandemic, whether influenza or another infectious disease, has the potential to affect a significant percentage of the world's population, causing a high level of sickness and an increase in mortality rates. See "Our Business – Reserves – Life & Health Reinsurance."

Rare, but potentially disastrous, risks have the potential to cause major systemic disruptions due to the interconnectedness of risks in a globalized economy reflecting the response of markets to natural catastrophes, terrorist attacks and the like and the challenges to mitigate them. The potential impact of these global risks will be a function of the extent to which mitigation strategies, emergency plans and education of risk awareness can be implemented on a systemic, global basis. There can be no assurance that such strategies can be effectively implemented.

The ultimate impact of a catastrophic event or multiple catastrophic events on our financial condition, results of operations, business and prospects is difficult to predict and will be affected by a number of factors, including: the frequency of loss events; the severity of each event; the total amount of insured exposure in the area affected by each event; changes in the value of the insured property; the effects of inflation; and the extent of unemployment and other economic conditions caused by each event. The occurrence of natural and man-made catastrophes in the future could have a material adverse effect on our financial condition, results of operations, business and prospects. Moreover, natural catastrophes are often seasonal with the highest proportion of annual losses occurring on average in the third quarter, followed by the fourth quarter and as such quarter to quarter comparisons can be volatile.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either requiring us to extend coverage beyond our underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include:

- adverse changes in loss trends;
- judicial expansion of policy coverage and the impact of new theories of liability;
- legislative or judicial action that affects policy coverage or pricing;
- trends of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claims-handling and other practices;
- claims in respect of directors' and officers' coverage, professional indemnity and other liability covers;
- trends to establish stricter building standards, which could lead to higher industry losses for earthquake cover, based on higher replacement values;

- contingent business interruption exposure, where failure to understand an entire chain of production could give rise to unexpected claims affecting, for example, perils in high growth markets where manufacturing and production facilities are expanding;
- "wider area" damage claims in the context of business interruption, involving, for example, damage to infrastructure surrounding insured facilities and claims relating to constraints on the ability to supply, or transport goods from, such facilities;
- casualty claims in the context of property covers;
- trends toward arbitration and away from mediation; and
- lack of transparency or certainty in interpretations of applicable laws and regulations (including, for example, contract interpretation) in new markets that we may enter.

Macro developments giving rise to emerging risks, including climate change and changes in a range of business and social dynamics as a result of technological change (including cyber, wearable health devices and connected/automated cars), can also be expected to have an impact on claims and coverage. The effects of these and other, unforeseen, emerging claim and coverage issues are extremely hard to predict, but could increase in either or both number and magnitude, and therefore could harm our business and could have a material adverse effect on our financial condition and results of operations.

Cyclicalities of the commercial insurance and reinsurance industry has caused, and can be expected to continue to cause, fluctuations in our results.

The supply of reinsurance is related to prevailing prices, the level of insured losses and the level of industry surplus, which may fluctuate in response to changes in premium rates and rates of return on investments being earned in the reinsurance industry. As a result, the reinsurance business has historically been cyclical, particularly the property and casualty market, which is characterized by periods of intense competition on price and policy terms due to excessive underwriting capacity (as is currently the case) as well as periods when shortages of capacity permit favorable premium rates and policy terms and conditions. Typically, no two cycles are the same.

We have in the past experienced, and expect to continue to experience, the effects of this cyclicalities, including changes in premium rates as well as in terms and conditions. Moreover, the two principal segments of our Reinsurance business – Life & Health Reinsurance and Property & Casualty Reinsurance – in effect operate in their own cycles. The property reinsurance market, for example, currently is viewed as being in a "soft" cycle, with pricing during recent renewal seasons experiencing pressure due both to the absence of significant losses and to the elevated level of available capital. While we expect a hardening of rates in casualty (particularly in the United States), excess of loss rates continue to soften. Life and health reinsurance is under pressure from lower cession rates and the effects of low interest rates. The effects of this cyclicalities can also be exacerbated by changes in business mix within the two segments, as well as the cyclicalities of business lines within the two segments.

Similarly, the commercial insurance business is cyclical in nature and has historically been characterized by periods of intense price competition, which could have an adverse effect on our results of operations and financial condition. Periods of intense price competition historically have alternated with periods when shortages of underwriting capacity have permitted attractive premium levels. Any significant decrease in the premium rates we can charge for property and casualty insurance would adversely affect our results.

Commercial insurance is particularly affected by the cyclicalities of loss cost trends. Factors that affect loss costs trends in property underwriting include inflation in the cost of building materials and labor costs and demand caused by weather-related catastrophes. Factors that affect loss cost trends in workers' compensation underwriting include inflation in the cost of medical care, litigation of liability claims and general economic conditions. Property and casualty insurers, including us, are often unable to increase premium rates until sometime after the costs associated with the coverage have increased, primarily as a result of state insurance regulation and laws in the United States. Therefore, in a period of increasing loss costs, profit margins decline.

Historically, operating results of insurers and reinsurers have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of insurers and reinsurers. These developments include:

- changes in general economic conditions and the political environment;
- price competition;
- frequency of occurrence and/or severity of catastrophic events;
- financial markets and capital markets volatility;
- changes in underwriting capacity, including from new providers of underwriting capacity (so-called alternative capital);
- increased funding costs due to market illiquidity; and
- decreased demand for (re)insurance products and services (including as a result of greater ceding company retention levels, typically reflecting stronger balance sheets or as a result of an economic downturn).

The cyclical nature of the insurance or reinsurance industry could have a material adverse effect on our financial condition, results of operations, business and prospects. It could also cause fluctuations in our reported results compared to prior periods. For example, in the reinsurance industry, as we increase our exposure to casualty lines to take advantage of current pricing trends, the long tail nature of casualty lines of the business could result in delayed impacts on our income statement, as well as an increase in our combined ratio (due to the increase in the assumed attritional loss ratio level). These fluctuations could exacerbate, or offset, other variations in our results, including, for example, gains or losses related to the ways in which we structure certain of our insurance and reinsurance transactions.

We are impacted by changes in the insurance industry that affect ceding companies, which could have a material adverse effect on our reinsurance business and results.

In Reinsurance, some of our ceding company clients have greater market capitalizations than we do and our reinsurance industry peers. Among other effects of changes affecting the primary market, ceding companies are retaining an increasing portion of their business, relying less on reinsurance to mitigate their risk exposure and rationalizing reinsurance procurement policies (particularly for recurring (flow) business obtained in the open market) through central purchasing platforms. Excess capital available to ceding companies, combined with excess supply of reinsurance and competition within the reinsurance sector, limits our ability to increase premium rates and may also lead to reduced premium rates.

Further, insurance industry participants have been consolidating, and may continue to consolidate, through acquisitions. These consolidated entities may use their enhanced market position and broader capital base to negotiate price reductions for our products, and reduce their use of reinsurance, and as such, we may experience price declines and possibly write less business, with a corresponding reduction in premiums, unless we are able to broaden and diversify our access to clients and risk pools. Moreover, consolidation in the industry may limit opportunities available to us to grow through acquisitions.

The foregoing could have a material adverse effect on our financial condition, results of operations, business and prospects.

Competitive conditions could impact our results.

Competition in the types of insurance and reinsurance we provide is based on many factors, including the overall financial strength of the (re)insurer, expertise, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered, premiums charged, contract terms and conditions and speed of claims payment.

Reinsurance. We compete worldwide for reinsurance business, particularly in the United States, the United Kingdom and Australia, with numerous reinsurance and insurance companies, some of which also have substantial financial resources and are highly rated. We are increasingly focused on opportunities in high growth markets, but such opportunities have also led to increased competitive pressures in such

markets from international players, and we also compete with state-owned reinsurers in three of these markets, Brazil, India and China. We also face competition in our efforts to offer risk transfer products to the capital markets, as other market participants develop and offer insurance-linked securities ("**ILS**") and derivatives and other non-traditional risk transfer mechanisms and vehicles. The increasing role of brokers, particularly in the property and casualty sector, also can have an impact on competition. We also are subject to risks of reduced demand for reinsurance to the extent ceding companies increase their retention levels.

We also face competition in the reinsurance industry from new capacity, such as the investment of significant capital from pension funds, mutual funds, hedge funds and other sources of alternative capital into natural catastrophe insurance/reinsurance platforms. Alternative capacity takes various forms, including the collateralized model (which involves new entrants) and the float model, which involves investment by insurance companies in new platforms). Alternative capital to cover natural catastrophe risks continues to grow, driven in part by low returns in fixed income markets and the benefits to providers of capital of diversification given the lack of correlation between insurance risks and traditional capital markets instruments. We view alternative capacity as an established feature of the market and estimate the capacity to be in the range of \$65-\$70 billion. Reinsurance prices in respect of U.S. natural catastrophe business continue to come under pressure, in part, as a result of significant inflows of alternative capital driving catastrophe bond and ILS issuances.

The nature of the competition we face may be affected by disruption and deterioration in global financial markets and economic downturns, as well as by governmental responses thereto. Government intervention might result in capital or other support for our competitors. Furthermore, competition in the reinsurance industry may be indirectly impacted by regulatory capital requirements in Europe as primary insurance companies look for ways to relieve their capital requirements, for example with structured reinsurance.

We seek to compete on the basis of our capital strength, our expertise and our brand, and seek equally to position ourselves as an efficient allocator of capital as well as a "knowledge company" offering tailored solutions to, as well as a long track record of partnership with, our clients, the importance of which we believe is heightened in the current soft cycle. Our success in this respect will depend in part on our ability to capitalize on value-added services as a differentiator and derive a return on the services we provide, which we may be unable to do.

Insurance. We compete for commercial insurance business on an international and regional basis with major U.S., Bermudian, European and other international insurers and with underwriting syndicates, some of which have greater financial and management resources and higher ratings than we do. Certain of our competitors also have established long-term and continuing business relationships throughout the insurance industry, which can be a significant competitive advantage for them. We also compete with new companies that continue to be formed to provide commercial insurance. In addition, certain commercial insurance providers and capital market participants have recently created products that offer alternative forms of risk protection, including large deductible programs and various forms of self-insurance that utilize captive insurance companies and risk retention groups. Continued growth in alternative forms of risk protection could reduce our premium volume. Increased competition could result in fewer submissions, lower premium rates and less favorable policy terms and conditions, and price competition, any of which could reduce our margins.

A number of our commercial insurance competitors may offer products at prices and on terms that are not consistent with our economic standards in an effort to maintain their business or write new business. The competitive environment has adversely impacted commercial lines rates and retention over the past few years, which has, and may continue to, reduce our underwriting margins. If rates and retention in commercial lines continue to decline, it could have a material adverse effect on our financial condition, results of operations and cash flow.

Our competitive position is based not only on our ability to profitably price our business, but also on product features and quality, scale, client service, financial strength, claims-paying ratings, credit ratings, e-business capabilities, brand recognition, and agent compensation structures. We may have difficulty in continuing to compete successfully on any of these bases in the future.

Life Capital. In seeking closed books, we operate in a highly competitive market, although regulatory developments and related uncertainty, and the continued low interest rate environment, have restricted the

number of companies actively seeking to make acquisitions of closed books in its principal market, the United Kingdom. The competitive environment continues to vary depending upon the size of the transaction and the type of business involved. A failure to compete effectively in the environment described above may result in the loss of existing business, and of opportunities to capture new business, which could have a material adverse effect on our financial condition, results of operations, business and prospects.

The occurrence of future risks that our risk management procedures fail to identify or anticipate could have a material adverse effect on us.

We continually review our risk management policies and procedures across the Swiss Re Group, and will continue to do so in the future. However, our risk management procedures cannot anticipate every economic and financial outcome or the specifics and timing of the realization of each risk. Many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients, catastrophe occurrence, or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Our risk management methods reflect certain assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market turmoil or other unforeseen circumstances, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements may limit the effectiveness of our risk management policies and procedures.

If we are unable (or if we are perceived to be unable) to develop, implement, monitor and when necessary pre-emptively upgrade our risk management policies and procedures to address current or evolving risks, we could, at the very least, suffer reputational harm and experience an adverse impact on our ratings (to the extent that any future unexpected loss does not fit within our stated tolerance for risk or is not considered by the rating agencies to be manageable compared to our underlying capital position). Risks that we fail (or are perceived to have been unable) to anticipate, and/or adequately address, could result in material unanticipated losses and have a material adverse effect on our financial condition, results of operations and prospects.

We depend, in part, on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess the risks they underwrite, which may lead us to assess inaccurately the risks we assume, or may not take measures to mitigate claims, which may result in higher losses for us.

The success of our reinsurance underwriting efforts depends, in part, on the policies, procedures and expertise of the ceding companies making the original underwriting decisions. We may not have adequate visibility as to the assumptions, modeling and other techniques that ceding companies use and such assumptions, modeling and other techniques may not prove beneficial to us. For example, in new markets that we may enter, we may be relying on local ceding companies' data, understanding and assessment of concentration risks and the impact of contingent business interruptions. The floods in Thailand in 2011 highlighted the potential effect of poor flood hazard data, leading to unexpectedly high exposure accumulations and to unexpected exposure to industries in the international supply chain, leading overall to unexpected losses. Losses in the Australian group disability market in 2013 highlighted the importance of identifying local trends, in this case in policyholder behavior. Moreover, we depend on the both the quality of the data we receive from ceding companies and the speed with which we receive them, and the data we receive may not be as current or comprehensive as we would like.

If ceding companies fail to accurately assess the risks they underwrite, or fail to provide us with timely and appropriate data, we may inaccurately assess the risks we reinsure and the premiums that are ceded to us may not adequately compensate us for the risks we assume. In addition, our reliance on underwriting decisions of ceding companies creates greater uncertainty with respect to the adequacy of our reserves. Moreover, our exposure to claims could be exacerbated by failure of ceding companies to take measures in respect of their underlying policies to mitigate their direct exposure. As a result of any of the foregoing, our financial condition or results of operations could be materially and adversely affected.

Incorrect pricing assumptions and other underwriting decisions can impact our underwriting results.

Underwriting is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond our control and for which historical experience and statistical analysis may not provide sufficient guidance. We make assumptions about mortality, morbidity, persistency, expenses, interest rates, equity market volatility, tax liability, business mix, frequency and severity of claims, correlation of risks, contingent liabilities, investment performance, and other factors. In areas involving emerging risk/coverage issues, we will need to factor in the potential impact of a range of developments such as climate change, health coverage (which has a variety of dimensions including technological advances and societal concerns) and technological developments such as cyber risks and the impact of connected/automated cars. If we fail to accurately assess the risks we underwrite, we may inaccurately assess the risks we reinsure and the premiums that we receive may not adequately compensate us.

Adverse development can be experienced for significant periods of time. For example, our Life & Health Reinsurance results continue to be adversely affected by negative performance of U.S. post-level term ("PLT") business written on a coinsurance basis in the Americas prior to 2004 due to higher than expected lapses and mortality, which causes negative reserves to be released. While we are in the process of undertaking measures to address adverse development of the PLT business, we may continue to be subject to quarter-to-quarter volatility due to lapse, mortality and seasonality of policy issue dates, and could in the future be subject to adverse development in other lines as well. We also recognized a pre-tax charge in 2014 of \$623 million as a result of management actions taken in respect of our pre-2004 U.S. individual life business written on a yearly renewable term basis. The management actions followed the settlement of a dispute with Berkshire Hathaway over a life retrocession arrangement concluded in 2010 in which we transferred risk from a closed block of yearly renewable term business to Berkshire Hathaway pursuant to a co-insurance agreement and related stop loss agreement. As part of the settlement, among other things, we agreed to recapture certain treaties in return for a \$610 million payment from Berkshire Hathaway and a reduction in the stop loss protection from \$1.5 billion to \$1.05 billion.

Our credit surety solutions expose us to potentially high severity losses.

Corporate Solutions provides surety solutions in the form of commercial and contract bonding products mainly in the United States, Brazil and Colombia. The majority of these surety obligations are performance-based insurance covers. Corporate Solutions also provides solutions for financial obligations in the form of surety or insurance, depending on the jurisdiction, for banks and corporate customers. This business exposes us to infrequent, but potentially high severity losses. The default of one or more of these clients could have a material adverse effect on our results of operations, financial condition or liquidity.

Disruptions to our relationships with our brokers and agents could materially adversely affect us.

Corporate Solutions markets substantially all of its insurance solutions (other than bank, trade and infrastructure and weather covers) through independent brokers, and Reinsurance uses brokers for certain lines of business. Brokers may sell our competitors' products and may stop selling our products altogether. Many insurers offer products similar to ours. In choosing an insurance carrier, brokers may consider ease of doing business, reputation, price of product, client service, claims handling and the insurer's compensation structure. We may be unable to compete with insurers that adopt more aggressive pricing policies or more generous compensation structures, or provide greater broker-targeted enhancements, such as promotional and advertising campaigns.

There is a growing trend of brokers reducing the number of insurers with which they do business. Strategic broker service agreements are a means for such brokers to select and focus on a smaller group of insurers. While we have entered into such agreements with the top four brokers (and attribute a significant part of our recent growth in gross premiums written ("GPW") to such agreements), there can be no assurance that these agreements will continue, or that they will continue to generate the business volumes that we anticipate. Moreover, none of the agreements are exclusive to us.

Loss of the business provided through independent brokers could have a material adverse effect on our future business volume and results of operations. Where we do not conduct business through brokers (for example, products such as insurance agents errors & omissions), we market through independent agents. Generally, independent agents pose the same set of risks as brokers.

Operations in high growth markets can expose us to risks that we are less likely to face in developed markets.

High growth markets are subject to greater risks than more developed markets. While we seek to expand our footprint in high growth markets because that is where we perceive there to be the greatest potential for future growth for Property & Casualty and Life & Health reinsurance business (including in Brazil, China, India, Indonesia and Mexico, with a longer horizon for Vietnam and Sub-Saharan Africa) and Corporate Solutions business (including in Brazil, China and Colombia), the political, economic and market conditions in many of these markets present risks that could make it more difficult to operate our businesses in those regions successfully. Some of these risks include:

- political instability;
- economic instability, including currency fluctuations, currency devaluations, capital and currency exchange controls, high rates of inflation and low or negative growth rates;
- corruption, including bribery of public officials;
- loss due to civil strife, acts of war or terrorism and insurrection;
- uncertainty as to legal and regulatory positions;
- deviations in accepted market practice from published legal and regulatory standards;
- lack of well-developed legal systems for purposes of enforcing our contractual rights;
- logistical and communications challenges;
- potentially adverse changes in, or uncertainty surrounding, laws and regulatory practices, including legal structures, tax laws and capital requirements;
- expropriation or nationalization;
- difficulties in staffing and managing operations and ensuring the safety of our employees;
- restrictions on the right to convert or repatriate currency assets; and
- greater risk of uncollectible accounts and longer collection cycles.

Many high growth markets are in various stages of developing institutions and political, legal and regulatory systems that are characteristic of democracies. However, institutions in these markets may not yet be as firmly established as they are in democracies in the developed world. Many of these countries and regions are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect our investments in these countries and regions. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries and regions are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner. As the political, economic and legal environments remain subject to continuous development, investors in these countries and regions face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in these or neighboring countries or others in the region may have a material adverse effect on our operations in these countries, which may in turn have a material adverse effect on our business, results of operations, cash flows and financial condition.

A failure in our operational systems or infrastructure, or those of third parties, could disrupt our businesses or cause losses.

Our businesses are dependent on our ability to process and monitor multiple client relationships, agreements and transactions, many of which are highly complex, across numerous and diverse markets in many currencies. Our agreements and transactions with our clients typically will be tailored to client-specific requirements and preferences, as well as legal and regulatory standards. As our client base and our geographical reach is global and ever expanding, developing and maintaining our operational systems

and infrastructure is an ongoing challenge. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as increased transaction volume, adversely affecting our ability to process these transactions or provide these services. In addition, failure of our systems may adversely impact our ability to determine effectively our pricing, underwriting liabilities, the required levels of reserves and the acceptable level of risk exposure in respect of these transactions or services. We update our systems and infrastructure to support our operations and growth and to respond to changes in regulations and markets. This updating can create risks associated with implementing new systems and integrating them with existing ones. Any failure, termination or constraint in respect of our systems could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses or result in financial loss or liability to our clients, impairment of our liquidity, disruption of our businesses, regulatory intervention or reputational damage.

Despite the resiliency plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, internet, transportation or other services used by us or third parties with which we conduct business. These disruptions may occur as a result of events that affect only our buildings or the buildings of such third parties or, as a result of events with a broader impact globally, regionally or in the cities where those buildings are located. Notwithstanding our efforts to maintain business continuity, depending on the intensity and longevity of the event, a catastrophic event impacting any of our offices could negatively impact our businesses. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to service and interact with our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel.

We have outsourced significant components of our asset management functions to a variety of third-party asset management companies and are dependent on their systems and controls in respect of the portfolios they manage for us. We also face the risk that any of the financial market platforms, clearing agents, securities exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions could experience operational failures or cease to operate. Failures or other adverse developments by any of the foregoing third parties could have an adverse effect on us pending replacement.

Cyber-attacks directed at our computer systems or networks could disrupt our businesses, result in the disclosure of confidential information, damage our reputation and cause losses.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access (from within our organization or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. Cyber-attacks, in particular, have become far more prevalent in the past two years, often leading to the theft of confidential and proprietary information. If one or more of these such events were to occur to us, this potentially could jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients' or third parties' operations, which could result in significant losses or reputational harm.

We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Furthermore, we routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

Failure to maintain the value of the "Swiss Re" brand could harm our global competitive advantage, results of operations and strategy.

One of our most valuable assets is the "Swiss Re" brand. Our ability to continue to leverage our global footprint, and thus maintain one of our (and our affiliates') key competitive advantages, depends on the continued strength and recognition of the "Swiss Re" brand, including in high growth markets, as competition intensifies. The "Swiss Re" brand could be harmed if its public image or reputation were to be tarnished by negative publicity, whether or not true, about Swiss Re or the financial services industry in general, or by a negative perception of Swiss Re's short-term or long-term financial prospects. Maintaining, promoting and positioning the "Swiss Re" brand will depend largely on our ability to provide consistent, high-quality products and services to Swiss Re clients around the world. Failure to maintain the "Swiss Re" brand could adversely affect our competitive advantage, results of operations and strategy.

We may not achieve our strategic growth plans.

In Reinsurance, we will seek opportunities to expand in selective areas – by line of business, products and geographic focus. We will also seek opportunities to capitalize on our market position and experience in structuring risk transfer solutions by writing longevity risk covers. Finally, we aim to further develop Swiss Re as a leading reinsurance player in the markets where premium growth over the next ten years is expected to far outpace growth in the developed economies. We are particularly focused on high growth markets (including Brazil, China, India, Indonesia, Mexico and Sub-Saharan Africa), many of which, we currently believe, are underserved by reinsurance solutions.

In Corporate Solutions, we have expanded, and will continue to seek to expand, our geographic footprint, our lines of business and our products to achieve long-term sustainable growth. Our ability to open or expand operations can be constrained by regulatory requirements, which may restrict Corporate Solutions' ability to grow in the short- to medium-term except through acquisitions. In addition, a number of our recent and planned business initiatives involve developing new solutions and/or expanding existing solutions provided to clients through Corporate Solutions. While we currently focus on excess layers, we believe that developing primary lead capabilities in the medium- to long-term represents a logical step to ensure sustainable profit growth of Corporate Solutions business. This will involve building extended local service capabilities across existing locations, developing primary products in line with local standards for targeted markets, developing the ability to price primary products, establishing local operational services (for example, claims managers and field engineers to survey insured assets) to handle higher claims frequency business, hiring local underwriters where required by regulation, and integrating the management of co-insurance panels into Corporate Solutions' current platform and enhancing the costing platform to support ground-up rating.

In Life Capital, we intend to selectively pursue opportunities to build and enhance our franchise and product line in the UK market, predominantly by acquiring businesses that allow us to leverage our capabilities and build on our market-leading position as a consolidator of closed books. The recently completed Guardian Group Acquisition is the most recent example of this strategy. We may also consider acquisitions outside the United Kingdom that offer a strategic opportunity to further accelerate growth, particularly in Continental Europe. We expect to monitor market developments, particularly in Germany and the Netherlands, over the next 12 months. All of our acquisitions must meet the Swiss Re Group's investment criteria and hurdle rates. We might seek third-party support in the form of additional capital in connection with acquisitions. In addition, with respect to open book business, we intend to selectively pursue opportunities to build and enhance our franchise and product line in other key insurance markets in Europe and the United States.

We may be unable to achieve our goals for growth as planned and on a timely basis. We may be unable to recoup expenditures to the extent we are unable to achieve our goals. Depending on the particular opportunity, failure to achieve our strategic goals could have an adverse impact on our competitive position and on our results. In the short-term, pursuit of growth initiatives can have an impact on costs.

We may have difficulty in executing acquisitions, which could adversely impact the implementation of our growth strategies.

We have in the past, and may in the future, engage in discussions with third parties regarding possible acquisitions (as acquisitions represent an option of the Swiss Re Group, from a capital management perspective, to deploy capital), which discussions may or may not result in acquisition transactions.

Acquisitions present a range of uncertainties and risks. Consolidation in the industry may limit available opportunities for acquisitions. We may also be restricted by applicable antitrust laws, foreign investment laws or other laws and regulations from pursuing acquisitions, in which case we may bear substantial out-of-pocket expenses associated with one or more acquisitions that we are precluded from pursuing. Acquisitions can require substantial lead-times to complete (particularly in new markets), and market dynamics may shift in the interim period prior to completion. Moreover, challenges presented in identifying or acquiring particular acquisition targets may cause us, after expending significant time, management resources and financial resources, to shift our approach and establish a greenfield operation instead or to postpone entry into a market until acquisition terms become more attractive for us.

While we may seek to acquire a full ownership stake in our acquisition targets, our ability to acquire full ownership stakes may be restricted by several factors, on a market-by-market basis. For example, foreign investment laws in certain countries can prevent the acquisition of full ownership stakes. These limitations may result in us entering into joint ventures, business alliances or collaboration agreements, which could involve the same or similar risks and uncertainties as are involved in acquisitions, or could involve greater risks and uncertainties. Joint ventures generally involve a lesser degree of control over business operations, and may in the future present greater financial, legal, operational and/or compliance risks. We may also have difficulty enforcing provisions of joint venture agreements in local courts.

We view high growth markets as offering us significant growth and market-shaping potential, and we expect to seek access to a variety of such markets through acquisitions and partnerships. The pursuit of these initiatives can be affected by regulatory constraints, foreign ownership restrictions in local investment laws, availability of suitable targets and uncertain business cases in ways that pose greater risk than initiatives that target established markets. In addition, acquisitions in high growth markets may pose particular risks related to integration across different corporate cultures, systems, languages, regulatory requirements and market practice, and may require greater investment to build up local market expertise and experience. More broadly, acquisitions in markets in which we have limited or no prior experience may pose a greater risk. For further information on risks related to high growth markets, see "—Operations in high growth markets can expose us to risks that we are less likely to face in developed markets."

We may have difficulty integrating completed acquisitions or may face other risks as a result of acquiring new operations.

Completed acquisitions present a range of operational and structural risks. Significant declines in asset valuations or cash flows may cause us not to realize expected benefits from the transactions, which may affect our results, including adversely impacting the carrying value of the acquisition premium or goodwill. Unless we use our shares as consideration for an acquisition, funding acquisitions can adversely impact our financial flexibility, as such funding requires use of cash on hand, borrowing under credit facilities and/or raising funds (including to augment our capital base) in the capital markets. Acquisitions can adversely impact our levels of surplus capital, our solvency ratios and our credit profile (for example, the recently completed Guardian Group Acquisition will have a negative impact on our SST ratio, due both to a reduction in available capital and an increase in required capital due to credit spread exposure), and the impact of an acquisition on our financial condition and results of operations could be exacerbated if the acquired operations do not generate the results we expect or when we expect them following integration.

Each target operation, regardless of size, needs to be integrated from a range of perspectives, including financial reporting and audit processes, information technology systems, general operations, human resources, compliance philosophy and monitoring, underwriting strategy and terms, among others, and these changes may be significant relative to the target's historical operations and infrastructure. In addition, in certain cases, there may be contractual limitations placed on the full integration of the acquired entity's operations, which can present additional operational risks. In general, difficulties in integrating acquired operations could have an adverse effect on us for an undetermined period after

consummation of an acquisition. In particular, acquisitions may result in business disruptions that cause us to lose customers or cause customers to move their business to competing institutions. It is possible that the integration process related to acquisitions could result in the disruption of our ongoing business or inconsistencies in standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients and other counterparties. The strain on group-wide infrastructure, internal control systems and other resources (including management resources and processes), as well as the loss of key employees, in connection with an acquisition, could adversely affect our ability to successfully conduct our business. If we are unable to integrate acquired operations within a reasonable time and within our anticipated cost parameters, we may incur higher than expected costs and we may be unable to realize the potential and anticipated financial results of the acquisition, including expected cost and revenue synergies, operational efficiencies and other benefits.

Additionally, when deciding to complete an acquisition, we make certain business assumptions and determinations based on our investigation of the business to be acquired, as well as other information then available (including, without independent verification). However, these assumptions and determinations involve risks and uncertainties that may cause them to be incorrect. As a result, we may not realise the full benefits that we expect from an acquisition. We may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While we seek to mitigate these risks through, among other things, due diligence processes and indemnification provisions, we cannot be certain that the due diligence process we conduct is adequate (in particular, where we are acquiring a privately held group) or that the indemnification provisions and other risk mitigation measures we put in place will be sufficient. Further, acquisitions also expose us to risk of ongoing compliance issues until such time as we can fully integrate acquired operations into our compliance and control frameworks. Any unknown or undisclosed liabilities that we assume, or any additional information about the acquired operations that adversely affects us (such as unknown or contingent liabilities and issues relating to compliance with applicable laws) could substantially increase our costs and have a material adverse effect on our business, financial condition and results of operations.

Market Risks

Our business, financial condition and results of operations could be adversely impacted by deterioration in global financial markets and economic conditions.

Our operations as well as our investment returns are subject to market volatility and macro-economic factors, which are outside of our control and are often inter-related.

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, growth forecasts among the principal global economies remain uneven and uncertain, and that uncertainty has been compounded by significant volatility in equity, currency and commodities markets. Slower growth rates in China, together with the actions taken on its currency, and drastic reductions in the price of oil, together with volatility in foreign currency and investment markets caused by interest rate action in the United States; continued concerns over the implications of austerity-driven economic policies in Europe and the ability of the European Union to address significant ongoing structural challenges; concerns over a possible exit of the United Kingdom from the European Union; deceleration in GDP growth and other negative trends in emerging markets; continued concerns over the ability of central banks to stimulate economic growth; and geopolitical instability, reflecting the political and military situations in the Middle East and North Africa, the rise of the Islamic State, concerns over further terrorist attacks across the globe and the political, economic and social crises caused by massive waves of migration into and through Europe and concerns over corporate earnings and near term potential for growth, have contributed to downward pressure on the capital markets and in turn on market capitalization of many listed companies, call into question the likelihood of continued recovery of the global economies and are beginning to raise the spectre of another global recession.

With fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. Any

such developments and trends could also have an adverse effect on our investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on our overall results, make it difficult to determine the value of certain assets in our portfolio and/or make it more difficult to acquire suitable investments to meet our risk and return criteria.

We are exposed to significant financial and capital markets risks, including changes in interest rates, credit spreads, equity prices and foreign exchange rates, which may adversely impact our financial condition, results of operations, liquidity and capital position.

Our business is materially affected by conditions in the financial markets and economic conditions, particularly in Europe and the United States and, increasingly, in high growth markets as we enhance our presence in such markets.

Our market risks primarily consist of risks related to interest rates, credit spreads, equity prices and foreign exchange rates. These risks can have a significant effect on our investment returns and market value of our investment portfolio, which in turn affects both our financial condition and results of operations. Investment income is an important part of our overall profitability, particularly during periods when underwriting results come under pressure and, in addition to premiums from our reinsurance and commercial insurance operations, represents a principal source of income. Fluctuations in the fixed income or equity markets have had, and could continue to have, an adverse effect on us. Our investment returns are also susceptible to changes in general economic conditions, including changes that impact the general creditworthiness of the issuers of debt securities held in our portfolio or the value of equity securities held in our portfolio, and to changes that impact the value of structured products. Current market volatility, particularly from credit spread widening, has heightened concerns over potential defaults by issuers of debt securities.

Interest rates. Our exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Fluctuations in interest rates may affect our future returns on fixed income investments, as well as the market values of, and corresponding levels of capital gains or losses on, the fixed income securities in our investment portfolio. While interest rates have started to rise in the United States, they remain relatively low, which generally depresses our key performance metrics, such as our return on investments and return on equity, due to lower reinvestment yields. Interest rates are subject to factors beyond our control, such as governmental monetary and fiscal policies, global economic conditions and many other factors, all of which have been exacerbated by the financial crisis and its aftermath. Generally, an increase in interest rates would increase the net unrealized loss position of our fixed income portfolio, offset by the ability to earn higher rates of return on funds invested. Conversely, a decline in interest rates would decrease the net unrealized loss position, offset by lower rates of return on funds invested. From an accounting perspective, a sharp increase in interest rates would lead to a decrease in our shareholders' equity, through the increase in unrealized losses in fixed income securities, which is not offset by changes in our liabilities under U.S. GAAP. Given current low levels of interest rates, we are likely to be subject to the significant potential effects of rising rates.

Moreover, the long time horizon for future liabilities in our Life & Health Reinsurance business means that changes in interest rates also have a direct economic impact on the value of our best estimate of future cash flows from such business.

In general, low interest rates continue to pose significant challenges to the insurance and reinsurance industry, with earnings capacity under stress unless lower investment returns can be offset by lower combined ratios. Economic weakness, fiscal tightening and monetary policies in response to moderate growth and low inflation are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees.

Credit spreads and related indicators. Our exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. Widening of credit spreads or other events that adversely affect the issuers or guarantors of fixed income securities we hold could cause the value of our fixed income portfolio and our net income to decline (as a result of an increase in the net unrealized loss position of our investment portfolio, and/or other-than-temporary impairments) and the default rate of the fixed income securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, could also have a similar effect. In addition, losses may also occur due to the volatility in credit spreads.

Equity prices. We are exposed to changes in the level and volatility of equity prices, as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. We are also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably VA business, are tied to financial market values, including equity prices, and would be subject to the risk of reduced fee income from our unit-linked business in Life Capital were equity markets performance to suffer. To the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent our exposure is not hedged. While we have an extensive hedging program covering existing VA business, certain risks cannot be hedged, including actuarial risk, basis risk and correlation risk. In addition, we have exposure to alternative investments, such as private equity, real estate and hedge fund investments. Market volatility has impacted both the level of net investment income from these types of investments and our ability to dispose of such investments on favorable terms or at all, and we may continue to experience reduced net investment income due to continued volatility affecting these pools of capital. Moreover, due to the normal delay in the preparation and receipt of financial information from underlying investments, results for later periods of a current year may only be reported to us during a future year.

Foreign exchange rates. Our exposure to foreign exchange risk arises from exposures to changes in spot prices, forward prices and volatilities of currency rates. The U.S. dollar is our reporting currency. Therefore, our financial condition, results of operations and cash flow have been and will continue to be affected by fluctuations in the values of other currencies (in which we transact business or in which our assets or liabilities are denominated) against the U.S. dollar, which could be material. Foreign exchange rates continue to be volatile. While the appreciation of the Swiss franc is expected to continue to have a limited impact on our financial condition and results of operations (given the relatively small proportion of our business written in Switzerland, our natural hedge of keeping premiums and liabilities in the same currency and the fact that we report in U.S. dollars), it is likely to continue to have an impact on our expense base (as approximately a quarter of our employees are based in Switzerland, and are compensated in Swiss francs) and on the overall Swiss economy.

If significant, market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, reduced market liquidity, declines in equity prices, and foreign currency movements, alone or in combination, could have a material adverse effect on our financial condition, results of operations or cash flows through realized losses, impairments or changes in unrealized positions. Volatility in the capital markets also impacts costs of hedging, and lower asset values reduce shareholders' equity.

Our efforts to manage asset risk in our investment portfolio may not be fully successful and may nonetheless expose us to the risk of mismatch between our assets and our liabilities.

We are focused on asset-liability management ("ALM") for our investment portfolio, but pursuing even this strategy has its risks, including a possible mismatch between investments and liability benchmarks. In addition, although we will seek to price our new business consistent with investment returns tied to our liability benchmark, our existing business, particularly the more long-tailed Life & Health Reinsurance business, was priced using historical parameters. As interest rates have remained at historically low levels in recent years, we may be unable to successfully match, or come close to, historical parameters going forward. Further, unanticipated changes in the correlation between the various factors that we use to manage our investment portfolio may impact its performance. We also seek to manage the risks inherent in our investment portfolio by repositioning our portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Our ability to manage exposures may be limited by adverse changes in the liquidity of a security or the related hedge instrument and in the correlation of price movements between the two. Sudden declines and volatility make it more difficult to hedge, or to sell or value, assets. The inability to effectively hedge or sell assets reduces our ability to limit losses in such positions. In addition, in the case of private equity investments, hedge fund investments and other securities that are not freely tradable or lack an established and liquid trading market, it may not be possible, or economical, to hedge such exposures. There can be no assurance that our efforts to reduce our exposure to sudden and adverse price movements will be successful, and failure to do so could have a material adverse effect on our financial condition, results of operations and liquidity. Moreover, we may be successful in establishing hedges, but the hedges may be ineffective or may greatly reduce our ability to profit from increases in the values of the underlying securities. In addition, our approach to ALM, and the related level of de-risking, may be more cautious

than other market participants, and while this approach may be more beneficial while markets remain volatile, were markets to stabilize, other market participants may benefit more than us.

Liquidity Risks

We could be subject to unexpected needs for liquidity, which need could be exacerbated by factors beyond our control, and may limit our ability to engage in desired activities.

Our business requires, and our clients expect, that we have sufficient capital and liquidity to meet our (re)insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger our insurance or reinsurance coverage obligations. Failure to do so could have an adverse effect on our liquidity position, our ability to meet our regulatory requirements and ultimately our ability to conduct our business.

Our uses of funds include, among other things, our obligations arising in our reinsurance and commercial insurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitizations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness, and funding of acquisitions. We have unfunded capital commitments in our private equity and hedge fund investments, which could result in funding obligations at a time when we are subject to liquidity constraints. We also have potential collateral requirements in connection with a number of our reinsurance and commercial insurance arrangements. Certain of our debt underlying structured transactions may be due on demand, and payment undertaking agreements may be accelerated on ratings downgrades or unwinds of the related structured transaction.

Market conditions could also subject us to unexpected needs for liquidity. For example, we may need liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements or collateral calls under derivative contracts and other contractual arrangements as a result of deterioration in our financial strength due to market conditions or the perception by counterparties that we may be subject to such deterioration. Similarly, contingent collateral requirements could be tied to ratings or our ability to meet certain regulatory capital tests. Obligations under derivative instruments to maintain high quality collateral could trigger funding requirements were the collateral we maintain to be downgraded or otherwise impaired as a result of market conditions. Market conditions could also trigger changes in collateral requirements under securities lending arrangements. Any of the foregoing could have a material adverse effect on our financial condition and results of operations. In addition, our ability to take advantage of new business opportunities could be adversely impacted by our inability to access sufficient liquidity, which in turn could adversely affect our ability to achieve our growth targets.

Unexpected liquidity needs could require us to increase levels of indebtedness or to liquidate investments or other assets. Should we require liquidity at a time when access to bank funding markets and the capital markets is limited, we may not be able to secure new sources of funding. Our ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations. Our ability to meet liquidity needs through the incurrence of debt may be limited by constraints on the general availability of credit and willingness of lenders to lend, in the case of bank funding, and adverse market conditions, in the case of capital markets debt. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action against us could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which we are a party) at a time when our ability to obtain liquidity from external sources is limited by such ratings action.

The availability and cost of collateral, including letters of credit, could adversely affect our operations and financial condition.

In connection with our reinsurance and commercial insurance obligations, we may be, or may become, subject to requirements to post collateral, which amounts could be material and, furthermore, requirements to post collateral could require us to liquidate cash equivalents or other securities to fund collateral requirements. For example, in order to reduce the effects of regulatory reserves and capital that ceding companies are required to maintain in certain jurisdictions, ceding companies retrocede business to affiliated and unaffiliated entities. In connection with such retrocessions, the affiliated or unaffiliated reinsurer must provide collateral. Such collateral may be provided in the form of letters of credit or through the placement of assets in trust. We may be required to provide collateral as part of these types

of retrocession arrangements for the benefit of unaffiliated ceding companies or for the benefit of affiliated entities, and a significant part of our reinsurance collateral requirements are currently being met through bank letters of credit obtained through letter of credit facilities. These letters of credit are irrevocable and unconditional, and could be drawn upon by ceding company beneficiaries, triggering a reimbursement obligation on our part to the issuer or issuers of such letters of credit. Calls for collateral could require us to apply cash or cash equivalents to meet collateral needs, which amounts could be material and could have a material adverse effect on our financial condition.

Credit facilities at the Business Unit level place various constraints on us, and our use of credit facilities, particularly letter of credit facilities, subjects us to various risks.

Our letter of credit facilities and revolving credit facilities contain provisions that could constrain our ability to undertake various activities or transactions, such as asset sales, incurrence of liens and various types of restructurings. Any failure to comply with such covenants or the covenants in other debt instruments could result in a default. A default could lead to acceleration of the underlying obligations, trigger collateralization requirements (in the case of letter of credit facilities supporting reinsurance or commercial insurance-related obligations) and/or trigger cross-defaults in other credit facilities or debt instruments. The need to refinance or replace these facilities on less favorable terms could adversely affect our business and our financial condition.

Our access to funds from bank counterparties and commitments of banks to issue letters of credit could be adversely impacted if one or more bank counterparties were to face liquidity or other credit-related issues. The continued effectiveness of letters of credit could be adversely impacted if the issuing banks were to face resolution. Moreover, failure of a bank to satisfy minimum criteria (such as inclusion on the "Bank List" of the National Association of Insurance Commissioners ("NAIC")) could require us to find replacement issuers of letters of credit. We might not be able to replace issuing banks on favorable terms on a timely basis or otherwise.

Our failure to maintain our funding arrangements could require us to liquidate investments or curtail business activities, which could have an adverse effect on our financial position. Defaults under letter of credit facilities could trigger collateral requirements and/or require use to find alternative sources of collateral support in order to continue to conduct certain business activities, and could also give rise to events of defaults under other funding agreements.

We may be unable to access internal sources of liquidity.

Our ability to meet liquidity needs across the Swiss Re Group may be constrained by regulations that require our regulated entities to maintain or increase regulatory capital (on a statutory equity basis) (see "*Legal, Tax and Regulatory Risks*") or that restrict the flow of intra-Group funds, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradeable. If we are designated as systemically important (see "*Legal, Tax and Regulatory Risks*"), applicable regulations could become more onerous. We may have adequate capital on a consolidated group basis, but a need for liquidity (cash or liquid assets that can be converted to cash, to meet financial obligations) could arise in a particular legal entity and our ability to access group liquidity for that entity may be limited by legal, tax or regulatory constraints on the flow of intra-Group funds.

Counterparty Risks

Our business, profitability and liquidity may be adversely affected by the deterioration in the creditworthiness of, or defaults by, third parties that owe us money, securities or other assets.

We could be adversely impacted by the insolvency of, or the occurrence of other credit events affecting, key ceding companies or other clients (including, in the case of Corporate Solutions, risks in respect of external reinsurance arrangements).

We could also be exposed to the risk of defaults, or concerns about possible defaults, by our counterparties. Issuers or borrowers whose securities or loans we hold, trading counterparties, counterparties under swaps and other derivative contracts, clearing agents, clearing houses and other financial intermediaries may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operations failure, fraud or other reasons, which could also have a material adverse effect on our financial condition and results of operations. In addition, our credit risk

may be exacerbated when the collateral held by us cannot be realized upon disposal or liquidation or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us.

The occurrence of a major economic downturn or continued concerns over global economic conditions, acts of corporate malfeasance, widening credit spreads, or other events that adversely impact the issuers, guarantors or underlying collateral of securities in our investment portfolio could cause the value of our fixed maturity securities portfolio and our net income to decline and the default rate of the fixed maturity securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of particular securities, or similar trends that could worsen the credit quality of issuers, such as the corporate issuers of securities in our investment portfolio, could also have a similar effect. With economic uncertainty, credit quality of issuers or guarantors could be adversely affected. Similarly, a ratings downgrade affecting a loan-backed security we hold could indicate the credit quality of that security has deteriorated. Any event reducing the value of these securities other than on a temporary basis could have a material adverse effect on our financial condition, results of operations, business and prospects.

Our business, profitability and liquidity may be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in our reinsurance and/or insurance operations.

Reinsurance. We retrocede a portion of our reinsurance risks to third parties. Where we enter into quota share or other retrocession arrangements with third parties to transfer a portion of our reinsurance risk, we remain primarily liable on the underlying obligations, and any deterioration in creditworthiness or other development that affects the ability of such third parties to perform their obligations to us would have an adverse effect on us, and that effect could be material. Any such risk would be exacerbated to the extent the risk is concentrated.

We have the ADC with National Indemnity, which covers our Property & Casualty reserves for accident years prior to and including 2008 (subject to certain exclusions). Furthermore we are party to the Co-Insurance Agreement and the related Stop Loss Agreement. There are also amounts payable by Berkshire Hathaway to us under the quota share retrocession agreement that expired at the end of 2012 in respect of 2008-2012 Property & Casualty business. Any deterioration in the creditworthiness of Berkshire Hathaway and/or National Indemnity could have a material adverse effect on the ability of Berkshire Hathaway or National Indemnity to satisfy its obligations to us under these arrangements. Failure of any such counterparties to meet obligations owing to us would expose us to unanticipated losses, which could have a material adverse effect on our financial condition and results of operations.

Insurance. We face counterparty risks in respect of internal and external reinsurance arrangements (whether retrospective or prospective) and we face additional counterparty risks in the course of our commercial insurance business. We are subject to credit risk with respect to Corporate Solutions' reinsurance arrangements if a reinsurer is unable to pay amounts owed to us as a result of a deterioration in its financial condition or if it simply unwilling to pay due to a dispute or other factors beyond our control. Some of our reinsurance claims may be disputed by reinsurers and, we may ultimately receive partial or no payment. The ability of reinsurers to transfer their risks to other, less creditworthy, reinsurers may adversely affect our ability to collect amounts due to us.

We offer high deductible policies that are primarily provided in certain general liability protection lines of our commercial insurance business. Under the terms of these policies, our clients are responsible for a set dollar amount per claim and/or an aggregate amount for all covered claims before we are ultimately liable. However, we may be required under such policies to pay third party claimants directly and then seek reimbursement for losses within the deductible from our clients. This subjects us to credit risk from these clients. While we generally seek to mitigate this risk through collateral agreements and maintain a provision for uncollectible accounts associated with this credit exposure, an increased inability of clients to reimburse us in this context could have an adverse effect on our financial condition and results of operations. In addition, a lack of credit available to our clients could impact our ability to collateralize this risk to our satisfaction, which in turn, could reduce the amount of high deductible policies we are able to offer.

In addition, through Corporate Solutions, we provide capital management solutions to banks via participations in credit facilities originated, arranged and serviced by client banks in the area of trade and project finance. We rely on the banks to originate and monitor the performance of the facilities in which

we participate. If the underwriting or monitoring by the client banks is not adequate, or if the borrowers of these facilities do not service the debt, for any reason, our earnings may be adversely impacted.

We could also be adversely impacted by the insolvency of, or the occurrence of other materially adverse credit events affecting, key ceding companies or other key clients.

Transactions involving brokers subject us to credit risk.

In accordance with industry practice, we often pay amounts owed on claims under our insurance contracts to brokers, and these brokers, in turn, pay these amounts over to the clients that have purchased insurance from us. Although the law is unsettled and depends upon the facts and circumstances of the particular case, in some jurisdictions, if a broker fails to make such a payment, we might remain liable to the insured for the deficiency. Conversely, in certain jurisdictions, when the insured pays premiums for these policies to brokers for payment over to us, these premiums might be considered to have been paid and the insured will no longer be liable to us for those amounts, whether or not we have actually received the premiums from the broker. Consequently, we assume a degree of credit risk associated with brokers with whom we transact business. However, due to the unsettled and fact-specific nature of the law, we are unable to quantify our exposure to this risk. To date, we have not experienced any material losses related to these credit risks.

Risks Relating to Downgrades of Credit Ratings

A decline in the financial strength or a downgrade in the credit ratings assigned to us and our businesses by various rating agencies could have a material adverse impact on us, including on our ability to write new business or borrow money.

Ratings are an important factor in establishing the competitive position of insurance and reinsurance companies. Third-party rating agencies assess and rate the financial strength of insurers and reinsurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be solicited or unsolicited.

The rating agencies, with whom we maintain an interactive rating relationship, continuously evaluate us to confirm that we continue to meet the criteria of the rating assigned to us. Our ratings may be revised downward or revoked at the sole discretion of the rating agencies. The financial strength ratings assigned by rating agencies to insurance or reinsurance companies are based upon factors relevant to cedents, which includes factors not entirely within our control, including factors impacting the financial services, insurance and reinsurance industries generally. Financial strength ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security.

Swiss Re, the SRZ Group and Corporate Solutions are currently rated "AA-" (stable outlook) by Standard & Poor's ("**S&P**"), "Aa3" (stable outlook) (in the case of Swiss Re and the SRZ Group) and "Aa3" (positive outlook) (in the case of Corporate Solutions) by Moody's Investors Service ("**Moody's**") and "A+" (stable outlook) by A.M. Best. These ratings reflect the current opinions of S&P, Moody's and A.M. Best, respectively. One or more of these ratings could be downgraded or withdrawn in the future. As a result of economic and financial market downturns, and in particular the impact of those conditions on our industry, rating agencies may increase the frequency of and scope of ratings reviews, revise their standards or take other actions that may negatively impact our ratings, which we cannot predict. For example, the treatment of hybrid securities is agreed upon with rating agencies on a security-by-security basis, and rating agencies may modify (including retroactively) the treatment they accord such securities.

In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting us, could make it more difficult for us to achieve improved ratings, which we would otherwise have expected.

As claims paying and financial strength ratings are a key factor in establishing the competitive position of insurers and reinsurers, a decline in Swiss Re's ratings or the ratings of the SRZ Group or Corporate Solutions alone, could make insurance or reinsurance provided by us less attractive to clients relative to insurance or reinsurance from our competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase insurance or reinsurance only from insurers or reinsurers with certain ratings, or whose confidence in us is otherwise diminished. Furthermore, ratings directly impact the terms, including availability of unsecured financing

(potentially impacting both our ability to roll over facilities and obtain new facilities), and any decline in our ratings or our subsidiaries' ratings could also obligate us to provide collateral or other guarantees in the course of our insurance or reinsurance businesses or trigger early termination of funding arrangements. Any rating downgrades could also have a material adverse effect on costs of borrowing and limit access to the capital markets. Finally, the factors that contribute to adverse ratings action, such as the concerns in respect of asset write-downs and capital position, have in the past contributed, and could in the future contribute, to concerns generally about the risks we pose to ceding companies or other clients in terms of counterparty risk to them. Any of the foregoing, or a combination of the foregoing, could have a material adverse effect on our business.

Negative ratings action could impact our insurance, reinsurance or derivative contracts.

Certain larger insurance, reinsurance and derivative contracts may contain terms that would allow the ceding companies, other clients or counterparties to cancel the contract for our obligations if our ratings or those of our subsidiaries are downgraded beyond a certain threshold. Whether a client would exercise this cancellation right would depend, among other factors, on the reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement insurance or reinsurance coverage. Furthermore, any downgrade of our ratings or those of our subsidiaries may dissuade a client from insuring or reinsuring with us or our subsidiaries in favor of a competitor that has a higher rating. Therefore, we cannot predict the extent to which any such cancellation right would be exercised, if at all, or what effect any such cancellation would have on our financial condition or future operations. However, such effect on our financial condition and results of operations could be material.

Legal, Tax and Regulatory Risks

Regulatory changes could have an adverse impact on aspects of our business model and ultimately on our financial condition and results of operations.

We are subject to applicable regulation in each of the jurisdictions in which we conduct business, including Switzerland, the United States, countries in the European Union, and other jurisdictions.

International. In recent years, the insurance and reinsurance industry has been subject to growing regulatory scrutiny from traditional insurance/reinsurance regulators, and more recently from international bodies such as the Financial Stability Board ("**FSB**") and others, including central banks, whose historical focus has been in respect of banks and other similar financial institutions. While the stated objective of global regulators has been to achieve a coordinated and targeted global response, the insurance and reinsurance industry, in fact, is facing a potentially more fragmented regulatory landscape and growing tendency of regulators to apply concepts borrowed from the banking sector. Regulatory initiatives include, among other things, changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, changes in the way financial institutions account for transactions and securities positions, changes in the enforceability of obligations under certain circumstances, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness or financial strength of financial institutions.

On the international level, certain large insurance companies have been designated as global systemically important insurers ("**G-SIIs**"), and reinsurance companies face potential designation as G-SIIs. G-SIIs are expected to be subject to a new basic capital requirement ("**BCR**"), which in turn will form the basis for calculating high loss absorbency ("**HLA**") requirement. Large insurance groups are likely to become subject to a risk-based group-wide global insurance capital standard ("**ICS**"). See "*—We could be designated as systemically important and be subject to greater requirements as a result.*"

Europe. In Europe, Solvency II became effective on January 1, 2016 and applies to our legal entities organized in the European Economic Area (the "**EEA**"). Following proposals for the establishment of the Single Supervisory Mechanism ("**SSM**") as part of European efforts to create a "banking union," there is consideration of an SSM for insurance companies. In Switzerland, we became subject to the Swiss Solvency Test ("**SST**") in 2011, and on July 1, 2015, the revised Federal Ordinance on the Supervision of Private Insurance Companies (Insurance Supervision Ordinance, ISO) (the "**Swiss Insurance Supervision Ordinance**") entered into force. The revisions reflected in the Swiss Insurance Supervision Ordinance were designed in large part to enable Swiss regulation and FINMA to be treated as equivalent

for Solvency II purposes, which among other things will allow local regulators to rely on group supervision by FINMA. The European Commission has granted Switzerland full equivalence for Solvency II purposes. FINMA has also introduced audit requirements for insurance companies in respect of internal controls. The Swiss Insurance Supervision Ordinance provides for new disclosure obligations, introduces Own Risk and Solvency Assessments ("ORSA") requirements and introduces qualitative and quantitative liquidity requirements. Further details of these new requirements have been set out in new and revised FINMA circulars, which entered into force on January 1, 2016. The Swiss insurance regulations also introduced a basis for submitting unregulated entities providing material support to regulated entities within an insurance/re insurance group to limited FINMA oversight.

In our Life Capital business, we have been, and will continue to be, impacted by legal and regulatory developments, as well as fiscal or other policies and actions of various governmental and regulatory authorities, in particular in the United Kingdom, Ireland (as a result of the Guardian Group Acquisition) and more broadly in the European Union. In 2015, the UK life insurance sector underwent significant regulatory change, including changes to UK pensions legislation (that increased the flexibility provided at retirement and abolished for those with defined contributions the requirement to purchase an annuity) and also reduced tax relief on pension savings (that make traditional pensions products and annuities less attractive), which may substantially reduce Life Capital's annuity business. In particular, the Guardian Group has a sizeable number of pension policyholders who are approaching their retirement, which increases the risk (as a result of the Guardian Group Acquisition) that our assets under management and revenues from asset management will be reduced. As pensioners under the new legislation are allowed access to their pension assets and are in position to freely withdraw funds from their pension either in a single sum or over several years, this could reduce our assets under management and, as a result, reduce fee-based income from our asset management business. ReAssure launched a flexible retirement product in 2015 in response to the legislative changes and will be making this available to Guardian's customer base in 2016.

In addition, the FCA's thematic reviews (including on retirement income, sales practices for annuities and the fair treatment of long-standing customers in life insurance) have been carried over from its 2014-2015 business plan. In its 2015-2016 business plan, the FCA reaffirmed its focus on the pensions landscape (in respect of policy supervision, market studies and thematic work), with the intent of ensuring that firms have improved their practices since the publication of the FCA's thematic report on annuities in December 2014. The FCA's increased scrutiny of conduct risk management and accountability is expected to continue to affect the UK life insurance industry and will impact future persistency and strategic risk, as we address the implications on product strategy and increased frequency of customer transactions in our Life Capital business. In particular, the FCA's thematic review of legacy savings and the end of compulsory annuitisation are the two key developments that have the potential to drive direct losses as opposed to mere adverse persistency experience. IT resilience is also a key focus area for the FCA and the PRA. They are increasingly viewing cyber risk as a primary threat to solvency because of the significant, rapid and unexpected impact of security incidents affecting healthcare insurers in the UK and the inability of such insurers to effectively respond to the events in questions. Moreover, the Chancellor of the Exchequer announced in January 2016 that legislation will be proposed to impose on the FCA the duty to limit the level of early exit charges on pensions, to facilitate the increase of flexibility provided at retirement as a result of the tax reforms that came into effect in April 2015. A consultation paper on the proposed cap is expected to be published by the FCA in the first half of 2016 and will be effective no later than the end of the first quarter in 2017. The current understanding is that the cap will not be retrospective.

United States. In the United States, the Federal Reserve is playing an increasingly prominent role in respect of large insurance holding companies and the Federal Insurance Office ("FIO") has set out an agenda for modernizing insurance regulation in the United States. In addition, regulatory changes in the United States and Europe in respect of derivatives could have a significant impact on us.

Impact on global operations. While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, in light of regulatory developments in the European Union, the United States, Canada and Australia, we continue to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. European Union consultation on recovery and resolution frameworks for financial institutions other than banks (with a focus on so-called financial market infrastructures) could potentially impact our EU carriers and impose recovery and resolution planning preparedness throughout our group. In addition, regulators in jurisdictions beyond those where we have core operations increasingly are

playing a far greater oversight role, requiring more localized resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, the regulatory schemes and requirements that are being proposed by various regulators around the world may be inconsistent or may conflict with each other, thereby subjecting us to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. We also believe that certain initiatives may have the effect of reducing diversification benefits, reducing the recognition of risk-mitigation techniques and undermining progress in introducing economic and risk-based capital regimes. In the United States, as a result of the Solvency Modernization Initiative of the NAIC, we are experiencing greater scrutiny in the United States of our global operations and more extensive reporting obligations.

If changes are made to existing legislation or if new legislation is adopted or new regulations are promulgated covering our operations and other activities, they could increase the cost of doing business, reduce access to liquidity, limit the scope of permissible activities or affect the competitive balance. In addition, we could be adversely impacted by changes in interpretations by regulators of existing or new regulations or by the imposition of new requirements by regulators based on discretionary authority or otherwise. Regulatory changes may also have an impact on us to the extent they result in reinsurance or insurance becoming a less attractive option for ceding companies (in the case of changes aimed at primary insurance companies) or other clients, or otherwise have an adverse effect on ceding companies (in the case of changes aimed at primary insurance companies or those that have broader applicability but impact business models of primary insurance companies) or other clients. Moreover, regulations aimed at financial institutions generally might impact our capital requirements and/or required reserve levels or have other direct or indirect effects on us.

Significant policy decisions on a range of regulatory changes that could affect us and our operations remain undecided. We cannot predict whether and, if so, which changes will be forthcoming or the effect of any such changes on our insurance, reinsurance or investment activities, financial condition, results of operations, liquidity and capital, or generally on our access to funding. It is also difficult to predict whether any such changes would impact only new business or have a broader effect. For example, we typically price insurance and reinsurance, including our long tail business, on current capital requirements and any increase in capital requirements could impair that pricing, leading to lower profit. Moreover, increases in the level and scope of regulations requires greater internal resources to monitor compliance and track global developments, and can also delay the writing of new business pending compliance review. With increases in the level of business in high growth markets, we also need to allocate commensurate compliance resources to address the related risks.

Ultimately, the impact on our structure, our operations and our stakeholders of the foregoing will be a function not only of the nature of the regulations, but also on the ability of regulators to agree on uniform standards and uniform approach to regulatory jurisdiction. Operational costs are likely to increase in any event, but failure to achieve uniformity will increase the costs of operations as well as the costs of compliance even further.

We could be designated as systemically important and be subject to greater requirements as a result.

Regulatory changes are particularly likely to impact financial institutions designated as "systemically important" or "too big to fail," under evolving reforms. These reforms are designed, among other things, to reduce the likelihood of failure and to enhance the capacity of regulators to respond through resolution authority should failure be likely. Although early regulatory efforts were focused primarily on banking institutions, the scope of proposals has extended beyond banks to cover insurance and reinsurance companies.

Swiss Re could be designated as a global systemically important financial institution ("**SIFI**") under the framework for SIFIs developed by the FSB, or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the "**FSOC**") in the United States. To date, the FSOC has designated (or proposed the designation of) various non-bank financial companies, including insurance companies, as SIFIs. Separately, in July 2013, the International Association of Insurance Supervisors ("**IAIS**"), an international body that represents insurance regulators and supervisors, published the methodology for identifying G-SIIs and also published a framework for supervision of internationally active insurance groups ("**IAIGs**"). See "*Regulation—General—Global Trends*". The initial designation of insurers as G-SIIs took place in July 2013 (with the publication of a list of nine G-SIIs), with an updated list published most recently in November 2015, based on end-2014 data (which includes a total of nine primary insurers). In comparison to the 2014 cohort, one insurer has been added and one removed

from the list. The G-SII list is updated annually based on a publicly available designation methodology that was reviewed by the IAIS.

A consultation paper on the reviewed G-SII assessment methodology was published by the IAIS in November 2015 and the refined methodology is intended to be applied from the 2016 designation. The consultation paper proposes various changes to the methodology. Among the most prominent changes are the addition of a qualitative assessment phase, including a reinsurance supplementary assessment, as well as the use of absolute reference values for some indicators. The industry has responded with mixed reactions to the proposed changes, welcoming, for example, the use of absolute reference values, but being sceptical of the degree of subjectivity as a result of a potential qualitative assessment. In addition to the consultation on the G-SII assessment methodology, in November 2015, the IAIS published a consultation on the definition of non-traditional insurance and non-insurance ("NTNI") activities. The consultation introduced a general framework for identifying insurance activities as NTNI. After the consultation, the IAIS plans to apply the framework to a comprehensive list of insurance activities in order to generate an updated list of NTNI activities.

The initial designation of reinsurers as G-SIIs, which was expected in mid-November 2014, has been postponed pending further development of the refined G-SII assessment methodology, intended to be applied in 2016. Were Swiss Re to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the BCR for G-SIIs and the ICS for IAIGs). Such a designation would also have various implications for us, including additional compliance costs and reporting obligations as well as heightened regulatory scrutiny in various jurisdictions. Such heightened regulatory scrutiny could lead to efforts by regulators to have market participants reduce their exposure to us and could include increased regulatory focus on (and increased capital requirements relating to) our business lines that are considered NTNI activities. Even though the IAIS has published a set of international policy measures to be applied to G-SIIs (including enhanced supervision, effective resolution and higher loss absorption), it remains unclear how such measures would be applied to us and how they might impact FINMA group supervision (including the current levels of regulatory intervention that applies under the SST), and, therefore, what the ultimate implications of such measures would likely be for us.

The IAIS process is an evolving one, and both the direct consequences as well as indirect consequences of any designation remain uncertain. We cannot predict what additional regulatory changes will be implemented in any of the jurisdictions in which we operate as the IAIS process takes shape and what any such changes may mean for how we are structured in any such jurisdiction and how aspects of our business may be affected. Moreover, we cannot predict what regulatory changes may apply in the future to our ceding companies in the context of broader designations of reinsurers as systemically important.

We are likely to be subject to regimes governing recovery and resolution and may be subject more broadly to a new restructuring regime and, as the scope and implications of these regimes are still evolving, it is unclear what the consequences will be for us.

As part of the global regulatory response to the risk that SIFIs could fail, banks, and more recently insurance companies, have been the focus of recovery and resolution planning requirements. Recovery and resolution planning is designed to provide a blueprint for actions to maintain a group as a going concern should it become subject to a severe stress situation (recovery) and, should those actions fail, resolution in order to avoid systemic disruption and government bailouts. Recovery and resolution reforms for banks in the EU will now provide regulators with the power, as part of resolution authority, to write down indebtedness or to convert that indebtedness to capital (known as statutory loss absorption, or "bail in"), as well as other resolution powers.

It remains unclear whether and in what form recovery and resolution reforms, and other changes to insolvency regimes, applicable to banks would be extended to other financial institutions, including insurance and reinsurance companies generally, and in particular what action Swiss regulators and legislators may propose in this area in respect of regulated entities, or unregulated entities that provide material support to regulated entities within an insurance/reinsurance group, under FINMA supervision. Swiss Re has produced formal recovery and resolution plans, which is subject to FINMA review and approval. Swiss Re could be subject to resolution action by FINMA as global supervisor or subject to local resolution actions by another supervisor in coordination with FINMA. Another area of uncertainty would be the extent to which other regulators would recognize FINMA resolution actions.

The requirements that could be applicable to us were we to face capital, liquidity or other solvency risks are expected to continue to evolve and it remains unclear what requirements will apply to us and, consequently, what the implications will be for us and for our other stakeholders, including the holders of our securities.

We are currently subject to, and in the future may be subject to other, regulations that impact the statutory capital that we have and must hold, as well as calculations and processes behind the solvency ratios that apply to us on both a group and solo basis.

We are subject to the SST on both a group and solo basis (in the case of the SRZ Group and Corporate Solutions) and must meet the applicable ratio under the SST as a regulatory matter. In addition, we have incorporated the SST into our hybrid instruments for example as triggers for stock settlement or principal write-off, as well as being relevant to mandatory deferral of interest and the ability to redeem, purchase or exchange instruments. The SST can change over time and, in particular, could change in light of FINMA's stated aim to ensure that the SST continues to be equivalent to Solvency II.

Under the SST regime, in recent years we filed reports with FINMA twice a year (at the end of April, which contains a projection for the coming year, and at the end of October, which contains a mid-year 12 month projection); under the revised Swiss Insurance Supervision Ordinance, the filing requirement is annual only. In addition, under pre-existing requirements, reporting to FINMA is required upon the incurrence of significant losses (defined for SST ratios above 150%, as losses of one third or more of risk-bearing capital; for SST ratios between 100% and 150%, as losses of 20% or more of risk-bearing capital; as losses resulting in an SST ratio of 100% or less; or once an SST ratio falls below 100%, as losses of 10% or more of risk-bearing capital) and upon a significant change in risk profile (a greater than 20% change in target capital). FINMA can also require submission of an interim report of an SST ratio on an ad hoc basis at any time, which would require calculation of an SST ratio covering different periods, and we could elect to submit interim reports on a voluntary basis. Failure to maintain an SST ratio of at least 100% would have increasingly adverse consequences for us depending on whether the margin was between 80%-100%, between 33%-80% or below 33%. See "*Regulation—Switzerland*." While FINMA has a standard model for calculating the SST ratio, insurers are permitted to use their own internal models. We use our own internal model, which is subject to ongoing discussions with FINMA, and we remain subject to changes FINMA may require in our model (in conjunction with changes to its standard model or otherwise) and to FINMA scrutiny of any changes that we may want to make to our model.

Various operating subsidiaries in the Life Capital Business Unit are regulated by the UK Prudential Regulatory Authority (the "**PRA**") and/or the FCA. Life Capital's UK business, through ReAssure Limited ("**ReAssure**") and Guardian Assurance Limited ("**Guardian**"), operates a number of core "funds," each with different attributes and respective benefits to policyholders and the shareholders. Each of these funds is required by the PRA regulations to maintain sufficient capital and has defined investment criteria for financial assets and valuation methodologies for insurance liabilities. The UK and Irish regulated entities within Life Capital and the Luxembourg and Liechtenstein regulated entities within our open book business are also subject to Solvency II requirements and, the Swiss regulated entities are subject to the Swiss supervisory system that is treated as equivalent to Solvency II. Actions of Life Capital's regulators could have the effect of increasing capital requirements to which it is subject. Admin Re UK Limited ("**ARUK**") is in contact with the PRA in terms of the ultimate aim of approval of an ARUK internal model for Solvency II purposes. Until such internal model is approved, ARUK uses the standard formula approach for Solvency II reporting. In addition, the PRA can require add-ons to the standard formula, although the current assessment by the PRA is not to require any capital add-on for ARUK. As a result of the Guardian Group Acquisition, Life Capital is also required to comply with the Central Bank of Ireland ("**CBI**") rules in respect of required capital for Ark Life Assurance Company Limited ("**Ark Life**"), a company based in Dublin that is authorized and regulated by the CBI.

Separately, the IAIS is promoting ORSA requirements as a key component of regulatory reform. An ORSA will require insurance companies to issue their own assessment of their current and future risk through an internal risk self-assessment process that includes projection of solvency under base case and stress scenarios, and will allow regulators to form an enhanced view of an insurer's ability to withstand financial stress. ORSA is in various stages of implementation in the United States, Europe and other jurisdictions, with various effective dates. We will need to comply with each applicable national ORSA requirement, giving rise to resource commitments at Swiss Re Group, regional and state levels and creating potential issues by reason of differing standards.

Accounting standards and statutory capital and reserve requirements for our North American insurance and reinsurance subsidiaries are prescribed by the applicable insurance regulators and the NAIC. U.S. state insurance regulators have established regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") formulas for (re)insurance companies. The RBC formula for property and casualty companies adjusts statutory surplus levels for certain underwriting, asset, credit and off-balance sheet risks. In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors—the amount of statutory income or losses generated by our insurance and reinsurance subsidiaries (which itself is sensitive to equity market and credit market conditions), the amount of additional capital our insurance and reinsurance subsidiaries must hold to support business growth, changes in equity market levels, the value of certain fixed-income and equity securities in our investment portfolio, the value of certain derivative instruments, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. Most of these factors are outside of our control. Our claims paying ratings are significantly influenced by our insurance and reinsurance subsidiaries' statutory surplus amounts and RBC ratios. Due to all of these factors, projecting statutory capital and the related RBC ratios is complex.

We will need to conduct our business so as to comply with current, and evolving, regulatory standards. Some of the factors that could have a significant impact on our capital and solvency ratios, such as unexpectedly high natural catastrophe losses, are out of our control. Were we to approach our minimum capital requirements, or were we in danger of otherwise failing to meet minimum regulatory requirements, we would have to take measures such as redeploying existing capital or raising additional capital by disposing of assets, issuing equity or debt in the capital market, or incurring bank debt. Our ability to meet capital needs through asset sales may be constrained by market conditions and the related stress on valuations. Our ability to meet capital needs through the incurrence of debt may be limited by constraints on the general availability of credit and willingness of lenders to lend, in the case of bank funding, and adverse market conditions, in the case of capital markets debt. Efforts to increase capital generally could have a material adverse effect on our business, results of operations or financial condition, and were we unsuccessful in taking such measures, remedial regulatory solutions could be imposed on us to restore capital and solvency positions.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect us.

We are subject to taxation in a number of jurisdictions in which we operate. Changes in tax laws, or the interpretation of tax laws or tax regulations in jurisdictions in which we do business, or withdrawals of tax rulings in jurisdictions such as Switzerland that have issued such rulings to Swiss Re, could increase the level of taxes we pay and changes in tax laws, or the interpretation of tax laws or tax regulations in jurisdictions relevant to our clients could adversely affect the attractiveness of certain of our products for such clients. There are ongoing discussions in the European Union regarding the imposition of a financial transaction tax ("FTT") on financial institutions transacting business in the European Union, and it is unclear whether such a tax will be imposed and, if so, what the scope of the tax could be. While such a tax might not impact our insurance or reinsurance contracts, it could impact other activities conducted by us, including our investment activities. Similarly, in the United States, legislation has at various times been proposed that would limit the deductibility of reinsurance premiums paid to foreign affiliates. If such legislation were ultimately adopted, this change could increase the level of tax that our U.S. subsidiaries pay. Changes in corporate tax rates can also affect the value of deferred tax assets and deferred tax liabilities, and the value of deferred tax assets could be impacted by future earnings levels as well as other factors that impact underlying assumptions.

In addition, aggressive tax enforcement is becoming a higher priority for many tax authorities, which could lead to an increase in tax audits, inquiries and challenges of historically accepted intra-group financing, intercompany fund transfers and other arrangements of insurance companies, including our arrangements. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws.

We are required to exercise judgment when determining our provisions for income taxes and accounting for tax-related matters. We regularly make estimates where the ultimate tax determination is uncertain. The final determination of any tax investigation, tax audit, tax litigation, appeal of a taxing authority's decision or similar proceedings may differ materially from that which is reflected in our financial statements.

Any of the foregoing could adversely impact our net income.

Regulatory scrutiny may have an adverse impact on the industry, in general, and on our business, financial condition and results of operations, in particular.

We operate in a highly regulated environment and are subject to regulation of our industry, as well as regulations of general applicability.

In recent years, the insurance and reinsurance industry has been the focus of increased regulatory scrutiny as regulators in a number of jurisdictions in which we operate have conducted inquiries and investigations into the products and practices of the financial services industry. In some cases, regulatory scrutiny of industry participants has led to penalties, settlements and litigation as well as calls for new regulations and reforms of certain business practices. Certain industry participants restated their financial statements to reflect reassessments of accounting for certain products and practices. Furthermore, new investigations into the financial services industry were undertaken in a number of jurisdictions as a result of various aspects of the 2008 financial crisis and greater scrutiny of business practices, including those that aided and abetted tax evasion and fraudulent financial reporting by others. It is difficult to predict what products, practices or parties could come under future regulatory review, and which jurisdictions would be affected.

In addition to increases in the level of regulatory investigations and proceedings in respect of laws, rules and regulations applicable specifically to the financial services industry, there has been an increase in civil and criminal investigations and proceedings in connection with broader business conduct and market conduct rules. These include laws, rules and regulations in respect, among others, of antitrust, market abuse, bribery, money laundering, trade sanctions (also known as international trade controls), and data protection and privacy, and there is an increased tendency among regulators to pursue violations based on lower thresholds of culpability or intent and for failures to monitor or supervise employees. We could be subject to risks arising from alleged or actual violations of any of the foregoing.

The consequences of future investigations could include, for example, criminal or civil actions by regulators or lawsuits arising from practices under review, changes in the scope and nature of regulatory oversight of the insurance and reinsurance industry, changes to applicable accounting rules, adoption of new reporting rules, restatement of financial statements, changes to the range of products that are available and a reduction in the use of certain products, changes in the criteria used by ratings agencies and changes to practices in respect of a range of products by both providers and users of products. Investigations can also adversely impact the levels of business, and the stock prices, of industry participants or our counterparties. Any of the foregoing could adversely impact our business, financial condition and results of operations.

We are involved in legal and other proceedings from time to time, and we may face damage to our reputation or legal liability as a result.

In the ordinary course of business, we are involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine our rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, we may institute, or be named as a defendant in, legal proceedings, and we may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies or other clients, disputes with parties to which we transfer risk under reinsurance arrangements, disputes with other counterparties or other matters. We are also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by our direct regulators, but also in respect of compliance with broader business conduct rules including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. We could also be subject to litigation or enforcement action arising from potential employee misconduct, including noncompliance with internal policies and procedures, or negligence. We depend in part on the efficacy of training programs, internal controls, internal audit and risk management oversight to reduce the likelihood of such misconduct or negligent action. Failure of the foregoing could increase the risk of adverse action against us.

We cannot predict the outcome of individual legal actions. We may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. We may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when we believe we have valid defenses to liability. We may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, we may, for similar reasons, reimburse counterparties for their losses even in situations where we do not believe that we are legally compelled to do so. The financial impact of legal risks might be considerable but may be hard or impossible to estimate and to quantify, so that amounts eventually paid may exceed the amount of reserves set aside to cover such risks. Substantial legal liability could materially adversely affect our business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm our business.

See "Business of Swiss Re Group—Governmental, Legal and Arbitration Proceedings."

Risks Relating to Accounting Matters and Use of Models

Certain changes in accounting or financial reporting standards, or changes in the interpretation of standards, in respect of fair value accounting or impairments, could have a material effect on our reported financial results.

We prepare our consolidated financial statements in accordance with U.S. GAAP. Accounting standards are complex, continually evolving and potentially subject to differing interpretations by relevant authoritative bodies. For example, we account for most of our investments and certain liabilities at fair value and the use of fair value measurements is fundamental to our financial statements and is a critical accounting method. In recent years, significant changes have been made to how fair value is to be measured. Following implementation of these new valuations, certain required valuation adjustments resulted in net realized losses from assets and liabilities measured at fair value using significant unobservable inputs.

The Financial Accounting Standards Board, which is the standard setter for U.S. GAAP, and other accounting standard setters have been considering a variety of changes to accounting standards, and we cannot predict what future changes will be adopted or how they will affect us. New accounting pronouncements, as well as new interpretations of existing accounting pronouncements, can have material adverse effects on our reported financial condition and results of operations. In addition, we can provide no assurance that any regulatory authorities that oversee our businesses will not take issue with conclusions that we may reach with respect to accounting matters.

The assumptions we use in our estimates and risk models may provide to be incorrect.

We are subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of our risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in our financial statements, including assumed and ceded business. For example, we estimate premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates (and could be adversely affected if premiums turn out to be lower, while claims stay the same), and we may from time to time issue preliminary estimates of the impact of natural catastrophe and man-made losses that because of uncertainties in estimating certain losses, need to be updated as more information becomes available, which updates may be significantly higher.

Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. For example, in evaluating available-for-sale securities for other-than-temporary impairment, we undertake a quantitative and qualitative process, which is subject to risks and uncertainties and is intended to determine whether a credit or non-credit impairment should be recognized in current period earnings or in other comprehensive income. These risks and uncertainties include changes in economic conditions, the financial condition of the issuer, changes in interest rates or credit spreads, and future recovery prospects. For securitized financial assets with cash flows, we must estimate the cash flows over the life of the asset. We also consider a range of other factors about the issuer in evaluating the cause for decline in estimated fair value and prospects for recovery. To do so, we must make significant assumptions and estimates. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on

underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

Risks Related to the Swiss Re Corporate Structure

Our group structure continues to evolve.

SRL is a holding company, a legal entity separate and distinct from its subsidiaries, including SRZ. As a holding company with no operations of its own, SRL is dependent upon dividends and other payments from SRZ and its other principal operating subsidiaries. As a corporate group, we have undergone significant structural changes since the formation of the new holding company in 2011 and the creation of the separate Business Units in 2012. We expect that, over time, our structure will continue to evolve, and while to date all of our principal operations remain wholly owned, in the future we may elect to admit providers of third party capital to one or more Business Units as equity holders within our corporate group. The interests of holders of debt securities at the SRL level could be adversely impacted by changes to our structure.

Risks Related to SRL Shares

The market price of SRL Shares may be volatile

The market price of SRL Shares may be volatile in response to various factors, many of which are beyond our control. The factors include, but are not limited to, the following:

- actual or anticipated fluctuations in our results of operations or financial condition;
- market expectations for our financial performance;
- changes in the estimates of our results of operations by securities analysts;
- the entrance of new competitors or new products in the markets in which we operate; and
- the risk factors mentioned in this section of this Prospectus.

The market price of SRL Shares may be adversely affected by any of the preceding or other factors regardless of our actual results of operations and financial condition.

You may not be able to participate in future equity offerings

Our constitutional documents provide for pre-emptive rights to be granted to our existing shareholders, unless such rights are disappplied by shareholder resolution; however, certain shareholders, including those in the United States, Australia, Canada or Japan, may not be entitled to exercise such rights unless the rights and shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, there is the risk that you may suffer dilution of your shareholding should you not be permitted to participate in future pre-emptive equity offerings.

Shareholders in countries with currencies other than the Swiss franc face additional investment risk from currency exchange rate fluctuations in connection with their holding of SRL Shares

SRL Shares are quoted only in Swiss francs and any future payments of dividends on SRL Shares will be denominated in Swiss francs. The U.S. dollar or other currency equivalent of any dividends paid on SRL Shares or received in connection with any sale of SRL Shares could be adversely affected by the appreciation of the Swiss franc against other currencies.

Participants outside Switzerland may not serve process on or enforce foreign judgments against us in connection with the Plan

We are incorporated in Switzerland and the Plan is governed by and construed in accordance with the laws of Switzerland. Pursuant to the Plan, any Participant submits to the exclusive jurisdiction of the ordinary courts of Zurich, Switzerland. As a result Participants outside Switzerland may not serve process on or enforce foreign judgments against us in connection with the Plan.

If you purchase SRL Shares pursuant to the Plan, you may incur certain costs upon a subsequent resale of such SRL Shares

If you invest in the Plan and ultimately purchase SRL Shares pursuant to the Plan, you may incur certain costs upon a subsequent resale of your SRL Shares. We will not bear any of these costs, which will be borne by you.

Payments on the SRL Shares may be subject to U.S. withholding under FATCA

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**,” and such sections, “**FATCA**”), impose a 30% withholding tax on certain types of U.S.-source payments made to a “foreign financial institution,” unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements (an “**FFI Agreement**”), or unless the non-U.S. financial institution is otherwise exempt from those requirements. In certain jurisdictions, including Switzerland, that have entered into an intergovernmental agreement between the United States and such jurisdiction to implement FATCA, financial institutions must register with the U.S. Internal Revenue Service (the “**IRS**”) and agree to comply with the terms of an FFI Agreement in order to avoid being subject to withholding tax as described above.

We have determined that we are a financial institution and, in order to avoid being subject to withholding tax as described above, have registered with the IRS and comply with the requirements of FATCA, including due diligence, reporting and withholding. This requires us to withhold at a rate of 30% on any “passthru payments” (as defined under FATCA) in respect of SRL Shares made after the later of December 31, 2018 or the publication of final regulations relating to “passthru payments” to any holder of SRL Shares that has not provided information required to establish that the such holder is exempt from withholding under FATCA. The IRS is considering passthru payments and it is not clear how this rule will ultimately apply to us or SRL Shares.

FATCA is particularly complex. Each prospective Participant should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each Participant in its particular circumstance.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus are forward-looking. These statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "foresee," "intend," "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will," "should," "would" and "could." These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results of operations, financial condition, solvency ratios, capital or liquidity position, or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity position, or prospects expressed or implied by such statements or cause us not to achieve our published targets. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Prospectus. Among the key factors that have a direct bearing on our results of operations, financial condition, solvency ratios, capital or liquidity position, or prospects and published targets are:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- our ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of our financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on our investment assets;
- changes in our investment result as a result of changes in our investment policy or the changed composition of our investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- possible inability to realize amounts on sales of securities on our balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that our hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting our ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;

- extraordinary events affecting our clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting us or our ceding companies, and interpretations of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

See "*Risk Factors*" for additional details.

These factors are not exhaustive. Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date of this Prospectus and, for the avoidance of doubt, no forward-looking statements contained in this Prospectus seek to qualify the working capital statement as set out in "*General Information – Working Capital Statement*".

To the extent required by the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, as applicable, we will update or revise the information in this Prospectus.

Except as may be required by applicable law, stock exchange rules or regulations, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible to predict which will arise. In addition, we cannot assess the effect of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statement.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

No person has been authorised to issue any advertisement, give any information or make any representations in connection with the Plan or the SRL Shares other than the information contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by or on behalf of the Company. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, or its obligations under the Prospectus Rules or the disclosure and transparency rules under Part IV of FSMA, neither the delivery of this Prospectus nor participation in the Plan pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained in this Prospectus, including any forward-looking statement, is correct as of any time subsequent to the date of this Prospectus.

This Prospectus is being furnished solely for the purpose of enabling a prospective participant to consider participation in the Plan, which includes the purchase of the securities described in this Prospectus. This Prospectus should be read in its entirety before participating in the Plan and prospective participants should rely only on the information contained in this Prospectus (including Exhibit A hereto) when deciding whether to participate in the Plan. For the avoidance of doubt, the contents of the Company's website at www.swissre.com do not form part of this Prospectus and are not incorporated by reference into this Prospectus. Prospective participants should not treat the contents of this Prospectus as advice relating to legal, tax, investment or any other matters. Prospective participants should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of SRL Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of SRL Shares which they might encounter; and
- the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of SRL Shares.

Accordingly, prospective participants must rely upon their own advisers as to legal, tax, investment or any other related matters concerning the Company, participation in the Plan and an investment in the SRL Shares.

Furthermore, in making an investment decision, prospective participants must rely on their own examination of the Company and the terms of the Plan, including the merits and risks involved. The SRL Shares have not been approved, disapproved or recommended by any United States federal or state securities commission or regulatory authority. Furthermore, no United States federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

This Prospectus must not be distributed by recipients. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information in this Prospectus for any purpose other than considering an investment in the securities being offered is prohibited. Each Eligible Employee, by accepting delivery of this Prospectus, agrees to the terms described in this paragraph.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH PARTICIPANT IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF TAX ISSUES HEREIN IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS DESCRIBED HEREIN; AND (C) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISOR.

INTRODUCTORY NOTE

CERTAIN DEFINED TERMS USED IN THIS PROSPECTUS

References in this Prospectus, unless the context otherwise requires, to:

- **"SRL"** and the **"Company"** are to Swiss Re Ltd, the holding company of the Swiss Re Group;
- **"Swiss Re"**, the **"Swiss Re Group"**, **"we"**, **"us"** and **"our"** are to SRL and its consolidated subsidiaries;
- **"SRZ"** are to Swiss Reinsurance Company Ltd;
- **"SRZ Group"** are to SRZ and its consolidated subsidiaries;
- **"Business Units"** are to the Reinsurance Business Unit, the Life Capital Business Unit and the Corporate Solutions Business Unit, each of which is a reporting segment of Swiss Re and is largely, but not completely, aligned with the legal entity structure of the subsidiaries that comprise the relevant segment;
- the **"Reinsurance Business Unit"** and **"Reinsurance"** are to reinsurance operations conducted by the SRZ Group, and include both Property & Casualty Reinsurance and Life & Health Reinsurance;
- the **"Life Capital Business Unit"** and **"Life Capital"** are to the operations conducted by Swiss Re Life Capital Ltd and its subsidiaries that provide risk and capital management solutions by which Swiss Re acquires closed books of in-force life and health insurance business, lines of business or stock of insurance companies; effective January 1, 2016, in connection with the consolidation of the closed life book business of Admin Re® with other existing Swiss Re businesses that serve the policyholders of Swiss Re's clients and partners, the Business Unit formerly known as Admin Re® was renamed the Life Capital Business Unit and existing operations in the Reinsurance Business Unit that manage life insurance books are now reported within the Life Capital Business Unit;
- the **"Corporate Solutions Business Unit"** and **"Corporate Solutions"** are to the operations largely conducted by Swiss Re Corporate Solutions Ltd and its subsidiaries that services mid-sized and large corporations with products ranging from traditional property and casualty insurance to highly customized solutions;
- **"Principal Investments"** are to Swiss Re Principal Investments Company Ltd, the holding company for the Swiss Re Group's direct participations in companies and investments in certain private equity funds; and
- **"you"** are to Eligible Employees in the United Kingdom and the passported jurisdictions.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION INCLUDED IN THIS PROSPECTUS

This Prospectus contains the following financial statements and auditor's reports:

- the audited consolidated financial statements of the Swiss Re Group as of and for the years ended 31 December 2014 and 2015, which were prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**") and which were audited by the Swiss Re Group's independent auditors, and including the auditor's report on the audited consolidated financial statements of the Swiss Re Group for the year ended 31 December 2015 (the "**2015 Financial Statements**");
- the audited consolidated financial statements of the Swiss Re Group as of and for the years ended 31 December 2013 and 2014, which were prepared in accordance with U.S. GAAP and which were audited by the Swiss Re Group's independent auditors, and including the auditor's report on the audited consolidated financial statements of the Swiss Re Group for the year ended 31 December 2014 (the "**2014 Financial Statements**");
- the unaudited consolidated interim financial statements of the Swiss Re Group as of and for the three months ended 31 March 2015 and 2016, which were prepared in accordance with U.S. GAAP (the "**Q1 2016 Financial Statements**");
- the audited statutory financial statements of SRL as of and for the years ended 31 December 2014 and 2015, which were prepared in accordance with the requirements of Swiss law and the Articles of Association and which were audited by SRL's independent auditors, and including the auditor's report on the statutory financial statements of SRL for the year ended 31 December 2015); and
- the audited statutory financial statements of SRL as of and for the years ended 31 December 2013 and 2014, which were prepared in accordance with the requirements of Swiss law and the Articles of Association and which were audited by Swiss Re Ltd's independent auditors, and including the auditor's report on the statutory financial statements of SRL for the year ended 31 December 2014.

We use non-GAAP financial measures in our external financial reporting. These measures are not prepared in accordance with U.S. GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes for measures prepared in accordance with U.S. GAAP. Moreover, these may be different from or otherwise inconsistent with similarly named non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

We publish, on an annual basis, a report of our results, including financial statements and an accompanying independent assurance report, prepared in accordance with our proprietary EVM ("**EVM**") principles ("**EVM report**"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from U.S. GAAP and, accordingly, our results prepared in accordance with U.S. GAAP will differ from its EVM results, and those differences could be material. Our EVM income statement (and its line items) should not be viewed as a substitute for the income statement (and its line items) in our consolidated financial statements, and EVM economic net worth should not be viewed as a substitute for shareholders' equity as reported in our consolidated balance sheet. Nonetheless, we believe that EVM provides meaningful additional measures to evaluate our business. Our annual EVM results are available after release of our annual audited U.S. GAAP results and can be more volatile than the U.S. GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognized at inception rather than over the life time of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in.

References in this Prospectus to "**U.S. dollars**", "**USD**" and "**\$**" are to the lawful currency of the United States, references to "**Swiss francs**" and "**CHF**" are to the lawful currency of Switzerland and references to "**€**", "**euro**" and "**euros**" are to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union (the "**EMU**") of the Treaty Establishing the European Community, as amended from time to time.

INFORMATION FOR OUR EXISTING SHAREHOLDERS

Any invitation to participate in the Plan is being made in accordance with Swiss law, the Prospectus Directive and the relevant Listing Rules of the FCA, and the SRL Shares are being made available only to Eligible Employees who are permitted to participate in the Plan.

PROCEEDS

Under current expectations, Contributions will be applied to acquire SRL Shares in the open market. In the event that SRL were to decide to issue new SRL Shares in connection with the Plan, Contributions would be used to subscribe for new SRL Shares and the proceeds of the issue of such SRL Shares would be available for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The table below presents our capitalisation and indebtedness as of 31 March 2016.

You should read this table together with the 2014 Financial Statements, the 2015 Financial Statements and the Q1 2016 Financial Statements.

None of the Swiss Re Group's long-term financial debt is secured. None of the Swiss Re Group's long-term debt is guaranteed by third parties. None of the Swiss Re Group's debt is convertible debt, exchangeable debt or debt with attached warrants, and no such debt is guaranteed by SRL.

Capitalisation and Indebtedness (in millions of US\$)

	As of 31 March 2016 (unaudited)
Total Current debt.....	2,381
Guaranteed	-
Secured	-
Unguaranteed / Unsecured	2,381
Total Non-Current debt (excluding current portion of long-term debt)	10,986
Guaranteed	-
Secured	-
Unguaranteed / Unsecured	10,986
Shareholders' equity	
Share capital	35
Legal reserve	521
Other reserves.....	35,373
Total capitalisation and shareholders' equity	49,296

The following table details the net indebtedness of the Swiss Re Group as of 31 March 2014

Net Indebtedness (in millions of US\$)

	As of 31 March 2016 (unaudited)
A. Cash (\$5,611) and B. Cash equivalents (\$5,534)	11,145
C. Trading securities.....	11,146
D. Liquidity (A) + (B) + (C)	22,291
E. Current Financial Receivable	1,741
F. Current bank debt.....	(791)
G. Current portion of non current debt.....	-
H. Other current financial debt.....	(1,085)
I. Current Financial Debt (F) + (G) + (H).....	(1,876)
J. Net Current Financial Indebtedness (I) - (E) - (D).....	22,156
K. Non-current bank loans	(788)
L. Bonds issued.....	(7,108)
M. Other non-current loans	-
N. Non-current Financial Indebtedness (K) + (L) + (M).....	(7,896)
O. Net Financial Indebtedness (J) + (N)	14,260

The Company has no indirect and contingent indebtedness.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Swiss franc and the U.S. dollar will affect the U.S. dollar equivalent of the Swiss franc price of SRL Shares. We pay cash dividends in Swiss francs. Therefore, exchange rate fluctuations will affect the U.S. dollar value of cash dividends paid on SRL Shares.

We publish our consolidated financial statements in U.S. dollars. Because substantial portions of our revenues and expenses, and of our assets and liabilities, are denominated in other currencies, our reported financial condition, results of operations and statement of cash flow can be influenced by fluctuations in the value of those other currencies against the Swiss franc and, in some of our operations, against other currencies as well. For information about the effects of currency fluctuations on our results of operations, see *"Risk Factors – Market Risks. We are exposed to significant financial and capital markets risks, including changes in interest rates, credit spreads, equity prices and foreign exchange rates, which may adversely impact our financial condition, results of operations, liquidity and capital position"*.

The table below presents the Bloomberg Rate at the end of the periods indicated, the average of the Bloomberg Rates on the last business day of each full month during the periods indicated and the high and low Bloomberg Rates during the periods indicated. The Bloomberg Rates are expressed in U.S. dollars per EUR 1.00. Swiss Re does not use these rates in the preparation of its consolidated financial statements. On 3 May 2016, the closing Bloomberg Rate was \$1.1499 per EUR 1.00.

Year Ended 31 December	At Period End	Average Rate	High	Low
		<i>(USD per EUR 1.00)</i>		
2013	1.3743	1.3285	1.3802	1.2780
2014	1.2098	1.3285	1.3934	1.2098
2015	1.0862	1.1102	1.2104	1.0496
(up to 3 May 2016)	1.1499	1.1123	1.1534	1.0748

SELECTED CONSOLIDATED FINANCIAL DATA

We extracted without material adjustment the selected consolidated financial data as of and for the year ended 31 December 2013 from our 2014 Financial Statements, which have been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP. We extracted without material adjustment the selected consolidated financial data as of and for the year ended 31 December 2014 and 2015 from our 2015 Financial Statements, which have been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP.

We extracted without material adjustment the selected consolidated financial data as of and for the three months ended 31 March 2014 and 2015 from the Q1 2015 Financial Statements, which have not been audited by our independent auditors, and have been prepared and presented in accordance with U.S. GAAP.

	Three months ended 31 March				
	2013	2014	2015	2015	2016
	USD	USD	USD	USD	USD
	(unaudited)				
	(in millions, except ratios)				
Income Statement Data:					
Revenues					
Premiums earned					
Property & Casualty Reinsurance	14,452	15,598	15,090	3,767	3,956
Life & Health Reinsurance	9,967	11,212	10,914	2,592	2,823
Corporate Solutions	2,922	3,444	3,379	882	865
Admin Re	844	502	368	172	168
Group items	1	-	-	-	-
Total premiums earned	28,276	30,756	29,751	7,413	7,812
Fee income from policyholders	542	506	463	149	128
Net investment income - non-participating business	3,947	4,103	3,436	890	934
Net realised investment gains/(losses) - non-participating business	766	567	1,206	559	692
Net investment result-unit-linked and with-profit business	3,347	1,381	814	1,441	405
Other revenues	24	34	44	12	12
Total revenues	36,902	37,347	35,714	10,464	9,983
Expenses					
Claims and claim adjustment expenses	(9,655)	(10,577)	(9,848)	(2,435)	(2,867)
Life and health benefits	(9,581)	(10,611)	(9,080)	(2,357)	(2,593)
Return credited to policyholders	(3,678)	(1,541)	(1,166)	(1,452)	(350)
Acquisition costs	(4,895)	(6,515)	(6,419)	(1,538)	(1,773)
Other expenses	(3,508)	(99)	(264)	(770)	(745)
Interest expenses	(760)	(721)	(579)	(161)	(155)
Total expenses	(32,077)	(33,120)	(30,395)	(8,713)	(8,429)
Income before income tax expense	4,825	4,227	5,319	1,751	1,554
Income tax expense	(312)	(658)	(651)	(294)	(311)
Net income before attribution of non-controlling interests	4,513	3,569	4,668	1,457	1,243
Income attributable to non-controlling interests	(2)	-	(3)	-	3
Net income after attribution of non-controlling interests	4,511	3,569	4,665	1,457	1,246
Interest on contingent capital instruments	(67)	(69)	(68)	(17)	(17)
Net income attributable to common shareholders	4,444	3,500	4,597	1,440	1,229
Balance Sheet Data (at period end):					
Total investments	150,075	143,987	137,810	144,056	163,516
Total assets	213,520 ^(d)	204,461	196,135 ^(d)	208,319	231,486
Total liabilities	180,543 ^(d)	168,420	162,529 ^(d)	170,535	195,467
Unpaid claims and claim adjustment expenses	61,484	57,954	55,518	55,868	57,684
Liabilities for life and health policy benefits	36,033	33,605	30,131	32,016	46,281
Policyholder account balances	31,177	29,242	31,422	29,005	36,802
Total shareholders' equity	32,952	35,930	33,517	37,680	35,929
Total equity	32,977	36,041	33,606	37,784	36,019
Other Data (unaudited)^(a)					
Property & Casualty Reinsurance operating ratios					

	Three months ended 31 March				
	2013	2014	2015	2015	2016
	USD	USD	USD	USD	USD
				(unaudited)	
(traditional business) ^(f)					
Claims ratio in % ^(b)	54.2	54.5	52.3	52.1	60.0
Expense ratio in % ^(c)	29.1	29.2	33.7	32.2	33.3
Property & Casualty Reinsurance combined ratio (including unwind of discount)	83.3	83.7	86.0	84.3	93.3
Corporate Solutions operating ratios					
Claims ratio in %	60.6	59.6	57.8	53.7	57.0
Expense ratio in %	34.5	33.4	36.0	34.1	33.4
Corporate solutions combined ratio	95.1	93.0	93.8	87.8	90.4
Life & Health Reinsurance management expense ratio in % ^(d)	8.3	6.9	7.3	6.5	5.2
Life & Health Reinsurance operating margin in % ^(e)	5.2	2.6	9.9	14.5	12.1

(a) Unaudited ratios (calculated based on information extracted from our accounting records/management accounts).

(b) Represents the sum of claims paid and change in the provisions for unpaid claims and claim adjustment expenses divided by premiums earned.

(c) Represents the sum of acquisition costs and other operating costs and expenses divided by premiums earned

(d) Represents annual Life & Health Reinsurance business other operating costs and expenses divided by Life & Health Reinsurance business operating revenues (excluding unit-linked and with-profit business).

(e) Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

THE SWISS RE GROUP

Overview

We are a leading provider of wholesale reinsurance, insurance and risk transfer solutions to insurance companies, corporate clients, the public sector and policyholders. We are a holding company providing solutions and services through four operating business segments: Property & Casualty Reinsurance and Life & Health Reinsurance, which together comprise our Reinsurance Business Unit; our Corporate Solutions Business Unit and our Life Capital Business Unit. We hold our strategic participations in insurance-related businesses through Principal Investments.

Reinsurance. Our Reinsurance Business Unit covers both Property & Casualty and Life & Health. Through Reinsurance, we are a leading and diversified global reinsurer with offices in more than 20 countries, providing expertise and services to clients throughout the world. We have been engaged in the reinsurance business since our foundation in Zurich, Switzerland in 1863. We offer a comprehensive range of reinsurance and insurance-based solutions to manage risk and capital, with a focus on accessing, transforming and transferring insurable risks. Our traditional reinsurance products and related services for property and casualty, together with our life and health business, are complemented by insurance-based capital markets solutions and supplementary services for comprehensive risk management.

Corporate Solutions. Through Corporate Solutions, we provide commercial insurance solutions designed to meet the risk and capital management needs of corporate clients around the globe, through an established office network consisting of over 50 sales and underwriting offices (11 of which are hubs, combining origination, underwriting and other functions). Our broad property and casualty insurance portfolio includes insurance-related solutions for corporate clients and their insurance captives. We offer insurance capacity for single and multi-line programs worldwide, either on a standalone basis or as part of structured and tailor-made solutions. In addition, we offer customized, innovative and multi-line, multi-year risk transfer solutions on a global scale, taking into account the unique needs of local markets and specialty industries, including aviation and space, energy and power, engineering and construction, and environmental and commodity markets. Our solutions may take the form of direct insurance, fronting, reinsurance for captives and/or solutions in derivative form (including parametric solutions for weather and natural catastrophes). Our target clients are primarily mid-sized and large multinational corporate groups, but we also serve small commercial insurance segments (e.g., professional indemnity for small law firms in the United States) and niche sectors (e.g., general aviation), where we believe that our expertise is a differentiating factor.

In January 2016, Corporate Solutions announced it had agreed to acquire IHC Risk Solutions, LLC and its direct employer stop loss ("ESL") business. The transaction includes IHC Risk Solutions' operations, a team of employees and business portfolio, including in-force, new and renewal business written with IHC subsidiaries, Standard Security Life Insurance Company of New York and Independence American Insurance Company. Through this arrangement, Corporate Solutions broadens its current ESL capabilities in the small- and middle-market self-funded healthcare benefits segment, enhances its underwriting and claims management capabilities and strengthens its product distribution through IHC Risk Solutions' direct broker and third-party administrator relationships.

Life Capital Business Unit. Through Life Capital, we primarily acquire and manage closed blocks of in-force life and health insurance business, including pensions business, providing us with a range of products that include long-term life and pension products, permanent health insurance and critical illness products, and retirement annuities. We acquire portfolios through acquisition of entire lines of business or the entire share capital of (or a majority stake in) life insurance companies, or through reinsurance. We typically assume responsibility for administering the underlying policies in such portfolios until they reach maturity, are surrendered or an insured event occurs resulting in the conclusion of the policies. In addition, we write a nominal amount of new business on a passive basis normally for existing customers that request "top-ups" of current contracts as well as a limited range of decumulation products (designed to convert pension savings into retirement income). Our strategy is centered around gross cash generation (\$1.2 billion generated in 2012, \$0.5 billion in 2013, \$0.9 billion in 2014 and \$0.5 billion in 2015), and we seek to maximize our future expected profits through a combination of efficient management of existing policies, the acquisition of additional books of business priced on the basis of economic value and consolidation of new business with existing business to benefit from capital, tax and cost synergies. We also operate a small but growing group life business through elipsLife and a white-label business

established to support the development of primary life and health opportunities with distribution partners such as primary insurers through our iptiQ.

The Guardian Group Acquisition closed on January 6, 2016. In connection with the consolidation of the closed life book business of Life Capital with other existing Swiss Re businesses that serve the policyholders of our clients and partners, effective January 1, 2016, the Admin Re® Business Unit was renamed the Life Capital Business Unit and is now headed by a new chief executive officer of Swiss Re Life Capital Ltd, Thierry Léger.

Swiss Re, the SRZ Group and Corporate Solutions are currently rated "AA-" (stable outlook) by S&P, "Aa3" (stable outlook) (in the case of Swiss Re and the SRZ Group) and "A1" (positive outlook) (in the case of Corporate Solutions) by Moody's and "A+" (stable outlook) by A.M. Best. These ratings reflect the current opinions of S&P, Moody's and A.M. Best, respectively.

Corporate Structure

We operate principally through our three Business Units:

- **Reinsurance**, consisting of all lines of property and casualty reinsurance as well as life and health reinsurance;
- **Corporate Solutions**, providing commercial insurance for large corporate clients; and
- **Life Capital**, focusing primarily on the consolidation and management of closed blocks of in-force life and health insurance business, either through acquisition or reinsurance, and the provision of wholesale primary life and health solutions.

Group Functions. Our three Business Units are supported by various Swiss Re Group functions (the "**Group Functions**"), including: Group Finance, Group Risk Management, Group Underwriting, Group Asset Management, Group Operations and Group Strategy, each of which is represented by its own Group chief officer (known as a Group Function Head). Legal & Compliance and Group Human Resources are also Group Functions, though represented by the Group Chief Operating Officer. These functions are grouped in a service company.

- **Group Finance, Group Risk Management and Group Strategy** support the Business Units by managing common resources and support functions, as well as the products and assets developed for and generated by the operations of the Swiss Re Group. These functions define the policies, guidelines and standards for our financial and risk management, and ensure compliance through monitoring of Business Unit activities. They serve as the centers of excellence and provide support to the Business Units, while also managing key corporate processes on our behalf.
- **Group Underwriting** proposes and implements underwriting strategies and ensures compliance with our underwriting standards.
- **Group Asset Management** prepares and proposes a strategic asset allocation, which is then approved by the Group Executive Committee ("**Group EC**"), and manages invested assets.
- **Group Operations** provides services (such as HR, IT, and Legal & Compliance) and ensures compliance with our standards and external requirements.

We continue to oversee the Business Units, define the overall strategy for the entire Swiss Re Group and ensure its implementation, set targets for the Business Units, determine capital allocations among the Business Units, manage the financial profile of the entire Swiss Re Group and approve Business Unit strategies. We also continue to define and monitor adherence to group-wide policies, guidelines and standards, including the risk management framework.

Principal Investments. A significant proportion of our minority equity stakes in insurance and insurance-linked businesses are held by Principal Investments which has a mandate to generate long-term economic value via investments in insurance-related businesses. Principal Investments is focused predominantly on the insurance sector, and especially on providing equity capital financing to primary insurers in high growth markets and specialty situations, and on complementing our reinsurance activities. Through Principal Investments, we seek to generate mid- to long-term economic value by leveraging our

core competencies of providing capital to the insurance industry and our deep understanding of the insurance value chain and insurance risk universe. Our portfolio includes a 4.9% interest in New China Life Insurance Company (in China), a 12.3% interest in FWD Group (with operations in Hong Kong, Macau, Thailand and the Philippines), a 14.9% interest in Sul América S.A. (in Brazil) and a 26.9% interest in Apollo Investments Ltd (in Kenya).

Trend Information and Business Outlook for the Swiss Re Group

Group Generally

In the short term we expect challenging conditions to persist until demand and supply of capacity start to balance. In such an environment underwriting outperformance remains key. We will therefore seek to continue to exploit our competitive advantage in risk selection and capital allocation to protect our bottom line. We will reduce capacity for open-market business in Property & Casualty Reinsurance, and focus on large and tailored transactions for all lines. In addition, we will be pursuing opportunities presented by major demographic, socioeconomic and technological trends, including the rise of high growth markets, where growth remains dynamic; or where the need for health protection is expanding, as in ageing societies. Last but not least, we will also focus on areas where protection gaps threaten resilience.

Investments

Overall, the outlook for 2016 is one of moderate growth, but financial market risks remain skewed to the downside. Central bank policy divergence will remain a key theme as the US and UK are expected to begin raising policy rates, while the European Central Bank and Bank of Japan are expected to extend their quantitative easing programs. The Federal Reserve and Bank of England have emphasized that the path of rate increases will be very gradual, as inflationary pressure will remain fairly muted and will occur against the backdrop of steadily slowing emerging market economies (including China). The UK has the additional headwind of the referendum on its membership in the European Union. Depending on the outcome, this could remain a key theme for the UK and Europe over the coming years.

Against this backdrop, the Group will seek to maintain a balanced and high-quality investment portfolio. The Guardian Group Acquisition is expected to increase the Group's overall allocation to credit, consistent with the change in Life Capital's investment portfolio and business mix. The quality of the credit portfolio remains high.

Property & Casualty Reinsurance

Price erosion due to abundant capital and low loss occurrence continues for property, except for some loss-affected programs. For special lines, rates are also further under pressure, with significant differences by markets and lines of business. Casualty markets also saw rate decreases but overall remain more stable, with significant differences by segment.

Successful differentiation will remain the key for new business wins, large and tailored transactions and differential pricing. Our differentiation strategy is successful and well-acknowledged by our clients. We continue to execute this strategy while focusing on the bottom line in a softening market environment. We will reduce capacity for flow business and focus on large and tailored transactions.

Life & Health Reinsurance

In mature markets, the low interest rate environment will continue to have an unfavorable impact on long-term life business. In addition, cession rates in the US are expected to decrease as primary insurers retain more risk. However, we see a strong focus on capital, risk and balance sheet optimisation in mature markets, leading to positive opportunities for large transactions. By comparison, high growth markets are expected to see stronger increases in life and health businesses and primary insurers' cession rates are expected to be stable. As a result, we expect life and health reinsurance business to be relatively flat in mature markets and to increase in high growth markets.

We will continue to pursue growth opportunities in high growth markets and apply our experience to help reduce the protection gap in all regions. We are responding to the expanding need for health protection driven by ageing societies and we are pursuing large transaction opportunities, including longevity deals.

Corporate Solutions

Prices for commercial insurance are under significant pressure, with a growing number of segments operating at unattractive rate levels. Corporate Solutions has maintained its commitment to underwriting discipline while achieving its return on equity ambition for 2015.

Corporate Solutions believes that it is well positioned to successfully navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach, but is not fully insulated from the general market environment.

Life Capital

As part of the Life Capital Business Unit, Life Capital will continue to pursue selective acquisition opportunities within the closed book market in EMEA and to dynamically grow its individual and group life and health business in Europe and the United States. All transactions must meet Group strategic and investment criteria as well as hurdle rates. Life Capital seeks to optimise capital and asset management to maximise cash generation and ROE. In the closed book segment, the focus remains on its operating platform to achieve operational efficiencies while in the open book segment the aim is to grow via innovation and the use of digital technology. Life Capital aims to generate significant cash while continuing to invest in its open life book strategy.

Purpose of SRL

SRL serves as the holding company for the Swiss Re Group.

Under its Articles of Association, the main business purpose of SRL is the acquisition, holding, administration and sale of direct or indirect participations in all types of businesses in Switzerland and elsewhere, in particular in the areas of reinsurance, insurance and asset management. SRL may engage in any operations and take any measures that seem appropriate to promote its purpose. It may acquire participations in other companies in Switzerland and elsewhere. SRL has, as an ancillary activity, the power to acquire and sell mortgage and real estate properties, both in Switzerland and elsewhere.

MANAGEMENT

Board of Directors

Under SRL's Articles of Association, the Board of Directors is to consist of at least seven members. The Directors are to be elected at a general meeting of shareholders for a term of office until completion of the next general meeting of shareholders. Directors whose term of office has expired are immediately eligible for re-election. The business address of the members of the Board of Directors is Mythenquai 50/60, 8022 Zurich, Switzerland.

The Board of Directors is constituted as follows:

Name	Birth Year	Position
Walter B. Kielholz.....	1951	Chairman
Renato Fassbind.....	1955	Vice Chairman
Raymond K.F. Ch'ien	1952	Director
Mary Francis.....	1948	Director
Rajna Gibson Brandon.....	1962	Director
C. Robert Henrikson.....	1947	Director
Trevor Manuel.....	1956	Director
Carlos E. Represas.....	1945	Director
Philip K. Ryan.....	1956	Director
Sir Paul Tucker.....	1958	Director
Susan L. Wagner.....	1961	Director

The business address of each member of the Board of Directors is Mythenquai 50/60, 8022 Zurich, Switzerland.

Independence

We require a majority of the Directors to be independent. To be considered independent, a Director may not be, and may not have been in the past three years, employed as an executive officer of Swiss Re. In addition, he or she must not have a material relationship with any part of Swiss Re – directly or as a partner, director or shareholder of an organisation that has a material relationship with Swiss Re. Based on our independence criteria, all directors qualify as independent, save for our Chairman, who serves in a full-time capacity, and as such is not considered "independent". Renato Fassbind was appointed as lead independent, non-executive director on 11 April 2014.

The Directors are also subject to procedures to avoid any conflict of interest.

Information about managerial positions and significant business connections of non-executive directors

All Directors are non-executive. Walter B. Kielholz was Chief Executive Officer of Swiss Re from 1 January 1997 to 31 December 2002. Of the other Directors, none has ever held a management position in Swiss Re. No Director has any significant business connection with SRL or any of our group companies (other than in their respective capacities as the directors of SRZ).

Skills, experience and expertise

The Board of Directors aims to attain among its members the requisite balance of skills, knowledge and tenure for today's business needs. Potential new candidates are assessed against the Board of Directors' approved selection criteria, including integrity, skill, qualifications, experience, communication capabilities and community standing. In addition to their managerial skills and expertise, the directors collectively represent a mix of backgrounds and a mix of experience or expertise in key areas such as accounting, legislation, insurance/reinsurance, finance, risk management and capital markets, thus providing a solid foundation for decision-making. Newly elected directors receive a general introduction to the responsibilities of directors and committee members. In the course of the year, the directors also meet with experts regularly to update and enhance their knowledge on emerging business trends and risks.

Biographical Information

Walter B. Kielholz, Chairman, non-executive director. Walter B. Kielholz was first elected to the Board of Directors of SRZ in 1998 and was appointed to the Board of Directors in 2011 (in connection with the formation of SRL). He was Vice Chairman from 2003 to April 2009 and has been Chairman of the Board of Directors since May 2009. He chairs the Chairman's and Governance Committee.

Mr. Kielholz began his career at the General Reinsurance Corporation, Zurich, in 1976 where he held several positions in the US, UK and Italy before assuming responsibility for the company's European marketing. In 1986, he joined Credit Suisse, where he was responsible for relationships with large insurance groups. He joined Swiss Re in 1989 where he became an Executive Board member in 1993 and was Chief Executive Officer from 1997 to 2002. He was also a member of the Board of Directors of Credit Suisse Group AG from 1999 to 2014 and served as Chairman from 2003 to 2009. Mr. Kielholz is Vice Chairman of the Institute of International Finance, a member of the European Financial Services Round Table, a member of the Board of Trustees of Avenir Suisse and Chairman of the Zurich Art Society.

Mr. Kielholz is a Swiss citizen. He graduated with a business finance and accounting degree from the University of St. Gallen, Switzerland.

Renato Fassbind, Vice Chairman, non-executive and lead independent director. Renato Fassbind was first elected to the Boards of Directors of SRL and SRZ in 2011. He was appointed as Vice Chairman in 2012 and as Lead Independent Director in 2014. Mr. Fassbind chairs the Audit Committee and is a member of the Chairman's and Governance Committee and the Compensation Committee.

After two years with Kunz Consulting AG, Mr. Fassbind joined F. Hoffmann-La Roche AG in 1984, becoming Head of Internal Audit in 1988. From 1986 to 1987, he worked as a public accountant with Peat Marwick in New Jersey, USA. In 1990, he joined ABB Ltd as Head of Corporate Staff Audit and, from 1997 to 2002, was Chief Financial Officer and member of the Group Executive Committee. In 2002, he joined Diethelm Keller Holding Ltd as Group Chief Executive Officer. From 2004 to 2010, he was Chief Financial Officer and member of the Executive Board of Credit Suisse Group AG. Mr. Fassbind is a member of the Boards of Directors of Nestlé S.A. and Kühne + Nagel International Ltd.

Mr. Fassbind is a Swiss citizen. He graduated with a PhD in economics from the University of Zurich, Switzerland, and as Certified Public Accountant in Denver, USA.

Raymond K. F. Ch'ien, Non-executive and independent director. Raymond Raymond K.F. Ch'ien was first elected to the Board of Directors of SRZ in 2008 and appointed to the Board of Directors (in connection with the formation of SRL). He is a member of the Audit Committee and the Investment Committee.

Raymond K.F. Ch'ien was Group Managing Director of Lam Soon Hong Kong Group from 1984 to 1997 and Chairman of CDC Corporation from 1999 to 2011. He is Chairman of the Board of Directors of Hang Seng Bank Ltd and a member of the Boards of Directors of China Resources Power Holdings Company Ltd and the Hong Kong and Shanghai Banking Corporation Ltd. Mr. Ch'ien is also a member of the Economic Development Commission of the Government of the Hong Kong SAR, Honorary President of the Federation of Hong Kong Industries and a Trustee of the University of Pennsylvania.

Mr. Ch'ien is a Chinese citizen born. He graduated with a PhD in economics from the University of Pennsylvania, USA.

Mary Francis, Non-executive and independent director. Mary Francis was first elected to the Board of Directors in April 2013. She is a member of the Audit Committee and the Finance and Risk Committee.

Ms Francis joined the UK Civil Service in 1971, focusing on financial and economic policy. She held a number of senior positions including Financial Counsellor at the British Embassy in Washington DC from 1990 to 1992, Private Secretary to the Prime Minister from 1992 to 1995 and Deputy Private Secretary to the Queen from 1995 to 1999. Between 1999 and 2005 she was Director General of the Association of British Insurers. She was a non-executive director of the Bank of England from 2001 to 2007 and a member of the board of directors of Aviva plc from 2005 to 2012. Ms Francis is a member of the Board of Directors of Enscoplac and a senior advisor to Chatham House.

Ms Francis is a British citizen. She graduated with a Master of Arts from the Newnham College at the University of Cambridge, United Kingdom.

Rajna Gibson Brandon, Non-executive and independent director. Rajna Gibson Brandon was first elected to the Board of Directors of SRZ in 2000 and appointed to the Board of Directors (in connection with the formation of SRL). She is a member of the Finance and Risk Committee and the Investment Committee.

Ms. Gibson Brandon is a Professor of Finance at the University of Geneva and Director of the Geneva Finance Research Institute. She is also President of the Scientific Council of the Swiss Training Centre for Investment Professionals / AZEK. Ms Gibson Brandon held professorships at the University of Lausanne from 1991 to 2000 and the University of Zurich from 2000 to 2008. She was a member of the Swiss Federal Banking Commission from 1997 to 2004.

Ms Gibson Brandon is a Swiss citizen. She graduated with a PhD in economics and social sciences from the University of Geneva, Switzerland.

C. Robert Henrikson, Non-executive and independent director. C. Robert Henrikson was first elected to the Board of Directors in 2012. He chairs the Compensation Committee and is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

Mr. Henrikson was Chairman and Chief Executive Officer of MetLife, Inc. from 2006 to 2011. Before, he held senior positions in MetLife's individual, group and pension businesses and became Chief Operating Officer of the company in 2004. Mr. Henrikson is a former Chairman of the American Council of Life Insurers and of the Financial Services Forum, Director Emeritus of the American Benefits Council and a former member of the U.S. President's Export Council. He is a member of the Boards of Directors of Invesco Ltd and AmeriCares. He is also a member of the Boards of Trustees of Emory University, the S.S. Huebner Foundation for Insurance Education and Indian Springs School.

Mr. Henrikson is a US citizen. He graduated with a Bachelor of Arts from the University of Pennsylvania, USA, and a Juris Doctorate from Emory University, USA.

Trevor Manuel, Non-executive and independent director. Trevor Manuel was first elected to the Board of Directors in 2015. He is a member of the Investment Committee.

Mr. Manuel was a minister in the South African government for more than 20 years, serving under the presidents Mandela, Mbeki, Motlanthe and Zuma. He served as Finance Minister from 1996 to 2009. Before his retirement from public office in 2014, he was Minister in the presidency responsible for South Africa's National Planning Commission. Throughout his career, he assumed a number of ex officio positions on international bodies, including the United Nations Commission for Trade and Development (UNCTAD), the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community. He also served on a number of voluntary public interest commissions including Africa Commission, Global Commission on Growth and Development, Global Ocean Commission, and the New Climate Economy. Trevor Manuel is a member of the Boards of Directors of SABMiller plc and Old Mutual plc, member of the International Advisory Board of Rothschild Group, Deputy Chairman of Rothschild South Africa, Chancellor of the Cape Peninsula University of Technology, Professor Extraordinaire at the University of Johannesburg, Honorary Professor at the University of Cape Town and Trustee of the Allan Gray Orbis Foundation Endowment.

Mr. Manuel is a South African citizen. He holds a National Diploma in Civil and Structural Engineering from the Peninsula Technikon, South Africa, and completed an Executive Management Programme at the Stanford University, USA.

Carlos E. Represas, Non-executive and independent director. Carlos E. Represas was elected to the Board of Directors of SRL in 2010 and appointed to the Board of Directors of Swiss Re Ltd in 2011 (in connection with the formation of SRL). Carlos E. Represas is a member of the Compensation Committee.

Between 1968 and 2004, Mr. Represas held various senior positions at Nestlé in the US, Latin America and Europe, including Executive Vice President and Head of the Americas of Nestlé S.A. in Switzerland from 1994 to 2004. He was Chairman of the Board of Nestlé Group Mexico from 1983 to 2010. Mr. Represas is a member of the Boards of Directors of Bombardier Inc. and Merck & Co. Inc. He is also

non-executive Chairman Latin America of Bombardier Inc., President of the Mexico Chapter of the Latin American Chamber of Commerce in Switzerland and a member of the Latin America Business Council.

Mr. Represas is a Mexican citizen. He graduated with a degree in economics from the National University of Mexico, Mexico, and a degree in industrial economics from the National Polytechnic Institute, Mexico.

Philip K. Ryan, Non-executive and independent director. Philip K. Ryan was first elected to the Board of Directors in 2015. He chairs the Finance and Risk Committee and is a member of the Chairman's and Governance Committee and the Audit Committee.

Mr. Ryan held various positions with Credit Suisse from 1985 to 2008, including Chairman of the Financial Institutions Group (UK), Chief Financial Officer of Credit Suisse Group (Switzerland), Chief Financial Officer of Credit Suisse Asset Management (UK) and Managing Director of CSFB Financial Institutions Group (USA/UK). He was Chief Financial Officer of the Power Corporation of Canada from January 2008 until May 2012. In that capacity, he was a director of IGM Financial Inc., Great-West Lifeco Inc., and several of their subsidiaries, including Putnam Investments. Mr. Ryan is a member of the Board of Directors of Medley Management, Inc., Advisory Board member of NY Green Bank, Adjunct Professor at NYU Stern School of Business and member of the Smithsonian National Board.

Mr. Ryan is a US citizen. He earned an MBA from the Kelley School of Business, Indiana University, USA, and a Bachelor of Industrial Engineering from the University of Illinois, USA.

Sir Paul Tucker, Non-executive and independent director. Sir Paul Tucker was first elected to the Board of Directors in 2016. He was the Deputy Governor of the Bank of England from 2009 to 2013. He held various senior roles at the Bank of England from 1980 onwards, including as a member of the Monetary Policy Committee, Financial Policy Committee, Prudential Regulatory Authority Board and Court of Directors. He also served as a member of the Steering Committee of the G20 Financial Stability Board and as a member of the Board of the Bank for International Settlements. Sir Paul Tucker is Chairman of the Systemic Risk Council, and a fellow at the Harvard Kennedy School of Government. He is also a member of the board of the Financial Services Volunteers Corps, and a member of the Advisory Committee of Autonomous Research.

Sir Paul Tucker is a British citizen. He graduated from Trinity College, Cambridge, with a BA in Mathematics and Philosophy. In 2014, he was granted a knighthood for his services to central banking.

Susan L. Wagner, Non-executive and independent director. Susan L. Wagner was first elected to the Board of Directors in 2014. She chairs the Investment Committee and is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

Ms Wagner is a co-founder of BlackRock, where she served as Vice Chairman and a member of the Global Executive and Operating Committees before retiring in mid-2012. Over the course of her nearly 25 years at BlackRock, she served in several roles such as Chief Operating Officer, Head of Strategy, Corporate Development, Investor Relations, Marketing and Communications, Alternative Investments and International Client Businesses. Ms Wagner serves on the Boards of Directors of BlackRock, Inc. and Apple Inc. and is a member of the Boards of Trustees of the Hackley School and Wellesley College.

Ms Wagner is a US citizen. She graduated with a BA in English and economics from the Wellesley College, USA, and earned an MBA in finance from the University of Chicago, USA.

Election procedure

The members of the Board of Directors are elected at a general meeting of shareholders. The Chairman's and Governance Committee evaluates candidates for membership on the Board of Directors and makes recommendations to the Board of Directors with regard to their nomination for election or re-election. The Board of Directors submits nominations for new Directors for election or re-election at the general meeting of shareholders that ensure an adequate size and a well-balanced composition of the Board of Directors and comply with the requirement that a majority of the Board of Directors be independent.

The Ordinance Against Excessive Compensation at Public Companies (the "**Compensation Ordinance**") calls for annual, individual election of Directors and of the Chairman of the Board of Directors. The members of the Compensation Committee are also elected separately.

Organisational structure of the Board of Directors

The organisation of the Board of Directors is set forth in the bylaws of SRL and Group bylaws of Swiss Re (the "**Corporate Bylaws**"), which define the responsibilities of the Board of Directors, its committees and the executive management. The Corporate Bylaws are reviewed periodically by both the Chairman's and Governance Committee and the full Board with regard to expediency, as well as compliance with domestic and applicable international laws, regulations and best practice standards.

Group EC

The responsibility for managing our operations resides with our Group EC. The members of the Group EC are appointed by the Board of Directors.

The Group EC is constituted by the following members (the "**Senior Managers**"):

Name	Birth Year	Position
Michel M. Liès ⁽¹⁾	1954	Group Chief Executive Officer
David Cole	1961	Group Chief Financial Officer
John R. Dacey	1960	Group Chief Strategy Officer
Guido Fürer	1963	Group Chief Investment Officer
Patrick Raaflaub	1965	Group Chief Risk Officer
Agostino Galvagni	1960	Chief Executive Officer Corporate Solutions
Jean-Jacques Henchoz	1964	Chief Executive Officer Reinsurance EMEA
Christian Mumenthaler ⁽¹⁾	1969	Chief Executive Officer Reinsurance
Moses Ojeisekhoba	1966	Chief Executive Officer Reinsurance Asia
J. Eric Smith	1957	Chief Executive Officer Swiss Re Americas
Thierry Léger	1966	Chief Executive Officer Life Capital
Matthias Weber	1961	Group Chief Underwriting Officer
Thomas Wellauer	1955	Group Chief Operating Officer

(1) Effective July 1, 2016, Michel Liès will retire as, and Christian Mumenthaler will assume the role of, Chief Executive Officer.

(2) Effective July 1, 2016, Moses Ojeisekhoba will replace Christian Mumenthaler as Chief Executive Officer Reinsurance, and Jayne Plunkett, currently Head Casualty Reinsurance will succeed Moses Ojeisekhoba as Chief Executive Officer Reinsurance Asia and join the Group EC.

The business address of the members of the Group EC is Mythenquai 50/60, 8022 Zurich, Switzerland.

Biographical Information

Michel M. Liès, Group Chief Executive Officer. Michel M. Liès, a citizen of Luxembourg born in 1954, was appointed Group CEO effective February 1, 2012. From the beginning of 2011 until he became Group CEO, Mr. Liès was Chairman Global Partnerships, a position outside the Group Executive Committee that was established to foster relationships in areas of the public sector, governments and non-government organisations. Prior to that time, Mr. Liès was a member of the Group Executive Committee and Head Client Markets since September 2005. Before that, he was Head of the Europe Division within the Property & Casualty Business Group (from April 2000) and head of the Latin America Division (from July 1998 to March 2000). Mr. Liès joined Swiss Re's Life department in 1978. Based in Zurich, he first covered the Latin American market. From 1983 to 1993, he was responsible for the life and health business in France and the countries of the Iberian Peninsula and coordinated Swiss Re's life strategy in the European Community member states. In 1994, he transferred to the non-life sector of our Southern Europe/Latin America department, where he was initially responsible for the Spanish market. Mr. Liès was appointed head of the Southern Europe/Latin America department in 1999. He is a member of the boards of Fördergesellschaft des Instituts für Versicherungswirtschaft (St Gallen), the Geneva Association, the Global Risk Forum, the Insurance Europe's Reinsurance Advisory Board, the IMD Foundation Board, the Pan-European Insurance Forum (PEIF) and the Swiss American Chamber of Commerce. He is also a voting member of the Conference Board. Mr. Liès holds a degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich and has completed the Stanford Executive Program at Stanford University and the Senior Executive Program at Harvard University.

David Cole, Group Chief Financial Officer. David Cole, a Dutch and American citizen born in 1961, holds a Bachelor of Business Administration from the University of Georgia, USA and an International Business degree from the Nijenrode Universiteit in the Netherlands. David Cole joined Swiss Re on

November 1, 2010 as Deputy Chief Risk Officer from ABN AMRO Holding, where he was chief financial officer and chief risk officer. He started his career in 1984 with ABN AMRO in Amsterdam and held a series of credit and relationship management positions in New York, Houston, Chicago and Amsterdam before being appointed executive vice president and regional head of Risk Management for Latin America in 1999, based in São Paulo, Brazil. In 2001, he returned to Amsterdam to assume corporate centre responsibility for Credit Portfolio Management within Group Risk Management. In 2002, David Cole became chief financial officer of wholesale clients ("WCS") and in 2004 he was appointed senior executive vice president and chief operating officer of WCS. In January 2006, he was appointed head of Group Risk Management for ABN AMRO Bank and in 2008 chief financial officer and chief risk officer. He was appointed the Group Chief Financial Officer and member of the Group Executive Committee in March 2011. He was appointed the Group Chief Financial Officer with effect from May 1, 2014.

John R. Dacey, Group Chief Strategy Officer. John R. Dacey, an American citizen born in 1960, was appointed to the Group Executive Committee as Group Chief Strategy Officer, as well as Chairman of Admin Re®, effective November 1, 2012 (and served in the latter capacity until the summer of 2015). He joined Swiss Re on October 1, 2012 from AXA, where he was group regional CEO and group vice-chairman for Asia-Pacific, as well as member of AXA's group executive committee. John R. Dacey joined AXA in 2007. Prior to joining AXA, he had been chief strategy officer and a member of the risk committee and investment committee at Winterthur Insurance from 2005. From 2000 until 2004, John R. Dacey was Winterthur's chief financial officer and a member of both the Winterthur group executive board and Credit Suisse's risk committee. He joined Winterthur Insurance in 1998 as head of corporate development. From 1990 to 1998, he was a consultant and subsequently partner at McKinsey & Company. John R. Dacey holds a master's degree in Public Policy from the Kennedy School at Harvard University and a Bachelor of Arts in Economics from the Washington University St Louis.

Guido Furer, Group Chief Investment Officer. Guido Furer, a Swiss citizen born in 1963, was appointed to the Group Executive Committee as Group Chief Investment Officer effective November 1, 2012. In addition, Guido Furer is Head Asset Management Reinsurance. Previously, he was Head CIO Office and a member of our Group Management Board with responsibility for Global Asset Allocation, Portfolio Steering and Portfolio Analytics. Prior to these roles, he worked for Swiss Re Capital Partners from 2001 to 2004 with responsibility for European strategic participations. Guido Furer joined Swiss Re in 1997 as a Managing Director in the New Markets division, focusing on Alternative Risk Transfer. Prior to joining Swiss Re, he worked for eight years in leading positions for Swiss Bank Corporation/O'Connor & Associates in options trading and structured capital market transactions in Chicago, New York, London and Zurich. Guido Furer earned a Master in Economics and a PhD in Financial Risk Management from the University of Zurich and an Executive MBA from INSEAD.

Patrick Raaflaub, Group Chief Risk Officer. Patrick Raaflaub, a Swiss citizen born in 1965, was appointed to the Group Executive Committee as Group Chief Risk Officer effective September 1, 2014. Prior to joining Swiss Re, he was the chief executive officer of FINMA from 2008, where he was responsible for integrating three formerly separate regulatory bodies into one, while navigating the new authority through the 2008 global financial crisis and its aftermath. Patrick Raaflaub had previously been with Swiss Re since 1994. His last position before joining FINMA was Head of Group Capital Management, where he was responsible for the capital management at Group level and global regulatory affairs. Before this, he served as Regional Chief Financial Officer Europe and Asia from 2005 to 2006, Head of Finance Zurich from 2003 to 2005, Divisional Controller Americas Division from 2000 to 2003 and Chief Financial Officer of Swiss Re Italia SpA from 1997 to 2000. Patrick Raaflaub also was a research fellow at the University of St. Gallen and briefly worked for Credit Suisse and a consulting start-up. He holds a PhD from the University of St. Gallen.

Agostino Galvagni, Chief Executive Officer Corporate Solutions. Agostino Galvagni, an Italian citizen born in 1960, graduated with a master's degree in economics from the Università Commerciale Luigi Bocconi in Milan and then joined Bavarian Re, Munich, as a trainee in 1985. After undertaking various activities in the fields of underwriting and marketing as well as project work, he joined Swiss Re New Markets, New York, in 1998, structuring and marketing insurance-linked and asset-backed securities. He returned to Bavarian Re in 1999 as a member of the board of management. In 2001, he joined SRZ, as Head of the Globals Business Unit and member of the Europe Division Executive Team. He was appointed to SRZ's Executive Board with effect from September 2005 to head the Globals & Large Risks division within Client Markets and was appointed Chief Operating Officer of Swiss Re and

member of SRZ's Executive Committee as of May 2009. Agostino Galvagni was appointed CEO of Corporate Solutions with effect from October 1, 2010.

Jean-Jacques Henchoz, Chief Executive Officer Reinsurance EMEA. Jean-Jacques Henchoz, a Swiss citizen born in 1964, was appointed to the Group Executive Committee as Regional President EMEA, effective January 1, 2012. He started his career in 1988 and held various roles at the Swiss Federal Department of Economic Affairs, and the European Bank for Reconstruction and Development (EBRD). From 1995 to 1996 he was business development manager at SGS Société Générale de Surveillance. Jean-Jacques Henchoz joined Swiss Re in 1998, serving in several underwriting roles in the SRL Europe Division. In 2003 he became Head of Strategy for Swiss Re's Property & Casualty business, before he was appointed Chief Executive Officer of Swiss Re Canada and the English Caribbean markets in 2005. Jean-Jacques Henchoz was appointed Head of Swiss Re's EMEA Division and became a member of the Swiss Re Group Management Board as of March 1, 2011. Jean-Jacques Henchoz holds a degree in political science from the University of Lausanne and an MBA from the International Institute for Management Development (IMD), Lausanne.

Christian Mumenthaler, Chief Executive Officer Reinsurance. Christian Mumenthaler, a Swiss citizen born in 1969, received a PhD in Molecular Biology and Biophysics at the Swiss Federal Institute of Technology (ETH) in Zurich. He started his professional career in 1997 as an associate at the Boston Consulting Group before joining Swiss Re in 1999 as a manager in Group Strategic Planning. In 2002, he established and became Head of the new Group Retro and Syndication. He was appointed Head of Life & Health in the (Re)Insurance Products area in September 2007 and was a member of SRZ's Management Board. He also served as Group Chief Risk Officer of Swiss Re with effect from January 1, 2005 to the end of 2007. He was appointed to SRZ's Executive Committee as Chief Marketing Officer Reinsurance effective January 1, 2011. Effective October 21, 2011, he became Chief Executive Officer of the Reinsurance Business Unit. His commitments in organisations outside Swiss Re include board membership in the International Risk Governance Council (IRGC) and in the Sustainability Forum Zürich (TSF).

Moses Ojeisekhoba, Chief Executive Officer Reinsurance Asia. Moses Ojeisekhoba, a Nigerian and American citizen born in 1966, was appointed to the Group Executive Committee as CEO Reinsurance Asia and Regional President Asia, effective March 15, 2012. He joined Swiss Re from Chubb Group of Insurance Companies where he had been the head for Asia-Pacific since 2009. He spent 16 years with Chubb in various roles in the United States, Europe and Asia. Prior to that, he worked with Unico American Corporation and Prudential in the United States. Moses Ojeisekhoba holds a bachelor's degree in statistics from the University of Ibadan in Nigeria, and a master's degree in management from London Business School.

J. Eric Smith, Chief Executive Officer Swiss Re Americas. J. Eric Smith, an American citizen born in 1957, was appointed to the Group Executive Committee as Regional President Americas effective January 1, 2012. He gained knowledge of the property and casualty business serving in various roles at Country Financial for more than twenty years. As of 2003 he was responsible for the agency business at Allstate Financial Services, before he joined USAA Life Insurance Co. where he was named president in 2010 leading the effort to provide life, health and annuity solutions through the direct channel. In July 2011, J. Eric Smith joined Swiss Re as Chief Executive Officer of Swiss Re Americas and became member of the Group Management Board. J. Eric Smith holds an MBA in strategy, marketing and corporate finance from the Kellogg Graduate School of Management and a bachelors' degree in finance from the University of Illinois.

Thierry Léger, Chief Executive Officer Life Capital. Thierry Léger, a Swiss and French citizen born in 1966, holds an Executive MBA from the University of St. Gallen, as well as a Master's degree in Civil Engineering from the Swiss Federal Institute of Technology (ETH) in Zurich. He started his career in the civil construction industry before joining Swiss Re as an engineering underwriter in 1997. In 2001, Mr Léger joined Swiss Re New Markets, providing non-traditional solutions to insurance clients. From 2002 to 2006, he served as a member of Swiss Re's executive team in France, heading the sales team. From 2006 to 2013, Mr Léger took increasing responsibility for Swiss Re's largest clients, ultimately becoming the head of the newly-created Globals division in 2010.

Matthias Weber, Group Chief Underwriting Officer. Matthias Weber, a Swiss citizen born in 1961, graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with an MS in Physics and a Ph.D. in Natural Sciences. He started his career at Swiss Re in 1992, when he joined the R&D

department in Zurich as an expert for natural perils. In 1995, Matthias Weber became Leader of the Storm/Flood Group and Deputy Head of Swiss Re's Cat Perils Department. He contributed to the development of Swiss Re's Cat models and helped perform internal planning and control processes such as the Cat Accumulation Control or CAMARES. In 1997, he supported Swiss Re New Markets in developing Swiss Re's first cat bond. Matthias Weber moved to the Swiss Re Americas Division in 1998 as an expert for international catastrophe perils and, in 1999, assumed responsibility for the Property Underwriting Unit of Global & National. In 2000, he became Regional Executive for the Western Region of the United States, located in San Francisco. From 2001 to 2005, Matthias Weber was responsible for Property Underwriting in US Direct Business Unit, following which he became Head of the Americas Property Hub in Armonk. In September 2008, Matthias Weber was appointed Division Head of Property and Specialty Reinsurance and as a member of SRZ's Management Board. He was appointed to the Group Executive Committee as Group Chief Underwriting Officer effective April 1, 2012.

Thomas Wellauer, Group Chief Operating Officer. Thomas Wellauer, a Swiss citizen born in 1955, holds a PhD in systems engineering from the Swiss Federal Institute of Technology (ETH), as well as a Master of Business Administration from the University of Zurich. He started his career with McKinsey & Company, specializing in the financial services and pharmaceutical industry sectors, and became a partner in 1991 and senior partner in 1996. In 1997, he was named CEO of the Winterthur Insurance Group, which was later acquired by Credit Suisse. At Credit Suisse he was a member of the group executive board, initially responsible for the group's insurance business before becoming CEO of the Financial Services division in 2000. From 2003 to 2006, Thomas Wellauer headed the global turnaround project at Clariant. Subsequently, he joined Novartis as head of Corporate Affairs and became member of the executive committee of Novartis in 2007. From April 2009 until the end of September 2010, he was a member of the supervisory board of Munich Re. Thomas Wellauer was appointed Group Chief Operating Officer of Swiss Re and member of SRZ's Executive Committee with effect from October 1, 2010.

In addition, Swiss Re has Executive Committees for each of the three Business Units. The Executive Committees have, subject to the responsibilities of SRL, and the board of directors and the chief executive officer of the relevant Business Unit, overall responsibilities for managing matters relevant to the Business Unit. The following are the members of the Executive Committee for SRZ and the Reinsurance Business Unit:

Name	Birth Year	Position
Christian Mumenthaler ⁽¹⁾	1969	Chief Executive Officer
Jean-Jacques Henchoz	1964	Chief Executive Officer EMEA
Russell Higginbotham	1967	Head Life & Health Products
Jonathan Isherwood	1966	Head Globals
Gerhard Lohmann	1966	Chief Financial Officer
Alison Martin	1974	Head Life & Health Business Management
Moses Ojeisekhoba	1966	Chief Executive Officer Asia
Jayne Plunkett	1970	Head Casualty Underwriting
Jason Richards	1969	Head Property & Casualty Business Management
Edouard Schmid	1964	Head Property & Specialty Underwriting
J. Eric Smith	1957	Chief Executive Officer Americas

(1) Effective July 1, 2016, Christian Mumenthaler will assume the role of Chief Executive Officer.

(2) Effective July 1, 2016, Moses Ojeisekhoba will replace Christian Mumenthaler as Chief Executive Officer Reinsurance, and Jayne Plunkett, currently Head Casualty Reinsurance will succeed Moses Ojeisekhoba as Chief Executive Officer Reinsurance Asia and join the Group EC.

The following are the members of the Executive Committee for Corporate Solutions Business Unit:

Name	Birth Year	Position
Agostino Galvagni ³⁾	1960	Chief Executive Officer Corporate Solutions
Rudolf Flunger	1968	Head Regions Corporate Solutions
Seth Meyer	1969	Chief Financial Officer Corporate Solutions
Serge Troeber	1968	Chief Underwriting Officer Corporate Solutions

The following are the members of the Executive Committee for Life Capital Business Unit:

Name	Birth Year	Position
Thierry Léger	1966	Chief Executive Officer Life Capital
Bob Ratcliffe	1955	Chief Financial Officer Admin Re®
Ian Patrick	1967	Chief Financial Officer Life Capital

Name	Birth Year	Position
Matt Cuhls	1974	Chief Executive Officer ARUK
Carl Christensen	1976	Chief Executive Officer Protection Partners EMEA
Philip Walker	1965	Chief Executive Officer Protection Partners (US)
Reto Toscan	1973	Chief Executive Officer elipsLife

Other Directorships

The companies and partnerships of which the Directors and Senior Managers are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding the Company and its subsidiaries and also excluding the subsidiaries of the companies listed below) are as follows:

Directors

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Walter B. Kielholz.....	N/A	Former member of the board of directors of Credit Suisse Group AG
Renato Fassbind.....	Board member of Kühne + Nagel International Ltd and Nestlé S.A.	N/A
Raymond K.F. Ch'ien	- Chairman of the Board of Directors of Hang Seng Bank Ltd - Board member of the Hong Kong and Shanghai Banking Corporation Ltd, China - Board member of The Wharf (Holdings) Ltd	- Former non-executive chairman of MTR Corporation Limited and former chairman of CDC Corporation, HSBC Private Equity (Asia) Limited - Former board member of CDC Software Corporation, Inchcape plc, China.com Inc, Convenience Retail Asia Ltd, China Resources Power Holdings Company Ltd and Hong Kong Mercantile Exchange Ltd
Mary Francis.....	Board member of Enscio plc	Former board member of Aviva plc, Alliance & Leicester plc, Cable & Wireless Communications plc, St Modwen Properties plc and Centrica plc
Rajna Gibson Brandon.....	N/A	- Former board member of Banque Privée Edmond de Rothschild S.A. - Former chairman of MetLife, Inc
C. Robert Henrikson.....	Board member of Invesco Ltd and AmeriCares	
Trevor Manuel	- Board member of SABMiller plc and Old Mutual plc - None-executive Deputy Chairman of Rothschild South Africa	N/A
Carlos E. Represas.....	Board member of Bombardier Inc. and Merck & Co. Inc.	N/A
Philip K Ryan	- Chairman Latin America, Bombardier Inc. - Board member of Medley Management, Inc.	N/A
Sir Paul Tucker	N/A	N/A
Susan L. Wagner.....	Board member of BlackRock, Inc. and Apple Inc.	Former Vice Chairman and co-founder of BlackRock

Senior Managers

<i>Name</i>	<i>Current directorships/ Partnerships</i>	<i>Previous directorships/ Partnerships</i>
Michel M. Liès.....	N/A	N/A
David Cole.....	- Board member of FWD Group - Member of Supervisory Board IMC B.V.	N/A
John R. Dacey	N/A	N/A
Guido Fürer.....	N/A	N/A
Patrick Raaflaub.....	N/A	N/A
Agostino Galvagni.....	N/A	N/A
Jean-Jacques Henchoz.....	N/A	N/A
Christian Mumenthaler.....	N/A	N/A
Moses Ojeisekhoba.....	N/A	N/A
J. Eric Smith.....	N/A	N/A
Thierry Léger.....	N/A	N/A
Matthias Weber.....	N/A	N/A
Thomas Wellauer.....	N/A	Former supervisory board member of Munich Re

Save as disclosed in the Biographical Information section above, within the period of five years preceding the date of this Prospectus none of the Directors or Senior Managers:

- has any convictions in relation to fraudulent offences;
- has been associated with any bankruptcy, receivership or liquidation when acting in his capacity as a member of the administrative, management or supervisory body or senior manager of another company; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

None of the Directors or Senior Managers has any potential conflicts of interests between their duties to the Company and their private interests or other duties.

Directors' and Other Interests

The table below sets out the interests of the Directors and Senior Managers in the share capital of the Company as at 3 May 2016 (being the latest practicable date prior to publication of this Prospectus).

	7 May 2016 (last practicable date prior to publication of this Prospectus)	
	Number of SRL Shares currently held	Per cent. of issued share capital
Walter B. Kielholz.....	435,313	0.13
Renato Fassbind.....	19,954	0.01
Raymond K.F. Ch'ien	19,978	0.01
Mary Francis.....	5,927	0.002
Rajna Gibson Brandon	21,700	0.01
C. Robert Henrikson.....	11,065	0.003
Trevor Manuel	2,363	0.001
Carlos E. Represas.....	3,858	0.003
Philip K. Ryan	6,134	0.002
Paul Tucker.....	1,036	0.00
Susan L. Wagner.....	6,111	0.002
Michel M. Liès	290,604	0.08
David Cole.....	68,061	0.02
John R. Dacey.....	8,878	0.002
Guido Fürer.....	56,156	0.02
Agostino Galvagni.....	73,999	0.02
Jean-Jacques Henchoz.....	46,654	0.01
Christian Mumenthaler.....	63,854	0.02
Moses Ojeisekhoba.....	27,715	0.01
Patrick Raaflaub	0	-
J. Eric Smith	23,984	0.01
Thierry Léger	57,556	0.02
Matthias Weber.....	33,816	0.01
Thomas Wellauer.....	130,030	0.04

The following table reflects total unvested LPP (as defined below) units held by members of the Swiss Re Group EC as of 31 December 2015.

Michel M. Liès	99,490
David Cole.....	49,755
John R. Dacey.....	49,755
Guido Fürer.....	49,755
Agostino Galvagni.....	49,755
Jean-Jacques Henchoz.....	39,805
Christian Mumenthaler.....	49,755
Moses Ojeisekhoba.....	39,805
Patrick Raaflaub	12,435
J. Eric Smith	39,805
Matthias Weber.....	49,755
Thomas Wellauer.....	49,755

Arrangements for Employee Involvement in Capital of Swiss Re

Leadership Performance Plan

In 2012, Swiss Re introduced the Leadership Performance Plan (the "**LPP**"). The purpose of the LPP is to provide an additional incentive for Swiss Re's senior management to achieve exceptional business performance over a three-year period. The LPP is a forward looking instrument focusing on motivating senior executives to take decisions that are in the shareholders' long term interest.

At grant date, the award is split into two equal underlying components – Restricted Share Units (the "**RSUs**") and Performance Share Units ("**PSUs**").

For the full three-year performance measurement period, forfeiture conditions apply. Additionally, clawback provisions apply to downward financial restatement which is caused or partially caused by the LPP participant's fraud or misconduct. In this case, the Company is entitled to seek repayment of any vested and settled award. At the end of the three-year measurement period, both components will be settled in SRL Shares.

Incentive Share Plan

The Annual Performance Incentive ("**API**") is a discretionary, variable component of the compensation package for employees of Swiss Re. Combined with the base salary, it provides competitive total cash compensation when an employee achieves his or her performance targets.

Employees of Swiss Re have the opportunity to take some or all of their cash API in the form of SRL Shares at a discount of 10 per cent. (the "**Incentive Share Plan**"), encouraging alignment with shareholder interests. The shares are not subject to forfeiture risk. At the end of a one-year blocking/holding period, the employee assumes full ownership of the SRL Shares.

Stock option plans

Stock option plans include a fixed-option plan and an additional grant to certain members of executive management of Swiss Re. No options were granted under these plans from 2007 onwards. Under the fixed-option plan, the exercise price of each option is equal to the market price of the SRL Shares on the date of the grant. Options issued vest at the end of the fourth year and have a maximum life of ten years.

Restricted shares

Swiss Re grants restricted SRL Shares on an ad hoc basis that are subject to a vesting period with a risk of forfeiture during the vesting period. In addition, Swiss Re also grants restricted SRL Shares as an alternative to Swiss Re's cash bonus programme which are not subject to forfeiture risk.

Employee Participation Plan

The Employee Participation Plan consists of a savings scheme lasting two or three years. Employees of Swiss Re combine regular savings with the purchase of either actual or tracking options. Swiss Re contributes to the employee savings over the period of the Plan.

At maturity, either the employee receives SRL Shares or cash equal to the accumulated savings balance.

From 2013 onwards, the Employee Participation Plan was discontinued.

Participation by members of the Board of Directors and the Group EC

Senior Managers are permitted to participate in the Plan. The price payable by members of the Group EC who participate in the Plan will be the same as that paid by all other Eligible Employees. Directors are not entitled to participate in the Plan.

SUMMARY OF THE PLAN

Purpose of the Plan

The Company has introduced the Plan for the benefit of Eligible Employees. Eligible Employees have the opportunity to share in Swiss Re's potential future success and Swiss Re will make a financial contribution for the benefit of Participants by providing them Matching Shares at the end of each Plan Cycle Period free of charge. Swiss Re expects that it will benefit from the Plan because it is intended to align the interests of Participants with the interests of Swiss Re and to help Swiss Re to retain and motivate existing employees and to recruit new employees. The Plan was adopted by the Board in December 2012. SRL Shares are listed in accordance with the International Reporting Standard of, and are admitted to trading on, the SIX Swiss Exchange. **All defined terms used in this section and not otherwise defined in this Prospectus are as defined in the Plan. See Exhibit A for a copy of the rules of the Plan.** III.3.4

The Outline

Administration of the Plan

The Plan is administered by the Board.

SRL Shares to be offered under the Plan

Each SRL Share has a nominal value of presently 0.10 CHF.

In the event of any variation of the share capital of the Company, or in the event of a demerger, delisting, special dividend, rights issue or other event which may, in the Board's opinion, affect the current or future value of SRL Shares, the Board may adjust the number of SRL Shares subject to a Matching Share Award in such manner as the Board determines.

Amendment or termination of the Plan

The Board may amend or terminate the Plan at any time. Termination of the Plan is without prejudice to the existing rights of Participants under the Plan. No amendment to the material disadvantage of the existing rights of Participants may be made unless every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment and the amendment is approved by a majority of those Participants who have so indicated.

Specific Terms of the Plan

(a) **Contributions**

Eligible Employees choosing to participate in the Plan may do so during an Enrolment Period. SRL Shares will be acquired on behalf of the Participants each month using Contributions during a Contribution Period which follows the expiry of the relevant Enrolment Period. Contributions will be made in accordance with the description in the section "Payroll deductions" below. The first Contributions under the Plan are expected to be made on or about 4 July 2016 under the first Plan Cycle Period and on or about 1 December 2016 under the second Plan Cycle Period. The relevant Plan Cycle Period begins on the date on which the first Contributions are applied to acquire SRL Shares (the "**Initial Acquisition Date**"). III.5.1.6

The Board will determine the minimum and maximum Contributions in Swiss francs that may be made on an annual basis during a Contribution Period and the exchange rate at which Contributions made in other currencies will be converted for this purpose. The minimum and maximum annual Contributions for the offers to be made under each Plan Cycle which will commence in 2016 are CHF 120 and CHF 7,000 respectively provided that each year a Participant may not contribute more than 10 per cent. of his annual base salary in aggregate to any Plan Cycle Period in which he participates. Within this range each Eligible Employee will be required to specify the annual Contribution that they wish to make to the Plan for the duration of the relevant Contribution Period.

(a) **Purchased Shares and Dividend Shares**

Each Contribution made by a Participant during a Contribution Period will be used to acquire Purchased Shares at market value on such date. Any dividend payments made to a Participant in respect of their Purchased Shares during a Plan Cycle Period will be used to acquire further shares ("**Dividend Shares**"), unless the Board determines otherwise. Dividend Shares will be held on behalf of Participants during a Plan Cycle Period on the same terms as the Purchased Shares to which they relate.

(b) **Matching Share Awards**

All Participants are granted a Matching Share Award as soon as practicable after their enrolment in a Plan Cycle Period. Under the Matching Share Award, Participants are granted a right to receive a number of Matching Shares free of charge. The number of Matching Shares that a Participant will receive under a Matching Share Award will be calculated by applying the Matching Share Ratio to the number of Purchased Shares and Dividend Shares that are (i) acquired by a Participant under the Plan during the relevant Plan Cycle Period and (ii) not sold or transferred by the Participant before the end of the Plan Cycle Period. The Matching Share Ratio is 30 per cent. The Board may determine that in substitution for rights to acquire some or all of the SRL Shares to which the Participant's Matching Share Award relates the Participant will instead receive an equivalent cash sum.

Eligibility under the Plan

Eligible Employees

Employees of the Swiss Re Group may participate in the Plan.

Employees who transfer to work in an overseas location, but continue to hold employment with the Swiss Re Group (an "**Overseas Transfer**") will cease to participate in the Plan and any Purchased Shares and Dividend Shares they have acquired under the Plan will be released to them. The Matching Share Award that will vest will be determined by applying the Matching Share Ratio to the number of Purchased Shares and Dividend Shares that the employee holds at the date of the Overseas Transfer.

Participation

Participation in the first Plan Cycle Plan will be offered during an Enrolment Period, beginning on or about 9 May 2016 and ending on or about 29 May 2016. Participation in the second Plan Cycle Plan will be offered during an Enrolment Period, beginning on or about 7 November 2016 and ending on or about 27 November 2016.

Payroll deductions

By participating in the Plan, Participants authorise payroll deductions (to the extent permitted by applicable law) of an amount equal to the Contribution. The Participant must specify the annual Contribution that he wishes to make to the Plan for the duration of the Contribution Period, which must be between CHF 120 and CHF 7,000 provided that each year a Participant may not contribute more than 10 per cent. of his annual base salary in aggregate to any Plan Cycle Period in which he participates.

Payroll deductions will commence following the end of the Enrolment Period and continue until the earlier of (i) the end of the Contribution Period, or (ii) the Participant's cessation of employment with a Group Member, Overseas Transfer or withdrawal from the Plan.

Withdrawal from the Plan

A Participant may withdraw from the Plan at any time during a Contribution Period by submitting an application to the Board on the grounds of hardship. Where, in its absolute discretion, the Board determines that hardship exists, a Participant's Contributions will cease as soon as practicable after the date of such determination and any Purchased Shares and Dividend Shares acquired on behalf of a Participant will remain subject to the rules of the Plan until the end of the Plan Cycle Period.

The Purchased Shares and Dividend Shares will be released to the Participant at the end of the Plan Cycle Period, and the Matching Share Award will vest by reference to the number of Purchased Shares and Dividend Shares held by a Participant at that time.

Cessation of employment of Participants

Where a Participant ceases to be employed by a Group Member before the end of a Plan Cycle Period the consequences under the Plan will depend on the reason for the cessation of employment.

If the Participant ceases employment by reason of death, disability/health (such that the Participant qualifies for the respective long term disability benefits), regular retirement or early retirement, redundancy, the Participant's employing company ceasing to be a Group Member or the sale of the business in which the Participant is employed to a person who is not a Group Member, or any other reason at the Board's absolute discretion (except where a Participant is dismissed for cause or misconduct) the Plan Cycle Period will be deemed to end on the date of such cessation, the Participant will cease making Contributions under the Plan, the Purchased Shares and Dividend Shares will be released to the Participant and the Matching Share Award will vest over such number of Purchased Shares and Dividend Shares held on behalf of the Participant on the date of such cessation.

If a Participant ceases employment for any other reason, the Plan Cycle Period will be deemed to end, the Participant will cease to make Contributions under the Plan and the Participant's Matching Share Award will lapse and be forfeited.

Delivery and Transferability of the Shares under the Plan

A Participant may sell or transfer his Purchased Shares and Dividend Shares during a Plan Cycle Period, subject to certain restrictions referred to in the Plan. However, the number of Shares comprised in a Participant's Matching Share Award will be reduced proportionally.

If a Participant sells or transfers all of his Purchased Shares during a Plan Cycle Period, the Plan Cycle Period will be deemed to end and the Participant's Matching Share Award will lapse and be forfeited, notwithstanding that a Participant has not sold or transferred all of his Dividend Shares.

If a Participant pledges, charges or otherwise encumbers his Purchased Shares or Dividend Shares during a Plan Cycle Period, such Purchased Shares or Dividend Shares will be treated as having been sold or transferred.

Matching Share Awards must not be transferred, assigned, pledged, charged or otherwise disposed of or encumbered, in any way (except in the event of the Participant's death, to their estate) and will lapse and be forfeited immediately on any attempt to do so.

DESCRIPTION OF OUR SHARE CAPITAL STRUCTURE AND THE SECURITIES OFFERED UNDER THE PLAN

Share Capital Structure

Issued Share Capital. As of the date of this Prospectus, SRL's issued share capital as registered with the Canton of Zurich Commercial Register, including treasury shares, is CHF 37,070,693.10 divided into 370,706,931 fully paid-in registered shares (each with a nominal value of CHF 0.10). There are no additional types of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of SRL's share capital. SRL's capital structure ensures equal treatment of all shareholders in accordance with the principle of "one share/one vote". All issued shares are fully paid and validly created under Swiss law.

Conditional Share Capital. Article 3a of SRL's Articles of Association provides for a capital increase from conditional capital limited to a share capital increase not exceeding CHF 5,000,000 by issuing a maximum of 50,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the voluntary or mandatory exercise of conversion and/or option rights granted in connection with bonds or similar instruments, including loans or other financial instruments, issued by SRL or group companies (hereinafter collectively the "**Equity-Linked Financing Instruments**"). Existing shareholders' subscription rights (*Bezugsrechte*) are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments will be entitled to subscribe for the new registered shares. Furthermore,

- Existing shareholders' advance subscription rights (*Vorwegzeichnungsrechte*) with regard to these Equity-Linked Financing Instruments may be restricted or excluded by decision of the Board of Directors (subject to the limitations set forth in the last bullet below) in order to issue Equity-Linked Financing Instruments (i) on national and/or international capital markets (including by way of private placements to one or more selected strategic investors), and/or (ii) to finance or re-finance the acquisition of companies, parts of companies, equity stakes (participations) or new investments planned by SRL and/or group companies.
- If advance subscription rights (*Vorwegzeichnungsrechte*) are excluded, then (i) the Equity-Linked Financing Instruments are to be placed at market conditions, (ii) the exercise period is not to exceed ten years for option rights and twenty years for conversion rights, and (iii) the conversion or exercise price for the new registered shares is to be set at least in line with the market conditions prevailing at the date on which the Equity-Linked Financing Instruments are issued.
- The acquisition of registered shares through the exercise of conversion or option rights and any further transfers of registered shares shall be subject to the restrictions specified in Article 4 of the Articles of Association.
- The total of shares issued from (i) authorised capital according to Article 3b of the Articles of Association where the existing shareholders' subscription rights (*Bezugsrechte*) were excluded, and (ii) shares issued from conditional capital according to Article 3a of the Articles of Association where the existing shareholders' advance subscription rights (*Vorwegzeichnungsrechte*) on the Equity-Linked Financing instruments were excluded, may not exceed 74,000,000 shares up to 21 April 2017.

Authorised Share Capital. Article 3b of the Articles of Association provides for a capital increase from authorised capital at any time up to 21 April 2017 by a maximum amount not exceeding CHF 8,500,000 through the issue of up to 85,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non-exercised subscription rights (*Bezugsrechte*) will be determined by the Board of Directors. Furthermore:

- With respect to a maximum of CHF 5,000,000 through the issue of up to 50,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10 out of the total amount of authorised capital, the subscription rights of shareholders may not be excluded.

- With respect to a maximum of CHF 3,500,000 through the issue of up to 35,000,000 registered shares, payable in full, each with a nominal value of CHF 0.10 out of the total amount of authorised capital, the Board of Directors may (subject to the limitations set forth in the last bullet below) exclude or restrict the subscription rights (*Bezugsrechte*) of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including takeover) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by SRL and/or group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of SRL or group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).
- The subscription and acquisition of the new registered shares, as well as each subsequent transfer of the registered shares, will be subject to the restrictions specified in Article 4 of the Articles of Association.
- The total of registered shares issued from (i) authorised capital according to Article 3b of the Articles of Association where the existing shareholders' subscription rights (*Bezugsrechte*) were excluded, and (ii) shares issued from conditional capital according to Article 3a of the Articles of Association where the existing shareholders' advance subscription rights (*Vorwegzeichnungsrechte*) on the Equity-Linked Financing Instruments (as defined in the Articles of Association) were excluded, may not, in the aggregate, exceed 74,000,000 shares up to 21 April 2017.

The SRL Shares

The SRL Shares are registered shares with a nominal value of CHF 0.10 each.

The SRL Shares are dematerialised securities (*Wertrechte*, within the meaning of the Swiss Federal Code of Obligations) and intermediated securities (*Bucheffekten*, within the meaning of Swiss Federal Intermediary-Held Securities Act (the "**FISA**").

Shareholders have no right to request that certificates be provided for registered shares. Each shareholder may, however, at any time request a written confirmation from SRL of the registered shares held by such shareholder, as reflected in the share register of SRL. The SRL Shares may be transferred by way of book-entry credit to other securities accounts in accordance with the provisions of the FISA. Furnishing of collateral in the SRL Shares must also conform to the regulations of the FISA; the transfer and furnishing of collateral by assignment is excluded.

The SRL Shares are freely transferable, without any limitations, **provided that** the buyers declare that they are the beneficial owners of the SRL Shares and, if applicable, comply with the disclosure requirements of the Financial Market Infrastructure Act ("**FMIA**").

Persons who do not declare that they are the beneficial owners of the SRL Shares held by them ("**nominees**") are entered without further inquiry in the share register of SRL as shareholders with voting rights up to a maximum of 2 per cent. of the outstanding share capital at the time. Additional SRL Shares held by such nominees that exceed the limit of 2 per cent. of the outstanding share capital are entered in the share register with voting rights only if such nominees disclose the names, addresses and shareholdings of the beneficial owners of the holdings amounting to or exceeding 0.5 per cent. of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the FMIA.

Securities Identification Numbers and Ticker Symbol

In respect of SRL Shares:

Swiss Security Number (<i>Valorennummer</i>):	12688156
International Securities Identification Number (ISIN):	CH0126881561
Ticker Symbol:	"SREN"

Shareholders Meetings

Annual general meetings of shareholders of SRL are to be held within six months after the close of the business year.

Each SRL Share entitles its registered holder to one vote at a general meeting of shareholders. Any shareholder with voting rights may have his/her shares represented at any general meeting of shareholders by another person authorised in writing or by the Independent Proxy. Such representatives need not be shareholders. The Independent Proxy shall be elected by the Shareholders' Meeting for a term of office until completion of the next ordinary Shareholders' Meeting. The Independent Proxy whose term of office has expired is immediately eligible for re-election. The duties of the Independent Proxy are determined by applicable laws, rules and regulations. The general meeting of shareholders may remove the Independent Proxy with effect as per the end of the general meeting of shareholders. If the Company does not have an Independent Proxy, the Board shall appoint the Independent Proxy for the next general meeting of shareholders.

Any general meeting of shareholders passes resolutions irrespective of the number of shareholders present or shares represented, by an absolute majority of the votes validly cast, subject to the compulsory exceptions provided by law.

The rules of the Articles of Association on the convocation of the annual general meeting of shareholders correspond with the legal provisions. Accordingly, the annual general meeting of shareholders is summoned by the Board of Directors at least 20 days before the date of the meeting by notice published in the Swiss Official Gazette of Commerce. Extraordinary general meetings of shareholders may be called by the Board of Directors, or as required by shareholders with voting power, provided they represent at least 10 per cent. of the share capital.

The Board of Directors announces the agenda. Shareholders with voting power whose combined holdings represent shares with a nominal value of at least CHF 100,000 may, no later than 45 days before the date of the meeting, demand that matters be included in the agenda. Such demands must be in writing and must specify the items and the proposals to be submitted.

Dividends and Dividend Policy

Swiss Re's highest priority is to grow the regular dividend with long-term earnings. At a minimum Swiss Re aims to maintain the regular dividend. Then Swiss Re will deploy capital for business growth where it meets its profitability requirements. Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Our Annual General Meeting is typically expected to be held each April, and the dividend is typically payable shortly after the Annual General Meeting.

The holders of the SRL Shares are entitled to the dividends or other distributions approved by the Annual General Meeting in proportion to their shareholdings, and in the event of liquidation of SRL's assets, they are entitled to a proportional share after all debts have been paid. Shareholders who are registered in the share register without voting rights cannot participate or vote in a general meeting, but are nevertheless entitled to receive dividends and/or exercise other property rights.

The declaration of dividends is subject to certain Swiss law requirements. See "*Description of Shares - Net Profit and Dividends*". After deduction of a Swiss withholding tax of 35 per cent. currently, the dividend, if any, is paid by means of a dividend order to shareholders recorded in our share register or to their deposit banks. Swiss withholding tax can be reclaimed fully by Swiss resident Participants according to Swiss domestic tax law. Non-Swiss resident Participants can apply for a (partial) refund of Swiss withholding taxes under their applicable double tax treaty with Switzerland. Dividends and similar payments by Swiss companies to certain persons, groups or countries are currently restricted pursuant to sanctions imposed by the Swiss government. See "*Limitations Affecting SRL Shareholders - Exchange Controls*". See "*Description of our share capital structure and the securities offered under the plan – The SRL Shares - Dividends Paid*" for information related to historical dividends.

Disclosure of Shareholdings

According to Article 120 (1) FMIA anyone who directly or indirectly or acting in concert with third parties acquires or disposes shares or acquisition or sale rights relating to shares of a company with its registered office in Switzerland whose equity securities are listed in whole or in part in Switzerland, or of

a company with its registered office abroad whose equity securities are mainly listed in whole or in part in Switzerland, and thereby reaches, falls below or exceeds the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the Commercial Register, whether exercisable or not, must notify this to the company and to the stock exchanges on which the equity securities are listed. According to Article 120 (3) FMIA, anyone who has the discretionary power to exercise the voting rights associated with equity securities in accordance with Article 120 (1) FMIA is also subject to the notification. The person or group is obliged to make a notification in writing to the company (issuer) and the stock exchange no later than four trading days after the creation of the obligation to notify (conclusion of a contract). The notification duty extends in the acquisition or sale not only of actual shares, but also of rights to acquire or to sell such shares (such as options), and to other financial instruments referencing such shares. Detailed rules on the calculation of disclosable positions (which include (a) actual shareholdings, (b) total long position, and (c) total short position) for purposes of the notification duty are contained in the FMIA and in an ordinance of FINMA. Upon receipt of such notification, SRL is required to inform the public.

The notification duty extends in the acquisition or sale not only of actual shares, but also of rights to acquire or to sell such shares (such as options), and to other financial instruments referencing such shares. Detailed rules on the calculation of disclosable positions (which include (a) actual shareholdings, (b) total long position, and (c) total short position) for purposes of the notification duty are contained in the FMIA and in an ordinance of FINMA. Upon receipt of such notification, SRL is required to inform the public.

Duty to Make an Offer

The acquisition by a shareholder (whether directly, indirectly or in concert with others) of more than 33⅓ per cent. of the SRL Shares would trigger a mandatory takeover offer for the SRL Shares owned by all other shareholders. Under the FMIA, if a shareholder (or a group of shareholders acting in concert) acquires shares representing more than 33⅓ per cent. of the voting rights of a Swiss company listed on a Swiss exchange or a foreign company mainly listed (*hauptnotiert*), in whole or part, on a Swiss exchange, the shareholder would be obligated to launch a takeover offer for the shares it does not own. The FMIA also allows these companies to include in their articles of association an "opt up" provision (in which the threshold could be raised above 33⅓ per cent.) or an "opt out" provision (where the obligation to make a takeover offer upon reaching the 33⅓ per cent. threshold is waived). The Articles of Association, however, contain neither an "opt up" provision nor an "opt out" provision.

Pre-emptive Rights and Advance Subscription Rights

Under the Swiss Federal Code of Obligations, the prior approval of a general meeting of shareholders is generally required to authorise, for later issuance, the issuance of shares, or rights to subscribe for, or convert into, shares (which rights may be connected to debt instruments or other obligations). In addition, the existing shareholders will have pre-emptive rights in relation to such shares or rights in proportion to the respective par values of their holdings. The shareholders may, with the affirmative vote of shareholders holding at least two-thirds of the voting rights and a majority of the par value of the shares, each as represented (in person or by proxy) at the general meeting, limit or exclude (or authorise the Board of Directors to limit or exclude) the pre-emptive rights for valid reasons; **provided, however, that** no shareholder shall be advantaged or disadvantaged without good cause. The Articles of Association contain provisions which allow under certain circumstances for an exclusion of pre-emptive rights or advance subscription rights.

Listing

SRL Shares are listed in accordance with the International Reporting Standard, and admitted to trading on, the SIX Swiss Exchange under the symbol "SREN".

SRL Share Price Information

The closing price of the SRL Shares on the SIX Swiss Exchange on 3 May 2016 was CHF 86.10, with a daily high of CHF 86.40 and a daily low of CHF 85.30. Further historical share price information for the SRL Shares (since 23 May 2011) is available on the website of the SIX Swiss Exchange (www.six-swiss-exchange.com).

Dividends Paid

Dividends paid per share by the Swiss Re Group to its shareholders in respect of the previous five fiscal years were as follows.

Fiscal year	Total Dividend in CHF per SRL Share
2015	4.60
2014	7.25 ^{(a)(d)}
2013	8.00 ^{(a)(b)}
2012	7.50 ^{(a)(c)}
2011	3.00 ^(a)

^(a) Swiss withholding tax exempt distribution out of legal reserves from capital contributions.

^(b) The total dividend paid per SRL Share consisted of a regular dividend of CHF 4.25 per SRL Share and a special dividend of CHF 3.00 per SRL Share.

^(c) The total dividend paid per SRL Share consisted of a regular dividend of CHF 3.85 per SRL Share and a special dividend of CHF 4.15 per SRL Share

^(d) The total dividend paid per SRL Share consisted of a regular dividend of CHF 3.50 per SRL Share and a special dividend of CHF 4.00 per SRL Share.

Market Transactions by Swiss Re in SRL Shares

Swiss law limits a company's ability to hold or purchase its own shares. Generally, we may only purchase SRL Shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the shares purchased does not exceed 10 per cent. of our nominal share capital. Shares held by us or by any of our subsidiaries do not carry any rights to vote at shareholders meetings, but are entitled to the economic benefits, including dividends, applicable to the shares generally. Furthermore, under Swiss law, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired shares. Within these limitations, this trading activity can provide a mechanism for accumulating shares to be used by us to satisfy conversions of our convertible bonds and exercises of warrants, to satisfy exercises of employee options, to sell to our employees under our employee share purchase plan, to provide to our employees under our performance-linked compensation plans or to make acquisitions. This trading activity can also provide a mechanism to Purchased Shares for cancellation in order to reduce shareholders' equity.

Swiss Re completed its public share buy-back programme of up to CHF 1.0 billion purchase value, authorised by the Annual General Meeting on 21 April 2015 and which it launched on 12 November 2015 on 2 March 2016. Since 12 November 2015, Swiss Re repurchased 10 634 370 of its Shares for a total of CHF 999 999 867.20 at an average purchase price of CHF 94.03 per Share. The 2016 Annual General Meeting resolved on 22 April 2016 the cancellation of the repurchased shares by way of share capital reduction. At the same meeting the shareholders also authorised a new public share buy-back programme of up to CHF 1.0 billion purchase value which can be exercised at any time ahead of the 2017 AGM.

We generally do not trade in our own shares. We trade in put/call options on SRL Shares and use treasury shares as back-up for such options. During 2015, we acquired 6,035,370 treasury shares at an average price of CHF 93.6305 and delivered 1,556,180 treasury shares (excluding GSPP match shares) to employees in connection with stock-based compensation plans.

We completed on 2 March 2016 a public share buy-back programme of up to CHF 1.0 billion purchase value, authorised by the Annual General Meeting on 21 April 2015. Since 12 November 2015, Swiss Re repurchased 10,634,370 of its Shares for a total of CHF 999,999,867.20 at an average purchase price of CHF 94.03 per Share. The 2016 Annual General Meeting resolved on 22 April 2016 the cancellation of the repurchased shares by way of share capital reduction. At the same meeting the shareholders also authorised a new public share buy-back programme of up to CHF 1.0 billion purchase value which can be exercised at any time ahead of the 2017 AGM.

We are restricted from trading in our own shares during certain periods (subject to certain limited exceptions which permit purchases of own shares if the requirements stated in our own share execution standards are fulfilled). These include close periods, being the periods commencing 20 trading days before and ending at 12:00 CET on the day of publication of our annual and semi-annual results, and at any time when we are in possession of inside information. In addition, trading in own shares may be restricted under market abuse rules.

American Depositary Receipts

Swiss Re sponsors an American Depositary Receipts ("**ADR**") facility. The ADRs represent American Depositary Shares ("**ADS**"), each of which represents one SRL Share. The purpose of the ADR programme is to increase awareness and accessibility of SRL Shares in the United States. These ADRs are traded over the counter in the United States under the symbol SSREY and trade in U.S. dollars. Neither the ADRs nor the underlying SRL Shares are listed on a securities exchange in the United States.

So long as the SRL Shares subject to the Plan remain restricted securities (within the meaning of Rule 144(a)(3) under the Securities Act), no SRL Shares subject to the Plan, and none of our other securities obtained or purchased in one or more prearranged transactions in substitution therefor, may be deposited into any depositary receipt programme for our unrestricted securities, including our ADS facility.

LIMITATIONS AFFECTING SRL SHAREHOLDERS

Ownership of Shares by Non-Swiss Persons

Except for the limitation on voting rights described above applicable to shareholders generally, there is no limitation under Swiss law or our Articles of Association on the right of non-Swiss residents or nationals to own or vote SRL Shares. Shareholders intending to acquire or hold a qualifying participation in SRL Shares may be subject to applicable local insurance regulations. See "*Insurance Regulatory Provisions Concerning Change or Acquisition of Control*".

Exchange Controls

Under current Swiss exchange control regulations, there are no limitations on the amount of payments that may be remitted by a Swiss company to non-residents, other than under government sanctions imposed on Iraq, the former Yugoslavia, Myanmar, Zimbabwe, Liberia, Ivory Coast, Sudan and Democratic Republic of Congo, and on persons or organisations with terrorist links.

Insurance Regulatory Provisions Concerning Change or Acquisition of Control

Insurance regulatory authorities with jurisdiction over our reinsurance and insurance subsidiaries may require prior approval of the acquisition or a change of control of the reinsurance or insurance subsidiary. In many cases, accumulating significantly less than a majority of SRL Shares may be deemed to be an acquisition or a change of control of one or more of our regulated reinsurance or insurance subsidiaries. The discussion below describes significant insurance regulatory provisions that may affect the accumulation of SRL Shares.

United States

Some of our subsidiaries are reinsurance and insurance companies domiciled or commercially domiciled under the respective insurance codes of the states of New York, Connecticut, Delaware, Illinois, Michigan, New Hampshire and Texas in the United States. The insurance codes in these states contain generally similar provisions to the effect that the acquisition or change of "control" of a domestic insurer or of any person that controls a domestic insurer cannot be consummated without the prior approval of the relevant insurance regulator. In general, a presumption of "control" arises from the ownership, control, possession with the power to vote or possession of proxies regarding 10 per cent. or more of the voting securities of a domestic insurer or of a person that controls a domestic insurer. A person seeking to acquire control, directly or indirectly, of a domestic insurance company or of any person controlling a domestic insurance company must generally file with the relevant insurance regulatory authority a statement relating to the acquisition of control containing certain information required by statute and published regulations and provide a copy of such statement to the domestic insurer.

In addition, many states' insurance laws contain provisions that require pre-acquisition notification to state agencies of a change in control of a non-domestic insurance company admitted in that state. While these pre-acquisition notification statutes do not authorise the state agency to disapprove the change of control, these statutes do authorise remedies, including the issuance of a cease and desist order with respect to the non-domestic admitted insurer, if, for example, undue market concentration exists.

Any future transactions involving the acquisition of 10 per cent. or more of our outstanding shares, including the acquisition of ADSs representing shares, would generally require prior approval by the state insurance departments of New York, Connecticut, Delaware, Illinois, Michigan, New Hampshire and Texas and would require the pre-acquisition notification in those states that have adopted pre-acquisition notification provisions. These requirements may deter, delay or prevent transactions affecting the ownership of SRL Shares and ADSs by persons seeking to own more than 10 per cent. of our outstanding shares.

United Kingdom

FSMA requires the prior approval by the FCA of anyone proposing to take a step that would result in his becoming a "controller" of an insurance or reinsurance company regulated under this Act ("**FCA Approval**"). A person will be a controller of an insurance company if, individually or with associates (a) he has a shareholding of, or is entitled to exercise voting rights at a general meeting of shareholders of, 10 per cent. or more in the insurance or reinsurance company; or (b) he is able to exercise significant

influence over the management of the insurance or reinsurance company or its parent company by virtue of a shareholding or voting power in either company.

A purchaser of more than 10 per cent. of our issued share capital, including in certain circumstances interests in shares (such as American Depositary Receipts), will be a controller of our FCA-authorised subsidiaries. FCA approval is also required where a person who is already a controller proposes to take a step which would, broadly, result in an increase in his shareholding or entitlement to exercise voting power beyond certain specified thresholds, namely 10 per cent., 20 per cent., 33 per cent. or 50 per cent..

Australia

Australia's Foreign Acquisitions and Takeovers Act 1975 and the Australian Government's foreign investment guidelines require the prior approval by the Australian Treasurer for a foreign person to acquire 15 per cent. or more of the issued shares of the parent company of an Australian company. In addition, Australia's Financial Sector (Shareholdings) Act 1998 requires the prior approval of the Australian Treasurer for the acquisition of more than 15 per cent. of the issued voting shares of the parent company of an Australian registered insurance company.

In both cases, a proposed acquisition would be assessed against national interest considerations such as adverse effects on competition and employment, economic benefits as well as the protection and security of policy owners' interests and prudent conduct of the business. The acquisition of shares of a non-Australian parent company by a foreign investor would be assessed against the policies applicable to the insurance sector and with regard to the fact that it would not involve any reduction of Australian ownership and control.

The Netherlands

According to The Netherlands Insurance Companies Supervision Act 1993 every person requires a declaration of no objection from the Pension and Insurance Chamber in order to retain, acquire or increase a qualified participating interest in an insurance company with its registered office in The Netherlands. A qualified participating interest is a direct or indirect interest or direct or indirect control of at least 10 per cent. of the issued share capital of an insurance company. The declaration of no objections will be issued by the Insurance Supervisory Board on behalf of the Ministry of Finance.

Switzerland

Under the Federal Act of 17 December 2004 on the Supervision of Insurance Companies (Insurance Supervision Act, ISA), each person must notify the FINMA prior to acquiring, directly or indirectly, a participation of 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital or the voting rights in a Swiss reinsurance or insurance company. Each person who intends to reduce its investment in a reinsurance or insurance company below the thresholds of 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital or the voting rights or to alter its participation in such a manner that the reinsurance or insurance company is no longer a subsidiary, must notify the FINMA in advance. The FINMA has the power to prohibit an acquisition of shares or impose conditions if the participation in type and scope could jeopardise the reinsurance or insurance company or the interest of the insured.

TAXATION

Summaries of the tax position in respect of the Plan in Germany, Slovakia, Switzerland and the United Kingdom are provided below.

German Tax Consequences

The following summary is based on the income and social tax laws in effect in Germany as of the date of this Prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participant is granted a right to acquire SRL Shares, purchases or acquires SRL Shares, sells SRL Shares or receives dividends in respect of SRL Shares.

The following applies only to Participants who are German tax residents. If the Participant is a resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not cover all of the various laws, rules and regulations that may apply. It may not apply to each Participant's particular tax or financial situation, and Swiss Re is not in a position to assure Participants of any particular tax result.

Participants are strongly advised to consult a tax adviser as to how the tax or other laws in their country apply to their specific situation.

Purchased Shares

Enrolment in the Plan

An Eligible Employee will not be subject to income tax or social tax contributions when he enrolls in the Plan or when a new Plan Cycle Period begins.

Acquisition of Purchased Shares

The Participant will not be subject to income tax or social tax contributions when Purchased Shares are acquired at fair market value under the Plan.

Sale of Purchased Shares

If the Purchased Shares acquired by the Participant are sold, the difference between the sale proceeds and the fair market value of the SRL Shares on the date of acquisition will be subject to capital gains tax to the extent that the Participant's capital gains exceed the annual exempt amount.

Withholding and Reporting

No withholding requirements arise in connection with the acquisition of Purchased Shares under the Plan.

Matching Share Awards

Grant

The Participant will not be subject to tax or social contributions when a Matching Share Award is granted.

Share Acquisition

The Participant will be subject to income tax and social contributions (to the extent he has not already exceeded the applicable contribution ceiling) when SRL Shares are acquired by the Participant (i.e. when the SRL Shares are delivered to the Participant following vesting). The Participant will be taxed on the fair market value of the SRL Shares acquired by him. Solidarity surcharge (and church tax if applicable) will also be due.

Sale of Shares

If the SRL Shares acquired by the Participant are sold, the difference between the sale proceeds and the fair market value of the SRL Shares on the date of acquisition will be subject to capital gains tax to the extent that the Participant's capital gains exceed the annual exempt amount.

Withholding and Reporting

The Participant's employer is required to report income and withhold income tax, solidarity surcharge, church tax (if applicable) and social tax contributions (to the extent the he has not already exceeded the applicable contribution ceiling) at the time the SRL Shares are acquired.

Dividend Shares

Dividends may be paid in respect of SRL Shares acquired pursuant to the Plan if the Company, in its discretion, declares a dividend.

Any dividends received by the Participant on SRL Shares acquired pursuant to the Plan will be subject to tax in Switzerland (if they are a distribution of profit). However, the Participant may be able to make a claim to the Swiss tax authorities for a tax refund.

The Participant will be subject to tax in Germany on any dividends received to the extent the total investment income of the Participant for the year exceeds a certain exempt amount. Solidarity surcharge (and church tax if applicable) will also be due.

Slovakian Tax Consequences

The following summary is based on the income and social tax laws in effect in Slovakia as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participant is granted a right to acquire SRL Shares, purchases or acquires SRL Shares, sells SRL Shares or receives dividends in respect of SRL Shares.

The following applies only to Participants who are residents of Slovakia. If the Participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not cover all of the various laws, rules and regulations that may apply. It may not apply to each Participant's particular tax or financial situation, and Swiss Re is not in a position to assure Participants of any particular tax result.

Participants are strongly advised to consult a tax adviser as to how the tax or other laws in their country apply to their specific situation.

Purchased Shares

Enrolment in the Plan

An Eligible Employee will not be subject to income tax or social tax contributions when he enrolls in the Plan or when a new Plan Cycle Period begins.

Acquisition of Purchased Shares

The Participant will not be subject to income tax or social tax contributions when Purchased Shares are acquired at fair market value under the Plan.

Sale of Purchased Shares

If the Purchased Shares acquired by the Participant are sold, the difference between the sale proceeds and the fair market value of the SRL Shares on the date of acquisition will be subject to income tax. Health insurance may also be payable on the capital gains if the employee participates in the Slovak social and health insurance system.

Withholding and Reporting

No withholding requirements arise in connection with the acquisition of Purchased Shares under the Plan.

Matching Share Awards

Grant

The Participant will not be subject to tax or social contributions when a Matching Share Award is granted.

Share Acquisition

The Participant will be subject to income tax and social contributions (to the extent he has not already exceeded the applicable contribution ceiling) when SRL Shares are acquired by the Participant (i.e. when the SRL Shares are delivered to the Participant following vesting). The Participant will be taxed on the fair market value of the SRL Shares acquired by him, less any mandatory social security contributions payable on this amount.

Sale of SRL Shares

If the SRL Shares acquired by the Participant are sold, the difference between the sale proceeds and the fair market value of the Shares on the date of acquisition will be subject to income tax. Health insurance may also be payable on the capital gains if the employee participates in the Slovak social and health insurance system.

Withholding and Reporting

The Participant's employer is required to report income and withhold income tax and social contributions (to the extent that he has not already exceeded the applicable contribution ceiling) at the time the Shares are acquired.

Dividends

Dividends may be paid in respect of SRL Shares acquired pursuant to the Plan if Swiss Re, in its discretion, declares a dividend.

Any dividends received by the Participant on SRL Shares acquired pursuant to the Plan will be subject to tax in Switzerland (if they are a distribution of profit). However, the Participant may be able to make a claim to the Swiss tax authorities for a tax refund.

The Participant will be subject to Slovakian health insurance contributions on any dividends received if the employee participates in the Slovak social and health insurance system.

Swiss Tax Consequences

The following summary is based on the income tax and social security tax laws in effect in Switzerland as of the date of this Prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participant is granted a right to acquire SRL Shares, purchases or acquires SRL Shares, sells SRL Shares or receives dividends in respect of SRL Shares.

The following applies only to Participants who are Swiss tax residents. If the Participant is a citizen or resident of another country for local tax law purposes, the income and social security tax information below may not be applicable. Furthermore, this information is general in nature and does not cover all of the various laws, rules and regulations that may apply. It may not apply to each Participant's particular tax or financial situation, and Swiss Re is not in a position to assure Participants of any particular tax result.

Participants are strongly advised to consult a tax adviser as to how the tax or other laws in their country apply to their specific situation.

Purchased Shares

Enrolment in the Plan

An Eligible Employee will not be subject to income tax or social security contributions when he enrolls in the Plan or when a new Plan Cycle Period begins.

Acquisition of Purchased Shares

The Participant will not be subject to income tax or social security contributions when Purchased Shares are acquired at fair market value under the Plan.

Sale of Purchased Shares

The Participant will not be subject to income tax on realised capital gains upon the sale of the Purchased Shares.

Withholding and Reporting

No withholding requirements arise in connection with the acquisition of Purchased Shares under the Plan.

Matching Share Awards

Grant

The Participant will not be subject to income tax or social security contributions when a Matching Share Award is granted.

Share Acquisition

The Participant will be subject to income tax (federal, cantonal and communal) and social security contributions (to the extent he has not already exceeded any applicable contribution ceilings) when SRL Shares are acquired by the Participant (i.e. when the SRL Shares are delivered to the Participant following vesting). The Participant will be taxed on the fair market value of the SRL Shares acquired by him.

Sale of SRL Shares

The Participant will not be subject to income tax on realised capital gains upon the sale of the SRL Shares.

Withholding and Reporting

The Participant's employer is required to report income and withhold social security contributions (to the extent that he has not already exceeded any applicable contribution ceiling) at the time the SRL Shares are acquired.

The Participant will be responsible for reporting the value of the Matching Share Award in his personal tax return and paying the income tax (federal, cantonal and communal) due.

Dividends

Dividends may be paid in respect of SRL Shares acquired pursuant to the Plan if Swiss Re, in its discretion, declares a dividend.

Any dividends received by the Participant on SRL Shares acquired pursuant to the Plan will be subject to withholding tax in Switzerland (if they are a distribution of profit and not made out of capital contribution reserves).

The Participant can then reclaim this withholding tax by declaring the gross dividends in his Swiss tax return. The Participant will then be responsible for paying income tax (federal, cantonal and communal) on the gross dividends at his marginal rate.

If the dividend is a distribution out of legal reserves from capital contributions, then no Swiss income tax is payable.

United Kingdom (UK) Tax Consequences

The following summary is based on the income and social tax laws in effect in the UK as of the date of this Prospectus. Tax laws are complex and can change frequently. As a result, the information below may

be out of date at the time the Participant is granted a right to acquire SRL Shares, purchases or acquires SRL Shares, sells SRL Shares or receives dividends in respect of SRL Shares.

The following applies only to Participants who are UK tax residents. If the Participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not cover all of the various laws, rules and regulations that may apply. It may not apply to each Participant's particular tax or financial situation, and Swiss Re is not in a position to assure Participants of any particular tax result.

Participants are strongly advised to consult a tax adviser as to how the tax or other laws in their country apply to their specific situation.

Purchased Shares

Enrolment in the Plan

An Eligible Employee will not be subject to income tax or social contributions when he enrolls in the Plan or when a new Plan Cycle Period begins.

Acquisition of Purchased Shares

The Participant will not be subject to income tax or social contributions when Purchased Shares are acquired at fair market value under the Plan.

Sale of Purchased Shares

If the Purchased Shares acquired by the Participant are sold, the difference between the sale proceeds and the base cost of the SRL Shares will be subject to capital gains tax, to the extent that the Participant's capital gains exceed the annual exempt amount.

Withholding and Reporting

No withholding requirements arise in connection with the acquisition of Purchased Shares under the Plan.

Matching Share Awards

Grant

The Participant will not be subject to tax or social contributions when a Matching Share Award is granted.

Share Acquisition

The Participant will be subject to income tax and social contributions when SRL Shares are acquired by the Participant (i.e. when the SRL Shares are delivered to the Participant following vesting). The Participant will be taxed on the fair market value of the SRL Shares acquired.

Sale of SRL Shares

If the SRL Shares acquired by the Participant are sold, the difference between the sale proceeds and the base cost of the SRL Shares will be subject to capital gains tax, to the extent that the Participant's capital gains exceed the annual exempt amount.

Withholding and Reporting

The Participant's employer is required to report and withhold income tax and social contributions at the time the SRL Shares are acquired.

Dividends

Dividends may be paid in respect of SRL Shares acquired pursuant to the Plan if the Company, in its discretion, declares a dividend.

Any dividends received by the Participant on SRL Shares acquired pursuant to the Plan will be subject to tax in Switzerland (if they are a distribution of profit). However, the Participant may be able to make a claim to the Swiss tax authorities for a tax refund and to reduce the tax payable on future dividends.

The Participant will be subject to tax in the UK on any dividends received. For the year ending 5 April 2017, a tax free dividend allowance of £5,000 per annum will be available.

OFFERING AND TRANSFER RESTRICTIONS

SRL Shares can only be transferred in accordance with all applicable restrictions.

No actions have been taken to register or qualify the Plan or the SRL Shares or otherwise permit a public offering of the SRL Shares in any jurisdiction other than Switzerland, the United Kingdom and the passported jurisdictions.

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any of the SRL Shares subject to the Plan.

Participants Outside the United States Generally

Each Participant under the Plan outside the United States will be deemed to have acknowledged that the SRL Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in, the United States except pursuant to an available exemption from registration under the Securities Act, and represented, warranted and agreed that it is not in the United States and is not acting for the account or benefit of a person in the United States.

INDEPENDENT AUDITORS

PricewaterhouseCoopers Ltd, Birchstrasse 160, CH-8050 Zurich, independent auditors, as stated in their report appearing herein, have audited the 2014 Financial Statements and the 2015 Financial Statements as well as SRL's statutory financial statements as of and for the years ended 31 December 2014 and 2015, which we have included in this Prospectus. PricewaterhouseCoopers Ltd is a member of the Swiss Institute of Certified Accountants and Tax Consultants. Its registered office is at Birchstrasse 160, CH-8050 Zurich, Switzerland.

GENERAL INFORMATION

Responsibility

The Company and its Directors (whose names and principal functions appear on page 63 of this document) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Authorisations

The Company has obtained all necessary consents, approvals and authorisations in Switzerland in connection with the Plan.

Working Capital Statement

The Company is of the opinion that the working capital available to it is sufficient for Swiss Re Group's present requirements (that is, at least the next 12 months from the date of this Prospectus).

No Significant Change

There has been no significant change to the financial or trading position of the Swiss Re Group since 31 March 2016, the end of the last financial period for which interim financial information has been published.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, significant effects on the Company or financial position or profitability of the Company or the Group.

General

The total costs, charges and expenses payable by the Company for the legal and accounting expenses in connection with the preparation of this Prospectus and its passporting into the relevant EEA jurisdiction (exclusive of VAT) are estimated to be USD 175,000 (exclusive of VAT).

The information sourced from PricewaterhouseCoopers Ltd has been accurately reproduced and so far as the Company is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The SRL Shares are admitted with the ISIN CH0126881561.

UBS AG, acting through its business unit, Wealth Management, Investment Products & Services, Corporate Employee Financial Services, P.O.BOX CH-8098 Zurich, Switzerland has been appointed as the paying agent and depository agent for the administration of the Plan.

Documents Available for Inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of SRL at Mythenquai 50/60, 8022 Zurich, Switzerland from the date of publication of this Prospectus until 5 May 2017:

- (a) the Articles of Association of SRL;
- (b) the reports by PricewaterhouseCoopers Ltd set out on pages F-95 to F-96, F-108, F-195 to F-196 and F-209 of this Prospectus; and
- (c) this Prospectus.

In addition, the Prospectus will be published in electronic form and available at www.swissre.com, subject to certain access restrictions applicable to persons resident outside the UK.

Copies of the latest and future published audited financial statements of the Swiss Re Group, unaudited interim financial statements of the Swiss Re Group (currently, quarterly) and information on the historical price of the SRL Shares can be downloaded from the website www.swissre.com, following the link to "*Investors – Financial information*".

Copies of the Articles of Association can be downloaded from the website www.swissre.com, following the link to "*About us – Corporate governance – Corporate regulations*".

Passporting Countries and Regulators

Country	Name of Regulator	Address of Regulator
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht	Securities Supervision Lurgiallee 12 D-60 439 Frankfurt
Slovakia	National Bank of Slovakia	Národná Banka Slovenska Imricha Karvaša 1 813 25 Bratislava Slovak Republic

EXHIBIT A - THE SWISS RE GLOBAL SHARE PARTICIPATION PLAN 2016

Preamble

Swiss Re has introduced the Global Share Participation Plan 2016 for the benefit of employees of companies within the Swiss Re Group. Swiss Re makes a financial contribution to Participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

"Agreement" the agreement pursuant to which a Participant enrolls in the Plan and agrees to make Contributions pursuant to rule 3.1;

"Board" the board of directors of the Company, any duly authorised committee of the board or, subject to the Bylaws of SRL and Group Bylaws of Swiss Re, a delegate of the Board;

"Company" Swiss Re Ltd, a public company incorporated under the laws of Switzerland with its registered and principal office in Zurich, Switzerland and registration number CH-020.3.036.183-8;

"Contribution" the payment made by or on behalf of a Participant in the Participant's local currency each month (or at such other frequency determined by the Board) during a Contribution Period to be used in the acquisition of Purchased Shares pursuant to the terms of the Plan;

"Contribution Period" the period of three years, or such other period as determined by the Board, over which Contributions are made by a Participant;

"Corporate Event":

- (a) a merger or consolidation of the Company with any other entity;
- (b) the complete liquidation of the Company;
- (c) the sale or other disposition by the Company of all, or substantially all, of its assets; and
- (d) the acquisition of more than 50 per cent. of the issued share capital of the Company by any person or persons acting in concert;

"Dealing Restrictions" restrictions imposed by the Group Code of Conduct, the listing rules of the SIX Swiss Exchange or any other applicable laws or regulations of any relevant jurisdiction, including any applicable internal policies and guidelines of the Company, which impose restrictions on share dealing;

"Dividend Share" a Share acquired on behalf of a Participant pursuant to rule 5.5;

"Eligible Employee" an employee of the Company or any of its Subsidiaries;

"Enrolment Period" the period during which Eligible Employees may enter into an Agreement to participate in the Plan, pursuant to rule 3;

"Group Code of Conduct" the Company's code of conduct in its present form or as from time to time amended;

"Group Member" the Company, or any Subsidiary of the Company or any company which is the Company's holding company or a Subsidiary of the Company's holding company;

"Initial Acquisition Date" the first date, following the end of the Enrolment Period, on which Contributions are applied to acquire Purchased Shares;

"Internal Reorganisation" where immediately after a Corporate Event, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before such Corporate Event;

"Matching Share Award" a right granted to each Participant to acquire Shares in accordance with rule 6;

"Matching Share Ratio" the ratio determined by the Board between the number of Shares subject to a Matching Share Award and the aggregate number of Purchased Shares and Dividend Shares acquired by a Participant;

"Participant" an Eligible Employee who has entered in to an Agreement to participate in the Plan pursuant to rule 3, or their estate following the Participant's death;

"Plan" the Swiss Re Global Share Participation Plan 2016 in its present form or as from time to time amended;

"Plan Cycle Period" the period of three years, or such other period as determined by the Board, starting on the Initial Acquisition Date;

"Purchased Share" a Share acquired on behalf of a Participant pursuant to rule 5;

"Purchased Share Limit" the maximum number (if any) of Purchased Shares that may be acquired by Participants during a Plan Cycle Period, as determined by the Board;

"Share" a fully paid registered share with a nominal value of presently CHF 0.10 each in the share capital of the Company, currently listed in accordance with the International Reporting Standard of the SIX Swiss Exchange under the ticker symbol SREN;

"Stock Ownership Guidelines" guidelines set forth in Appendix 5A of Swiss Re's compensation policy from time to time or any equivalent guidelines;

"Subsidiary" a company whereby its holding company (a) holds a majority of the voting rights in it, (b) is a member of the company and has the right to appoint or remove the majority of its board of directors, or (c) is a member of it and controls alone or pursuant to an agreement with other members, a majority of the voting rights in it;

"Tax Liability" any tax or social security contributions liability in any jurisdiction in connection with the Plan for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;

"Trading Day" any day on which the SIX Swiss Exchange, or any other successor body carrying out the business of the SIX Swiss Exchange is open for business;

"Vest" the point at which a Participant becomes entitled to receive the Shares pursuant to their Matching Share Award; and

"Vesting" and **"Vested"** will be construed accordingly.

1.2 Unless the context otherwise requires, references in the Plan to:

- (a) the singular include the plural and vice versa; and
- (b) the masculine include the feminine and vice versa.

1.3 The preamble to the Plan and any headings do not form part of the Plan.

2. INVITATION

2.1 The Board may decide to operate the Plan at any time.

2.2 When the Board decides to operate the Plan, it will also decide:

- (a) the Eligible Employees to be invited to participate in the Plan in respect of each cycle;
 - (b) the length of the Contribution Period and the Plan Cycle Period;
 - (c) the minimum and maximum Contribution in Swiss Francs which may be made on an annual basis during the Contribution Period;
 - (d) the exchange rates by reference to which such minimum and maximum Contributions will be converted into the Participants' local currency;
 - (e) any Purchased Share Limit which the Board deems appropriate to apply;
 - (f) the Matching Share Ratio; and
 - (g) the Enrolment Period.
- 2.3 Subject to any Dealing Restrictions, the Board may invite any Eligible Employee to participate in the Plan. The invitation may be in such form as the Board determines and will include the information set out in rule 2.2 provided that the minimum and maximum Contribution will be stated in the local currency applicable to the Eligible Employee and expressed as an amount per month (or such other applicable frequency during the Contribution Period).
- 3. ENROLING IN THE PLAN**
- 3.1 During the Enrolment Period, an Eligible Employee may, subject to any Dealing Restrictions, enter into an Agreement, in such form as the Board determines, participate in the Plan.
- 3.2 Each Eligible Employee will be required to specify the annual Contribution that they wish to make to the Plan for the duration of the Contribution Period, which must not exceed the lower of:
- (a) the maximum Contribution limit determined by the Board in accordance with rule 2.2(c); or
 - (b) 10 per cent. of the Eligible Employee's annual base salary.
- 3.3 Contributions will be made by or on behalf of Participants by deductions from salary or by such other means as the Board shall determine, for the duration of the Contribution Period, beginning on such date after the end of the Enrolment Period as determined by the Board.
- 4. LIMITS AND SCALING BACK**
- 4.1 At the end of the Enrolment Period, the Board will calculate the aggregate Contributions to be made by Participants for the relevant Contribution Period and determine the number of Purchased Shares that may be acquired by reference to the market value of a Share and prevailing exchange rates at that time.
- 4.2 If the aggregate number of Purchased Shares that may be acquired by Participants during the Plan Cycle Period determined in accordance with rule 4.1 would exceed any Purchased Share Limit, the Board may reduce the Contributions to be made by Participants by such method or methods as it deems appropriate.
- 4.3 Where a Participant has entered into an Agreement to make Contributions in excess of the limits imposed by rule 3.2, the Participant's Contributions will be scaled back accordingly.
- 4.4 Where the Contributions to be made by Participants are reduced pursuant to this rule 4, Participants will be notified accordingly.
- 5. PURCHASED SHARES**
- 5.1 Subject to any Dealing Restrictions, the Board will procure that each Contribution made by a Participant during the Contribution Period will be applied to the acquisition of Purchased Shares as soon as practicable following the date on which the Contribution is made, beginning on the Initial Acquisition Date.

- 5.2 Contributions may be used to subscribe for newly issued Shares, or to acquire Shares from treasury or in the market. Where Shares are purchased in the market at more than one price with Participants' Contributions, the Board may use the average price of the Shares to determine the number of Purchased Shares acquired on behalf of each Participant.
- 5.3 Where Contributions are made in a currency other than the currency in which Shares are traded, Contributions will be exchanged at the prevailing exchange rate on a date determined by the Board before being used to acquire Purchased Shares.
- 5.4 Purchased Shares will be held on the Participants' behalf during the Plan Cycle Period on such basis as the Board determines.
- 5.5 Unless the Board determines otherwise, all dividend payments received by a Participant in respect of their Purchased Shares will be used to acquire Dividend Shares, which will be held for the Participant on the same terms as the Purchased Shares to which they relate.
- 5.6 Participants will be entitled to vote their Purchased Shares and Dividend Shares.
- 5.7 Subject to any Dealing Restrictions and Stock Ownership Guidelines, a Participant may sell or transfer some of their Purchased Shares and Dividend Shares at any time during the Plan Cycle Period. However, the number of Shares comprised in a Participant's Matching Share Award that will Vest will be reduced proportionately in accordance with rule 6.2. If a Participant sells or transfers all of their Purchased Shares during the Plan Cycle Period, the Plan Cycle Period will be deemed to end and the Participant's Matching Share Award will lapse and be forfeited, notwithstanding that a Participant has not sold or transferred all of their Dividend Shares.
- 5.8 If a Participant pledges, charges or otherwise encumbers their Purchased Shares or Dividend Shares during a Plan Cycle Period, such Purchased Shares or Dividend Shares will be treated as having been sold or transferred pursuant to rule 5.7.

6. GRANT OF MATCHING SHARE AWARDS

- 6.1 Subject to any applicable Dealing Restrictions, the Board will grant a Matching Share Award to a Participant as soon as practicable after the end of the Enrolment Period.
- 6.2 The Matching Share Award will be granted over such number of Shares as will be determined by applying the Matching Share Ratio to the number of Purchased Shares and Dividend Shares held on behalf of a Participant at the end of the Plan Cycle Period.
- 6.3 A Participant is not required to make any payment or provide any consideration for the grant of a Matching Share Award.
- 6.4 Before the Shares to which a Matching Share Award relates are issued or transferred to a Participant following Vesting, each Participant will have no rights in respect of those Shares.
- 6.5 A Matching Share Award must not be transferred, assigned, pledged, charged or otherwise disposed of or encumbered, in any way (except in the event of the Participant's death, to their estate) and will lapse and be forfeited immediately on any attempt to do so.

7. END OF THE PLAN CYCLE PERIOD

- 7.1 Subject to any Dealing Restrictions, at the end of the Plan Cycle Period, whether deemed or otherwise:
- (a) the Participant will make no further Contributions;
 - (b) Purchased Shares and Dividend Shares will no longer be subject to the rules of the Plan and may then be released to the Participant, or as the Participant directs; and
 - (c) Matching Share Awards will Vest over such number of Shares as specified in rule 6.2 and, subject to rules 8 and 9, the Board will procure that Vested Shares be issued or transferred to the Participant as soon as practicable thereafter.

8. **TAXATION AND REGULATORY ISSUES**

- 8.1 A Participant will be responsible for and indemnifies each relevant Group Member against any Tax Liability. Any Group Member may withhold any amount to settle such Tax Liability from any amounts due to the Participant (to the extent such withholding is not in breach of any applicable laws, rules and regulations) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired pursuant to a Matching Share Award to realise the amount necessary to settle the Tax Liability.
- 8.2 The Vesting of a Matching Share Award and the issue or transfer of Shares under this Plan, including, if the context so admits, the release of Purchased Shares and Dividend Shares to a Participant, will be subject to any Dealing Restrictions.

9. **CASH EQUIVALENT**

- 9.1 Subject to rule 9.2, at any time prior to Vesting, the Board may determine that in substitution for their right to acquire some or all of the Shares to which the Participant's Matching Share Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred and for these purposes:
- (a) market value will be determined on the date of Vesting; and
 - (b) the cash sum will be paid to the Participant as soon as practicable after Vesting net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by any applicable laws, rules and regulations.
- 9.2 The Board may determine that this rule 9 will not apply to a Matching Share Award, or any part thereof.

10. **HARDSHIP**

- 10.1 A Participant may, at any time during the Contribution Period, submit an application to the Board to cease making Contributions to the Plan on the grounds of hardship.
- 10.2 Where, in its absolute discretion, the Board determines that such hardship exists, a Participant's Contributions will cease as soon as practicable after the date of such determination and any Purchased Shares and any Dividend Shares already acquired on the Participant's behalf will remain subject to the rules of the Plan for the remainder of the Plan Cycle Period.
- 10.3 At the end of the Plan Cycle Period, rule 7 will apply such that the Purchased Shares and any Dividend Shares acquired by the Participant prior to the date on which Contributions ceased will then be released to the Participant and the Participant's Matching Share Award will Vest in accordance with rule 7.1(c).

11. **CESSATION OF EMPLOYMENT**

- 11.1 Where a Participant ceases employment with a Group Member before the end of the Plan Cycle Period other than in accordance with rule 11.2:
- (a) the Plan Cycle Period will be deemed to end and rule 7.1(a) will apply; and
 - (b) their Matching Share Award will lapse and be forfeited
 - (c) on the date of such cessation.
- 11.2 Where a Participant ceases employment with a Group Member before the end of the Plan Cycle Period for one of the reasons set out in rule 11.3, the Plan Cycle Period will be deemed to end on the date of such cessation and rule 7 will apply.
- 11.3 The reasons referred to in rule 11.2 are:

- (a) death;
- (b) disability/health, such that the Participant qualifies for the respective local long term disability benefits;
- (c) regular retirement or early retirement;
- (d) redundancy;
- (e) the Participant's employing company ceasing to be a Group Member or the sale of the business in which the Participant is employed to a person who is not a Group Member; or
- (f) any other reason at the Board's absolute discretion, except where a Participant is dismissed for cause or misconduct.

11.4 For the purposes of the Plan, no person will be treated as ceasing to hold employment with a Group Member until that person no longer holds:

- (a) employment with any Group Member; or
- (b) a right to return to work.

12. **CORPORATE EVENTS**

12.1 On the occurrence of a Corporate Event, subject to rules 12.3 and 12.4, the Plan Cycle Period will be deemed to end on the date of such Corporate Event and rule 7 will apply.

12.2 **Other events**

- (a) If the Company is or may be affected by a demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine that conditional on the event occurring, the Plan Cycle Period will be deemed to end on the date of the event and that rule 7 will apply.
- (b) If the event does not occur then rule (a) will not apply and the Contribution Period and Plan Cycle Period will continue in respect of Purchased Shares, Dividend Shares and Matching Share Awards.

12.3 **Exchange**

A Matching Share Award will not Vest under rule 12.1 but will be exchanged on the terms set out in rule 12.4 to the extent that:

- (a) an offer to exchange the Matching Share Award (the "Existing Award") is made and accepted by a Participant;
- (b) there is an Internal Reorganisation; or
- (c) the Board decides (before the event) that an Existing Award will be automatically exchanged.

12.4 **Exchange terms**

If this rule 12.4 applies, the Existing Award will not Vest but will be released automatically in consideration of the grant of a new award which, in the opinion of the Board, is equivalent to the Existing Award, but relates to shares in a different company (whether the acquiring company or a different company).

12.5 **Meaning of Board**

Any reference to the Board in this rule 12 means the members of the Board immediately prior to the relevant event.

13. **OVERSEAS TRANSFER**

If a Participant is transferred to work in an overseas location on local terms and conditions pursuant to a local employment contract, but continues to hold employment with a Group Member, the Plan Cycle Period will be deemed to end on the date of such transfer or such other date as determined by the Board and rule 7 will apply.

14. **ADJUSTMENTS**

The number of Shares subject to a Matching Share Award may be adjusted in such manner as the Board determines, in the event of:

- 14.1 any variation of the share capital of the Company; or
- 14.2 a demerger, delisting, special dividend, rights issue or other event which may, in the Board's opinion, affect the current or future value of Shares.

15. **AMENDMENTS**

- 15.1 Subject to rule 15.2, the Board may at any time amend the rules of the Plan.
- 15.2 No amendment to the material disadvantage of existing rights of Participants will be made under rule 15.1 unless:
 - (a) every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and
 - (b) the amendment is approved by a majority of those Participants who have so indicated.

16. **LEGAL ENTITLEMENT**

- 16.1 This rule 16 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.
- 16.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, the Participant's participation in the Plan. Participation in the Plan does not create any right to continued employment for any Participant.
- 16.3 The acquisition of Purchased Shares or Dividend Shares on behalf of a Participant or the grant of any Matching Share Award to a Participant does not create any right for that Participant to be offered participation in the Plan in a future plan cycle or be granted any additional Matching Share Awards or for Purchased Shares or Dividend Shares to be acquired or Matching Share Awards to be granted on any particular terms, including the number of Shares to which a Matching Share Award relates.
- 16.4 By Participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:
 - (a) any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);
 - (b) any exercise of a discretion or a decision taken in relation to any Purchased Shares, Dividend Shares, Matching Share Awards and/or to the Plan, or any failure to exercise a discretion or take a decision;
 - (c) the operation, suspension, termination or amendment of the Plan.

17. **GENERAL**

- 17.1 The Plan will terminate by the passing of a resolution by the Board. Termination of the Plan will be without prejudice to the existing rights of Participants.

- 17.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue.
- 17.3 By participating in the Plan, a Participant consents to the collection, holding and processing of their personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.
- 17.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. The Board may also appoint a third party administrator for this purpose. Decisions of the Board will be final and binding on all parties.
- 17.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to their registered office (for the attention of the company secretary), and in the case of an individual to their last known address, or, where the individual is a director or employee of a Group Member, either to the director or employee's last known address or to the address of the place of business at which the director or employee performs the whole or substantially the whole of the duties of the director or employee's employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 17.6 These rules will be governed by and construed in accordance with the laws of Switzerland. Any person referred to in this Plan submits to the exclusive jurisdiction of the ordinary courts of Zurich, Switzerland.

US PARTICIPANTS

The rules of the Swiss Re Global Share Participation Plan 2016 will apply to US Participants, except as set out in this Schedule, which is intended to comply with sections 409A and 457A of the US Internal Revenue Code of 1986 ("s.409A" and "s.457A"), as amended from time to time. Where there is any conflict between the rules and this Schedule, the terms of this Schedule will prevail.

1. DEFINITIONS AND INTERPRETATION

Except as provided in this Schedule, words and phrases in this Schedule will have the same meaning as in the rules of the Plan.

For the purposes of this Schedule:

"Participant" means a US Participant; and

"US Participant" means a Participant who is subject to US tax on Shares acquired under the Plan.

2. END OF THE PLAN CYCLE PERIOD

- 2.1 The wording "as soon as practicable thereafter." in rule 7.1(c) will be deleted, and be replaced with:

"in accordance with rule 7.2 if the Plan Cycle Period has been deemed to end due to an event that is also an event described in rule 7.4, and in accordance with rule 7.3 in all other cases.

- 2.2 The following rule 7.2 will be added:

"7.2 If this rule 7.2 applies, the Vested Shares will be issued or transferred to the Participant:

- (i) within 30 days of Vesting; or
- (ii) six months following the date of separation of service, where the Participant is a specified employee within the meaning of Treas. Reg. section 1.409A-1(i).

- 2.3 The following rule 7.3 will be added:

"7.3 Vested Shares will be transferred to the Participant within 30 days of the end of the Plan Cycle Period, as determined without regard to rules 11, 12 or 13, except where any Dealing Restrictions apply, in which case Vested Shares must be issued or transferred to the Participant by:

- 7.3.1 31 December of the year in which the Matching Share Award vests, or, if later;
- 7.3.2 the 15th day of the third month immediately following the month in which the Matching Share Award Vests."

- 2.4 The following rule 7.4 will be added:

"7.4 The events referred to in rule 7.1.3 are:

- 7.3.1 death;
- 7.4.2 disability as defined in Treas. Reg. section 1.409A-3(i);
- 7.4.3 a separation of service as defined in Treas. Reg. section 1.409A-1(h)(1)(i); or

7.4.4 a change in control of the Company as defined in Treas. Reg. section 1.409A-3(i)(5)."

2.5 The following rule 7.5 will be added:

"7.5 Notwithstanding any of the provisions of this rule 7, where a Participant's Matching Share Award is subject to s.457A, Vested Shares will be issued or transferred to him no later than 31 December in the year immediately following the year in which the Participant is eligible to retire, or in which occurs any other deemed end of the Plan Cycle Period that would otherwise result in payment under rule 7.3."

3. **CASH EQUIVALENT**

The following words, "as soon as practicable" in rule 9.1(b) will be deleted and be replaced with, "in accordance with rule 7.1."

4. **CESSATION OF EMPLOYMENT**

4.1 The following will be added at the end of rule 11.3:

"For purposes of this rule 11.3, a "regular retirement" means a Participant's retirement at or after age 65 with at least 5 years of service, and an "early retirement" means a Participant's retirement at or after age 55 with at least 10 years of service, or at or after age 65. Years of service will be determined in the same manner as years of service are determined for purposes of eligibility for the retiree medical plan of a U.S. group member."

4.2 Rule 11.4.2 (relating to a right to return to work) will not be applicable.

5. **ADJUSTMENTS AND AMENDMENTS**

Amendments, adjustments, and/or alterations to the Plan will only be effective for US Participants to the extent that the amendment, adjustment, and/or alteration complies with s.409A, as amended from time to time.

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SWISS RE LTD

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE SWISS RE GROUP AS OF AND FOR THE YEARS
ENDED 31 DECEMBER 2013 AND 2014

Income statement

For the years ended 31 December

USD millions	Note	2013	2014
Revenues			
Premiums earned	3	28 276	30 756
Fee income from policyholders	3	542	506
Net investment income – non-participating	8	3 947	4 103
Net realised investment gains/losses – non-participating business (total impairments for the years ended 31 December were 41 in 2013 and 40 in 2014, of which 41 and 40, respectively, were recognised in earnings)	8	766	567
Net investment result – unit-linked and with-profit	8	3 347	1 381
Other revenues		24	34
Total revenues		36 902	37 347
Expenses			
Claims and claim adjustment expenses	3	–9 655	–10 577
Life and health benefits	3	–9 581	–10 611
Return credited to policyholders		–3 678	–1 541
Acquisition costs	3	–4 895	–6 515
Other expenses		–3 508	–3 155
Interest expenses		–760	–721
Total expenses		–32 077	–33 120
Income before income tax expense		4 825	4 227
Income tax expense	13	–312	–658
Net income before attribution of non-controlling interests		4 513	3 569
Income attributable to non-controlling interests		–2	
Net income after attribution of non-controlling interests		4 511	3 569
Interest on contingent capital instruments		–67	–69
Net income attributable to common shareholders		4 444	3 500
Earnings per share in USD			
Basic	12	12.97	10.23
Diluted	12	11.89	9.39
Earnings per share in CHF¹			
Basic	12	12.04	9.33
Diluted	12	11.04	8.56

¹ The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income

For the years ended 31 December

USD millions	2013	2014
Net income before attribution of non-controlling interests	4 513	3 569
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	-2 785	3 796
Change in other-than-temporary impairment	22	3
Change in foreign currency translation	-288	-778
Change in adjustment for pension benefits	419	-291
Total comprehensive income before attribution of non-controlling interests	1 881	6 299
Interest on contingent capital instruments	-67	-69
Comprehensive income attributable to non-controlling interests	-2	
Total comprehensive income attributable to common shareholders	1 812	6 230

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2013 USD millions	Unrealised gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	4 407	-28	-3 609	-953	-183
Change during the period	-3 057	34	-327	479	-2 871
Amounts reclassified out of accumulated other comprehensive income	-834			59	-775
Tax	1 106	-12	39	-119	1 014
Balance as of period end	1 622	-6	-3 897	-534	-2 815

2014 USD millions	Unrealised gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	1 622	-6	-3 897	-534	-2 815
Change during the period	6 479	4	-523	-422	5 538
Amounts reclassified out of accumulated other comprehensive income	-1 398		-41	36	-1 403
Tax	-1 285	-1	-214	95	-1 405
Balance as of period end	5 418	-3	-4 675	-825	-85

¹ Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.

² Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

³ Reclassification adjustment included in net income is presented in the "Other expenses" line.

The accompanying notes are an integral part of the Group financial statements.

Balance sheet

As of 31 December

Assets

USD millions	Note	2013	2014
Investments	8, 9, 10		
Fixed income securities:			
Available-for-sale, at fair value (including 11 720 in 2013 and 12 677 in 2014 subject to securities lending and repurchase agreements) (amortised cost: 2013: 76 349; 2014: 77 867)		77 761	84 450
Trading (including 1 in 2013 and 645 in 2014 subject to securities lending and repurchase agreements)		1 535	2 219
Equity securities:			
Available-for-sale, at fair value (including 65 in 2013 and 311 in 2014 subject to securities lending and repurchase agreements) (cost: 2013: 6 110; 2014: 3 133)		7 076	4 024
Trading		615	65
Policy loans, mortgages and other loans		2 895	3 205
Investment real estate		825	888
Short-term investments, at fair value (including 4 425 in 2013 and 3 217 in 2014 subject to securities lending and repurchase agreements)		20 989	14 127
Other invested assets		11 164	9 684
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 585 in 2013 and 3 680 in 2014, equity securities trading: 21 180 in 2013 and 20 045 in 2014)		27 215	25 325
Total investments		150 075	143 987
Cash and cash equivalents (including 4 in 2013 and 65 in 2014 subject to securities lending)		8 072	7 471
Accrued investment income		1 018	1 049
Premiums and other receivables		12 276	12 265
Reinsurance recoverable on unpaid claims and policy benefits		8 327	6 950
Funds held by ceding companies		12 400	11 222
Deferred acquisition costs	6	4 756	4 840
Acquired present value of future profits	6	3 537	3 297
Goodwill		4 109	4 025
Income taxes recoverable		490	212
Deferred tax assets		5 763	6 118
Other assets		2 697	3 025
Total assets		213 520	204 461

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	2013	2014
Liabilities			
Unpaid claims and claim adjustment expenses		61 484	57 954
Liabilities for life and health policy benefits	9	36 033	33 605
Policyholder account balances		31 177	29 242
Unearned premiums		10 334	10 576
Funds held under reinsurance treaties		3 551	3 385
Reinsurance balances payable		2 370	2 115
Income taxes payable		660	909
Deferred and other non-current tax liabilities		8 242	9 445
Short-term debt	11	3 818	1 701
Accrued expenses and other liabilities		8 152	6 873
Long-term debt	11	14 722	12 615
Total liabilities		180 543	168 420
Equity			
Contingent capital instruments	11	1 102	1 102
Common shares, CHF 0.10 par value			
2013: 370 706 931; 2014: 370 706 931 shares authorised and issued ¹		35	35
Additional paid-in capital		4 963	1 806
Treasury shares, net of tax		-1 099	-1 185
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 622	5 418
Other-than-temporary impairment, net of tax		-6	-3
Cumulative translation adjustments, net of tax		-3 897	-4 675
Accumulated adjustment for pension and post-retirement benefits, net of tax		-534	-825
Total accumulated other comprehensive income		-2 815	-85
Retained earnings		30 766	34 257
Shareholders' equity		32 952	35 930
Non-controlling interests		25	111
Total equity		32 977	36 041
Total liabilities and equity		213 520	204 461

¹ Please refer to Note 12 "Earnings per share" for details on the number of shares authorised and issued.

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the years ended 31 December

USD millions	2013	2014
Contingent capital instruments		
Balance as of 1 January	1 102	1 102
Issued		
Balance as of period end	1 102	1 102
Common shares		
Balance as of 1 January	35	35
Issue of common shares		
Balance as of period end	35	35
Additional paid-in capital		
Balance as of 1 January	7 721	4 963
Share-based compensation	14	-34
Realised gains/losses on treasury shares	-12	6
Dividends on common shares ¹	-2 760	-3 129
Balance as of period end	4 963	1 806
Treasury shares, net of tax		
Balance as of 1 January	-995	-1 099
Purchase of treasury shares	-290	-223
Issuance of treasury shares, including share-based compensation to employees	186	137
Balance as of period end	-1 099	-1 185
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 407	1 622
Changes during the period	-2 785	3 796
Balance as of period end	1 622	5 418
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-28	-6
Changes during the period	22	3
Balance as of period end	-6	-3
Foreign currency translation, net of tax		
Balance as of 1 January	-3 609	-3 897
Changes during the period	-288	-778
Balance as of period end	-3 897	-4 675
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-953	-534
Changes during the period	419	-291
Balance as of period end	-534	-825
Retained earnings		
Balance as of 1 January	26 322	30 766
Net income after attribution of non-controlling interests	4 511	3 569
Interest on contingent capital instruments, net of tax	-67	-69
Purchase of non-controlling interests		-9
Balance as of period end	30 766	34 257
Shareholders' equity	32 952	35 930
Non-controlling interests		
Balance as of 1 January	24	25
Changes during the period	-1	86
Income attributable to non-controlling interests	2	
Balance as of period end	25	111
Total equity	32 977	36 041

¹ Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow

For the years ended 31 December

USD millions	2013	2014
Cash flows from operating activities		
Net income attributable to common shareholders	4 444	3 500
Add net income attributable to non-controlling interests	2	
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items ¹	403	458
Net realised investment gains/losses	-3 324	-1 059
Income from equity-accounted investees, net of dividends received	-152	-66
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ¹	-935	-1 479
Funds held by ceding companies and under reinsurance treaties ¹	850	433
Reinsurance recoverable on unpaid claims and policy benefits	1 179	1 273
Other assets and liabilities, net ¹	269	-334
Income taxes payable/recoverable	-162	134
Trading positions, net	-263	283
Securities purchased/sold under agreement to resell/repurchase, net	-28	331
Net cash provided/used by operating activities	2 283	3 474
Cash flows from investing activities		
Fixed income securities:		
Sales	80 675	55 297
Maturities	3 498	4 315
Purchases	-79 382	-67 447
Net purchase/sale/maturities of short-term investments	-2 017	5 900
Equity securities:		
Sales	2 603	6 894
Purchases	-5 625	-2 918
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		-257
Net purchases/sales/maturities of other investments	-96	-1 021
Net cash provided/used by investing activities	-344	763
Cash flows from financing activities		
Issuance/repayment of long-term debt	40	1 438
Issuance/repayment of short-term debt	-1 593	-2 584
Purchase/sale of treasury shares	-227	-197
Dividends paid to shareholders	-2 760	-3 129
Net cash provided/used by financing activities	-4 540	-4 472
Total net cash provided/used	-2 601	-235
Effect of foreign currency translation	-164	-366
Change in cash and cash equivalents	-2 765	-601
Cash and cash equivalents as of 1 January	10 837	8 072
Cash and cash equivalents as of 31 December	8 072	7 471

¹ The Group revised the definition of certain items within the operating cash flow with no impact on "Net cash provided/used by operating activities". The amortisation of deferred acquisition costs and present value for future profits is reclassified from "Depreciation, amortisation and other non-cash items" and the changes in certain other reinsurance assets and liabilities are reclassified from "Funds held by ceding companies and under reinsurance treaties" and "Other assets and liabilities, net" to "Technical provisions and other reinsurance assets and liabilities, net". Comparatives are adjusted accordingly.

Interest paid was USD 929 million and USD 885 million for the years ended 31 December 2013 and 2014, respectively.

Tax paid was USD 447 million and USD 509 million for the years ended 31 December 2013 and 2014, respectively.

The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the “Swiss Re Group” or the “Group”). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). The transaction is expected to close in the second quarter of 2015 and, therefore, the subject business was still within the scope of the consolidated Swiss Re Group as of 31 December 2014. For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 7.

Principles of consolidation

The Group's financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Foreign currency remeasurement and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders' equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders' equity.

Valuation of financial assets

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed

equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2014, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term or for securities where the Group has decided to apply the fair value option.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For debt securities AFS that are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

As of 1 January 2014, the Group measures its short-term investments at fair value with changes in fair value recognised in net income. Previously, the Group carried short-term investments at amortised cost, which approximated fair value. The impact of this change is immaterial and comparatives have therefore not been restated. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into security lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Security lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as a hedge of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Admin Re[®] blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, and estimated gross profits are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made or in other comprehensive income for shadow loss recognition.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgments made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder

account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 8.

Funds held assets and liabilities

On the asset side, funds held by ceding companies' consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts are included.

On the liability side, funds held under reinsurance treaties' consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, amounts retained from ceded business written on a funds withheld basis are included.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments

Shadow adjustments are recognized in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions

As of 31 December 2014, the Group has a leadership performance plan, a fixed option plan, a restricted share plan, an employee participation plan, and a global share participation plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares

Treasury shares are reported at cost in shareholders' equity. Treasury shares also include stand-alone derivative instruments indexed to the Group's shares that meet the requirements for classification in shareholders' equity.

Earnings per common share

Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 17 March 2015. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In February 2013, the FASB issued ASU 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date", an update to Topic 405, "Liabilities". ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The Group adopted ASU 2013-04 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity", an update to Topic 830, "Foreign Currency Matters". ASU 2013-05 precludes the release of the cumulative translation adjustment into net income for derecognition events that occur within a foreign entity, unless such events represent a complete or substantially complete liquidation of the foreign entity. Derecognition events related to investments in a foreign entity result in the release of the entire cumulative translation adjustment related to the derecognised foreign entity, even when a non-controlling financial interest is retained. The Group adopted ASU 2013-05 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements", an update to Topic 946, "Financial Services – Investment Companies". ASU 2013-08 changes the approach to the investment company assessment in Topic 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. The Group adopted ASU 2013-08 on 1 January 2014. The adoption did not have an effect on the Group's financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", an update to Topic 740, "Income Taxes". ASU 2013-11 requires an entity to present an unrecognised tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, subject to some exceptions. The Group adopted ASU 2013-11 on 1 January 2014 on a prospective basis. The financial statement presentation of unrecognised tax benefits was adjusted accordingly.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re®. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include insurance companies and mutual as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

In the second quarter of 2014, the Reinsurance Business Unit revised the allocation of certain intra-group cost recharges between Property & Casualty and Life & Health. The comparative periods have been adjusted accordingly. The revision had no impact on net income and shareholders' equity of the Group.

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 40 offices worldwide.

Admin Re®

Through Admin Re®, Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. Since 1998, Swiss Re has acquired more than 50 blocks of business spanning a range of product types. It currently operates in the UK, US and the Netherlands.

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 7.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Groups' ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

In the fourth quarter of 2014, the Group revised the allocation of certain project costs from the Reinsurance and Corporate Solutions Business Units to Group items. The comparative periods have not been adjusted as the costs relate primarily to projects launched in 2014. The revision had no impact on net income and shareholders' equity of the Group.

Consolidation

Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

a) Business segments – income statement

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	14 542	9 967	2 922	844	1		28 276
Fee income from policyholders		56		486			542
Net investment income – non-participating	1 098	1 442	98	1 180	150	–21	3 947
Net realised investment gains/losses – non-participating	184	269	150	201	–38		766
Net investment result – unit-linked and with-profit		249		3 098			3 347
Other revenues	61		2	1	307	–347	24
Total revenues	15 885	11 983	3 172	5 810	420	–368	36 902
Expenses							
Claims and claim adjustment expenses	–7 884		–1 773		2		–9 655
Life and health benefits		–8 075		–1 506			–9 581
Return credited to policyholders		–286		–3 392			–3 678
Acquisition costs	–2 761	–1 698	–406	–30			–4 895
Other expenses	–1 541	–877	–601	–441	–356	308	–3 508
Interest expenses	–207	–544	–1	–46	–22	60	–760
Total expenses	–12 393	–11 480	–2 781	–5 415	–376	368	–32 077
Income before income tax expense	3 492	503	391	395	44	0	4 825
Income tax expense/benefit	–244	–35	–111	28	50		–312
Net income before attribution of non-controlling interests	3 248	468	280	423	94	0	4 513
Income attributable to non-controlling interests	–1		–1				–2
Net income after attribution of non-controlling interests	3 247	468	279	423	94	0	4 511
Interest on contingent capital instruments	–19	–48					–67
Net income attributable to common shareholders	3 228	420	279	423	94	0	4 444
Claims ratio in %	54.2		60.6				55.3
Expense ratio in %	29.6		34.5				30.4
Combined ratio in %	83.8		95.1				85.7
Management expense ratio in %		7.6					
Operating margin in %		5.8					

Business segments – income statement

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	15 598	11 212	3 444	502			30 756
Fee income from policyholders		53		453			506
Net investment income – non-participating	1 076	1 544	94	1 256	115	18	4 103
Net realised investment gains/losses – non-participating	699	–255	168	–114	69		567
Net investment result – unit-linked and with-profit		75		1 306			1 381
Other revenues	69		3	1	340	–379	34
Total revenues	17 442	12 629	3 709	3 404	524	–361	37 347
Expenses							
Claims and claim adjustment expenses	–8 493		–2 054		–32	2	–10 577
Life and health benefits		–9 194		–1 415		–2	–10 611
Return credited to policyholders		–99		–1 442			–1 541
Acquisition costs	–3 382	–2 489	–463	–181			–6 515
Other expenses	–1 175	–885	–687	–359	–384	335	–3 155
Interest expenses	–255	–438	–8	–25	–21	26	–721
Total expenses	–13 305	–13 105	–3 212	–3 422	–437	361	–33 120
Income/loss before income tax expense	4 137	–476	497	–18	87	0	4 227
Income tax expense/benefit	–552	63	–179	52	–42		–658
Net income/loss before attribution of non-controlling interests	3 585	–413	318	34	45	0	3 569
Income attributable to non-controlling interests	–1		1				0
Net income/loss after attribution of non-controlling interests	3 584	–413	319	34	45	0	3 569
Interest on contingent capital instruments	–20	–49					–69
Net income/loss attributable to common shareholders	3 564	–462	319	34	45	0	3 500
Claims ratio in %	54.5		59.6				55.4
Expense ratio in %	29.2		33.4				30.0
Combined ratio in %	83.7		93.0				85.4
Management expense ratio in %		6.9					
Operating margin in %		2.6					

Business segments – balance sheet

As of 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	24 986	29 588	4 644	20 014	64		79 296
Equity securities	4 017	1 333	981		1 360		7 691
Other investments	10 080	3 179	169	1 800	5 561	-5 905	14 884
Short-term investments	13 297	4 113	1 595	1 474	510		20 989
Investments for unit-linked and with-profit business		988		26 227			27 215
Cash and cash equivalents	5 288	166	562	1 748	308		8 072
Deferred acquisition costs	1 591	2 845	319	1			4 756
Acquired present value of future profits		1 451		2 086			3 537
Reinsurance recoverable	4 752	1 756	8 228	323		-6 732	8 327
Other reinsurance assets	11 457	9 286	2 422	3 475	3	-1 967	24 676
Goodwill	2 057	2 035	17				4 109
Other	8 869	3 759	988	919	207	-4 774	9 968
Total assets	86 394	60 499	19 925	58 067	8 013	-19 378	213 520
Liabilities							
Unpaid claims and claim adjustment expenses	45 578	9 869	11 549	1 205	15	-6 732	61 484
Liabilities for life and health policy benefits		17 392	232	18 415		-6	36 033
Policyholder account balances		1 595		29 582			31 177
Other reinsurance liabilities	11 591	2 116	4 355	620	6	-2 433	16 255
Short-term debt	798	3 730		646	1 285	-2 641	3 818
Long-term debt	4 700	10 627				-605	14 722
Other	10 518	8 876	1 010	1 795	1 775	-6 920	17 054
Total liabilities	73 185	54 205	17 146	52 263	3 081	-19 337	180 543
Shareholders' equity	13 192	6 294	2 771	5 804	4 932	-41	32 952
Non-controlling interests	17		8				25
Total equity	13 209	6 294	2 779	5 804	4 932	-41	32 977
Total liabilities and equity	86 394	60 499	19 925	58 067	8 013	-19 378	213 520

Business segments – balance sheet

As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	31 853	29 073	5 148	20 566	29		86 669
Equity securities	1 497	965	732		895		4 089
Other investments	9 185	1 814	47	1 769	7 037	-6 075	13 777
Short-term investments	6 397	3 725	2 348	1 400	257		14 127
Investments for unit-linked and with-profit business		894		24 431			25 325
Cash and cash equivalents	5 069	574	737	1 029	62		7 471
Deferred acquisition costs	1 756	2 723	360	1			4 840
Acquired present value of future profits		1 294		2 003			3 297
Reinsurance recoverable	3 648	1 689	7 674	281		-6 342	6 950
Other reinsurance assets	10 500	8 424	2 662	3 595	1	-1 695	23 487
Goodwill	1 950	1 966	109				4 025
Other	8 890	3 980	958	1 065	516	-5 005	10 404
Total assets	80 745	57 121	20 775	56 140	8 797	-19 117	204 461
Liabilities							
Unpaid claims and claim adjustment expenses	41 233	10 177	11 720	1 132	38	-6 346	57 954
Liabilities for life and health policy benefits		16 442	241	16 922			33 605
Policyholder account balances		1 473		27 769			29 242
Other reinsurance liabilities	10 893	1 968	4 733	526	9	-2 053	16 076
Short-term debt	503	4 530			544	-3 876	1 701
Long-term debt	4 494	6 779	496	855		-9	12 615
Other	9 389	8 836	1 162	2 548	2 121	-6 829	17 227
Total liabilities	66 512	50 205	18 352	49 752	2 712	-19 113	168 420
Shareholders' equity	14 211	6 916	2 334	6 388	6 085	-4	35 930
Non-controlling interests	22		89				111
Total equity	14 233	6 916	2 423	6 388	6 085	-4	36 041
Total liabilities and equity	80 745	57 121	20 775	56 140	8 797	-19 117	204 461

b) Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2013				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 945	5 366	2 231	14 542
Expenses				
Claims and claim adjustment expenses	-3 342	-3 563	-979	-7 884
Acquisition costs	-883	-1 408	-470	-2 761
Other expenses	-796	-520	-225	-1 541
Total expenses before interest expenses	-5 021	-5 491	-1 674	-12 186
Underwriting result	1 924	-125	557	2 356
Net investment income				1 098
Net realised investment gains/losses				184
Other revenues				61
Interest expenses				-207
Income before income tax expenses				3 492
Claims ratio in %	48.1	66.4	43.9	54.2
Expense ratio in %	24.2	35.9	31.1	29.6
Combined ratio in %	72.3	102.3	75.0	83.8

Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2014				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 783	6 437	2 378	15 598
Expenses				
Claims and claim adjustment expenses	-3 013	-4 513	-967	-8 493
Acquisition costs	-1 049	-1 831	-502	-3 382
Other expenses	-669	-355	-151	-1 175
Total expenses before interest expenses	-4 731	-6 699	-1 620	-13 050
Underwriting result	2 052	-262	758	2 548
Net investment income				1 076
Net realised investment gains/losses				699
Other revenues				69
Interest expenses				-255
Income before income tax expenses				4 137
Claims ratio in %	44.4	70.1	40.6	54.5
Expense ratio in %	25.3	34.0	27.5	29.2
Combined ratio in %	69.7	104.1	68.1	83.7

c) Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2013			
USD millions	Life	Health	Total
Revenues			
Premiums earned	6 678	3 289	9 967
Fee income from policyholders	56		56
Net investment income – non-participating	915	527	1 442
Net investment income – unit-linked and with-profit	39		39
Net realised investment gains/losses – unit-linked and with-profit	210		210
Net realised investment gains/losses – insurance-related derivatives	-123	6	-117
Total revenues before non-participating realised gains/losses	7 775	3 822	11 597
Expenses			
Life and health benefits	-5 216	-2 859	-8 075
Return credited to policyholders	-286		-286
Acquisition costs	-1 207	-491	-1 698
Other expenses	-636	-241	-877
Total expenses before interest expenses	-7 345	-3 591	-10 936
Operating income	430	231	661
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			386
Interest expenses			-544
Income before income tax expenses			503
Management expense ratio in %	8.3	6.3	7.6
Operating margin ¹ in %	5.7	6.0	5.8

¹ Operating margin is calculated as operating result divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2014

USD millions

	Life	Health	Total
Revenues			
Premiums earned	7 166	4 046	11 212
Fee income from policyholders	53		53
Net investment income – non-participating	944	600	1 544
Net investment income – unit-linked and with-profit	37		37
Net realised investment gains/losses – unit-linked and with-profit	38		38
Net realised investment gains/losses – insurance-related derivatives	121	–7	114
Total revenues before non-participating realised gains/losses	8 359	4 639	12 998
Expenses			
Life and health benefits	–5 890	–3 304	–9 194
Return credited to policyholders	–99		–99
Acquisition costs	–1 808	–681	–2 489
Other expenses	–628	–257	–885
Total expenses before interest expenses	–8 425	–4 242	–12 667
Operating income	–66	397	331
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			–369
Interest expenses			–438
Income before income tax expenses			–476
Management expense ratio in %	7.7	5.5	6.9
Operating margin ¹ in %	–0.8	8.6	2.6

¹ Operating margin is calculated as operating result divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2013	2014
Americas	11 468	12 199
Europe (including Middle East and Africa)	11 347	11 316
Asia-Pacific	6 003	7 747
Total	28 818	31 262

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2013	2014
United States	9 084	9 422
United Kingdom	3 466	3 620
China	2 045	3 059
Australia	2 056	2 132
Germany	1 296	1 429
Canada	1 379	1 383
Japan	764	1 034
France	1 624	948
Ireland	832	903
Switzerland	446	743
Italy	547	528
Other	5 279	6 061
Total	28 818	31 262

Net premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

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3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		624	2 564	946		4 134
Reinsurance	16 594	10 481	473	191	1	27 740
Intra-group transactions (assumed and ceded)	-228	254	228	-254		0
Premiums earned before retrocession to external parties						
	16 366	11 359	3 265	883	1	31 874
Retrocession to external parties	-1 824	-1 392	-343	-39		-3 598
Net premiums earned	14 542	9 967	2 922	844	1	28 276

Fee income from policyholders, thereof:

Direct				401		401
Reinsurance		56		85		141
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		56		486		542
Retrocession to external parties						0
Net fee income	0	56	0	486	0	542

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		758	2 745	651		4 154
Reinsurance	16 233	11 431	705	165		28 534
Intra-group transactions (assumed and ceded)	-157	272	157	-272		0
Premiums earned before retrocession to external parties	16 076	12 461	3 607	544		32 688
Retrocession to external parties	-478	-1 249	-163	-42		-1 932
Net premiums earned	15 598	11 212	3 444	502	0	30 756
Fee income from policyholders, thereof:						
Direct				363		363
Reinsurance		54		90		144
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		54		453		507
Retrocession to external parties		-1				-1
Net fee income	0	53	0	453	0	506

Claims and claim adjustment expenses

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-10 421	-8 564	-3 086	-2 269	-2	-24 342
Intra-group transactions (assumed and ceded)	-1 417	-334	1 422	331	-2	0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	-11 838	-8 898	-1 664	-1 938	-4	-24 342
	1 713	1 230	425	65		3 433
Net claims paid	-10 125	-7 668	-1 239	-1 873	-4	-20 909
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 581	-482	1 189	511	6	2 805
Intra-group transactions (assumed and ceded)	1 695	121	-1 698	-118		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	3 276	-361	-509	393	6	2 805
	-1 035	-46	-25	-26		-1 132
Net unpaid claims and claim adjustment expenses; life and health benefits	2 241	-407	-534	367	6	1 673
Claims and claim adjustment expenses; life and health benefits	-7 884	-8 075	-1 773	-1 506	2	-19 236

Acquisition costs

For the year ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 429	-2 005	-432	-34		-5 900
Intra-group transactions (assumed and ceded)	49	-2	-49	2		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	-3 380	-2 007	-481	-32		-5 900
	619	309	75	2		1 005
Net acquisition costs	-2 761	-1 698	-406	-30	0	-4 895

Claims and claim adjustment expenses

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-10 176	-9 120	-2 068	-2 153	-9	-23 526
Intra-group transactions (assumed and ceded)	-427	-238	428	238	-1	0
Claims before receivables from retrocession to external parties	-10 603	-9 358	-1 640	-1 915	-10	-23 526
Retrocession to external parties	1 022	1 162	345	68		2 597
Net claims paid	-9 581	-8 196	-1 295	-1 847	-10	-20 929
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 662	-967	-136	459	-22	996
Intra-group transactions (assumed and ceded)	395	8	-395	-8		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	2 057	-959	-531	451	-22	996
Retrocession to external parties	-969	-39	-228	-19		-1 255
Net unpaid claims and claim adjustment expenses; life and health benefits	1 088	-998	-759	432	-22	-259
Claims and claim adjustment expenses; life and health benefits	-8 493	-9 194	-2 054	-1 415	-32	-21 188

Acquisition costs

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 514	-2 681	-462	-184		-6 841
Intra-group transactions (assumed and ceded)	25	-1	-25	1		0
Acquisition costs before impact of retrocession to external parties	-3 489	-2 682	-487	-183		-6 841
Retrocession to external parties	107	193	24	2		326
Net acquisition costs	-3 382	-2 489	-463	-181	0	-6 515

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2013 and 2014, the Group had a reinsurance recoverable of USD 8 327 million and USD 6 950 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 62% of the Group's reinsurance recoverable as of year-end 2013 and 60% as of year-end 2014.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2013	2014
Premium receivables invoiced	1 482	1 355
Receivables invoiced from ceded re/insurance business	446	341
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 273	779
Recognised allowance	-101	-86

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2013 and 2014 was 7% and 8%, respectively. The amount of policyholder dividend expense in 2013 and 2014 was USD 139 million and USD 113 million, respectively.

4 Premiums written

For the years ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		643	2 870	973			4 486
Reinsurance	17 243	10 458	557	190			28 448
Intra-group transactions (assumed)	328	254	549			-1 131	0
Gross premiums written	17 571	11 355	3 976	1 163		-1 131	32 934
Intra-group transactions (ceded)	-549		-328	-254		1 131	0
Gross premiums written before retrocession to external parties	17 022	11 355	3 648	909			32 934
Retrocession to external parties	-865	-1 383	-169	-39			-2 456
Net premiums written	16 157	9 972	3 479	870	0	0	30 478

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		768	2 996	662			4 426
Reinsurance	16 308	11 393	984	165			28 850
Intra-group transactions (assumed)	342	273	303			-918	0
Gross premiums written	16 650	12 434	4 283	827		-918	33 276
Intra-group transactions (ceded)	-303		-342	-273		918	0
Gross premiums written before retrocession to external parties	16 347	12 434	3 941	554			33 276
Retrocession to external parties	-206	-1 243	-145	-42			-1 636
Net premiums written	16 141	11 191	3 796	512	0	0	31 640

5 Unpaid claims and claim adjustment expenses

The liability for unpaid claims and claim adjustment expenses as of 31 December is analysed as follows:

USD millions	2013	2014
Non-Life	50 392	46 633
Life & Health	11 092	11 321
Total	61 484	57 954

A reconciliation of the opening and closing reserve balances for non-life unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2013	2014
Balance as of 1 January	53 010	50 392
Reinsurance recoverable	-7 101	-6 029
Deferred expense on retroactive reinsurance	-229	-56
Net balance as of 1 January	45 680	44 307
Incurred related to:		
Current year	10 765	11 298
Prior year	-1 371	-838
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	151	17
Total incurred	9 545	10 477
Paid related to:		
Current year	-2 103	-2 193
Prior year	-9 265	-8 693
Total paid	-11 368	-10 886
Foreign exchange	211	-2 224
Effect of acquisitions, disposals, new retroactive reinsurance and other items	239	199
Net balance as of 31 December	44 307	41 873
Reinsurance recoverable	6 029	4 746
Deferred expense on retroactive reinsurance	56	14
Balance as of 31 December	50 392	46 633

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development

In 2014, claims development on prior years was driven by favourable experience in all lines of business. For property, releases on recent years more than offset increases for the earthquakes in New Zealand. Within casualty, favourable experience in liability across all regions more than offset increases for asbestos and environmental losses and increases elsewhere in the portfolio. Unfavourable experience in motor in France and UK were offset by good claims experience in other countries. In addition, releases in accident and health due to positive experience combined with some favourable commutations contributed to the overall improvement on casualty. Favourable development in engineering contributed to the overall reserve releases on specialty lines due to a reassessment of reserves relating to Spain and France combined with very good claims experience.

A summary of prior-year claims development by lines of business is shown below:

USD millions	2013	2014
Line of business:		
Property	-441	-277
Casualty	-455	-62
Specialty	-475	-499
Total	-1 371	-838

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2014, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 2 063 million. During 2014, the Group incurred net losses of USD 291 million and paid net against these liabilities USD 177 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of, asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

The Group maintains an active commutation strategy to reduce exposure. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2013	1 103	2 713	219	2	2	4 039
Deferred	3 217	491	504			4 212
Effect of acquisitions/disposals and retrocessions		57				57
Amortisation	-2 710	-397	-406			-3 513
Effect of foreign currency translation	-19	-19	2	-1	-2	-39
Closing balance as of 31 December 2013	1 591	2 845	319	1	0	4 756

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2014	1 591	2 845	319	1		4 756
Deferred	3 563	490	507			4 560
Effect of acquisitions/disposals and retrocessions		-28				-28
Amortisation	-3 332	-448	-463			-4 243
Effect of foreign currency translation	-66	-136	-3			-205
Closing balance as of 31 December 2014	1 756	2 723	360	1	0	4 840

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

	2013			2014		
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance as of 1 January	1 358	1 665	3 023	1 451	2 086	3 537
Effect of acquisitions/disposals and retrocessions	206	-30	176		165	165
Amortisation	-151	-184	-335	-156	-261	-417
Interest accrued on unamortised PVFP	35	186	221	44	103	147
Effect of foreign currency translation	3	44	47	-45	-90	-135
Effect of change in unrealised gains/losses		405	405			0
Closing balance as of 31 December	1 451	2 086	3 537	1 294	2 003	3 297

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

The percentage of PVFP which is expected to be amortised in each of the next five years is 7%, 7%, 7%, 7% and 6%.

7 Assets held for sale

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA).

The preliminary purchase price includes a cash payment of USD 183 million, subject to finalisation at closing. An expected pre-tax loss of USD 247 million (including the impact of net unrealised gains and shadow loss reserve that will be reclassified from equity into the income statement) on the disposition of the net assets was recognised in the fourth quarter of 2014. The sale will only be effective upon the receipt of all required regulatory approvals, which is expected in the second quarter of 2015. The definitive purchase price will be adjusted at closing of the transaction based upon the difference in yields of the transferred investments and a representative basket of investments.

Aurora primarily consists of bonds and policyholder liabilities. The expected loss on the disposition of the net assets has been reflected in "Net realised investment gains/losses – non-participating" in the 2014 income statement of the Admin Re[®] segment. This loss will be adjusted principally, for the definitive purchase price to be determined as of the closing of the transaction.

The major classes of assets and liabilities held for sale as of 31 December 2014 are listed below.

USD millions	2014
Assets	
Fixed income securities available-for-sale	3 456
Policy loans, mortgages and other loans	157
Short-term investments	6
Cash and cash equivalents	23
Accrued investment income	37
Premiums and other receivables	6
Reinsurance recoverable on unpaid claims and policy benefits	7
Other assets held for sale	1
Total assets	3 693
Liabilities	
Unpaid claims and claim adjustment expenses	15
Liabilities for life and health policy benefits	1 494
Policyholder account balances	1 151
Accrued expenses and other liabilities held for sale	292
Total liabilities	2 952

8 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2013	2014
Fixed income securities	2 626	2 798
Equity securities	143	100
Policy loans, mortgages and other loans	119	133
Investment real estate	139	144
Short-term investments	109	111
Other current investments	93	127
Share in earnings of equity-accounted investees	350	321
Cash and cash equivalents	48	42
Net result from deposit-accounted contracts	154	149
Deposits with ceding companies	595	571
Gross investment income	4 376	4 496
Investment expenses	-406	-358
Interest charged for funds held	-23	-35
Net investment income – non-participating	3 947	4 103

Dividends received from investments accounted for using the equity method were USD 198 million and USD 277 million for 2013 and 2014, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2013	2014
Fixed income securities available-for-sale:		
Gross realised gains	1 215	814
Gross realised losses	-689	-231
Equity securities available-for-sale:		
Gross realised gains	349	686
Gross realised losses	-46	-84
Other-than-temporary impairments	-41	-40
Net realised investment gains/losses on trading securities	-4	46
Change in net unrealised investment gains/losses on trading securities	-38	120
Other investments:		
Net realised/unrealised gains/losses	301	-340
Net realised/unrealised gains/losses on insurance-related activities	-306	-331
Loss related to sale of Aurora National Life Assurance Company ¹		-247
Foreign exchange gains/losses	25	174
Net realised investment gains/losses – non-participating	766	567

¹ Please refer to Note 7 "Assets held for sale" for more information.

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

USD millions	2013		2014	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	117	97	109	92
Investment income – equity securities	511	26	621	32
Investment income – other	25	13	22	13
Total investment income – unit-linked and with-profit business	653	136	752	137
Realised gains/losses – fixed income securities	–133	–105	132	168
Realised gains/losses – equity securities	2 711	136	206	–1
Realised gains/losses – other	1	–52	5	–18
Total realised gains/losses – unit-linked and with-profit business	2 579	–21	343	149
Total net investment result – unit-linked and with-profit business	3 232	115	1 095	286

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2013	2014
Balance as of 1 January	310	228
Credit losses for which an other-than-temporary impairment was not previously recognised	1	9
Reductions for securities sold during the period	–57	–78
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	11	
Impact of increase in cash flows expected to be collected	–37	–23
Impact of foreign exchange movements		1
Balance as of 31 December	228	137

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	6 027	143	-113		6 057
US Agency securitised products	3 970	36	-75		3 931
States of the United States and political subdivisions of the states	953	10	-48		915
United Kingdom	11 255	344	-351		11 248
Canada	3 063	315	-67		3 311
Germany	4 386	96	-37		4 445
France	2 727	113	-12		2 828
Other	7 185	181	-274		7 092
Total	39 566	1 238	-977		39 827
Corporate debt securities	30 464	1 477	-528	-4	31 409
Mortgage- and asset-backed securities	6 319	284	-74	-4	6 525
Fixed income securities available-for-sale	76 349	2 999	-1 579	-8	77 761
Equity securities available-for-sale	6 110	1 047	-81		7 076

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 639	960	-9		12 590
US Agency securitised products	3 212	47	-23		3 236
States of the United States and political subdivisions of the states	1 047	80	-2		1 125
United Kingdom	8 224	1 259	-2		9 481
Canada	2 944	626	-17		3 553
Germany	4 521	369	-30		4 860
France	2 889	355	-19		3 225
Other	7 902	405	-103		8 204
Total	42 378	4 101	-205		46 274
Corporate debt securities	29 750	2 622	-139	-2	32 231
Mortgage- and asset-backed securities	5 739	231	-23	-2	5 945
Fixed income securities available-for-sale	77 867	6 954	-367	-4	84 450
Equity securities available-for-sale	3 133	959	-68		4 024

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2013	2014
Debt securities issued by governments and government agencies	1 202	1 997
Corporate debt securities	145	60
Mortgage- and asset-backed securities	188	162
Fixed income securities trading – non-participating	1 535	2 219
Equity securities trading – non-participating	615	65

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

USD millions	Unit-linked	2013 With-profit	Unit-linked	2014 With-profit
Fixed income securities trading	2 541	2 044	1 870	1 810
Equity securities trading	20 252	928	19 054	991
Investment real estate	517	386	736	429
Other invested assets	547		435	
Total investments for unit-linked and with-profit business	23 857	3 358	22 095	3 230

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2013 and 2014, USD 11 476 million and USD 11 579 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2013 Estimated fair value	Amortised cost or cost	2014 Estimated fair value
Due in one year or less	3 308	3 305	4 749	4 757
Due after one year through five years	19 308	19 697	17 920	18 459
Due after five years through ten years	14 243	14 522	17 300	18 329
Due after ten years	33 370	33 911	32 334	37 137
Mortgage- and asset-backed securities with no fixed maturity	6 120	6 326	5 564	5 768
Total fixed income securities available-for-sale	76 349	77 761	77 867	84 450

Assets pledged

As of 31 December 2014, investments with a carrying value of USD 8 114 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 10 191 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2013 and 2014, securities of USD 16 215 million and USD 16 915 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 991 million and USD 1 951 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2014, a real estate portfolio with a carrying value of USD 230 million serves as collateral for short-term senior operational debt of USD 503 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2013 and 2014, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 4 367 million and USD 3 907 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2013 and 2014 was USD 1 472 million and USD 494 million, respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2013 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 099	–2 877	1 222	–380	842
Reverse repurchase agreements	4 064	–1 811	2 253	–2 253	0
Securities borrowing			0		0
Total	8 163	–4 688	3 475	–2 633	842

2013 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4 104	2 656	–1 448	157	–1 291
Repurchase agreements	–2 009	1 811	–198	198	0
Securities lending	–1 792		–1 792	1 655	–137
Total	–7 905	4 467	–3 438	2 010	–1 428

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 371	–3 530	841	–188	653
Reverse repurchase agreements	3 254	–1 303	1 951	–1 951	0
Securities borrowing	87		87	–87	0
Total	7 712	–4 833	2 879	–2 226	653

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–3 877	2 969	–908	149	–759
Repurchase agreements	–1 353	1 003	–350	350	0
Securities lending	–1 901	300	–1 601	1 475	–126
Total	–7 131	4 272	–2 859	1 974	–885

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in “Other Invested Assets”, and “Accrued Expenses and Other Liabilities”, respectively.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2013 and 2014. As of 31 December 2013 and 2014, USD 77 million and USD 52 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 16 million, respectively, to declines in value for more than 12 months.

2013 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 874	113			2 874	113
US Agency securitised products	2 248	71	41	4	2 289	75
States of the United States and political subdivisions of the states	703	48			703	48
United Kingdom	6 973	351			6 973	351
Canada	938	65	11	2	949	67
Germany	1 697	33	199	4	1 896	37
France	506	10	47	2	553	12
Other	3 392	198	646	76	4 038	274
Total	19 331	889	944	88	20 275	977
Corporate debt securities	12 189	494	319	38	12 508	532
Mortgage- and asset-backed securities	1 834	47	565	31	2 399	78
Total	33 354	1 430	1 828	157	35 182	1 587

2014 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 637	5	265	4	1 902	9
US Agency securitised products	1 069	12	483	11	1 552	23
States of the United States and political subdivisions of the states	117	1	32	1	149	2
United Kingdom	129	2	33		162	2
Canada	358	6	88	11	446	17
Germany	836	27	67	3	903	30
France	317	18	15	1	332	19
Other	1 360	75	802	28	2 162	103
Total	5 823	146	1 785	59	7 608	205
Corporate debt securities	3 884	95	917	46	4 801	141
Mortgage- and asset-backed securities	1 506	12	329	13	1 835	25
Total	11 213	253	3 031	118	14 244	371

Mortgages, loans and real estate

As of 31 December, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2013	2014
Policy loans	270	252
Mortgage loans	1 801	1 888
Other loans	824	1 065
Investment real estate	825	888

The fair value of the real estate as of 31 December 2013 and 2014 was USD 2 551 million and USD 2 482 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 25 million and USD 26 million for 2013 and 2014, respectively. Accumulated depreciation on investment real estate totalled USD 577 million and USD 539 million as of 31 December 2013 and 2014, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

9 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2014, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. The two primary categories of mortgage- and asset-backed securities are residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). For both RMBS and CMBS, cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgments may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in levels 1 and 2. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available. Level 2 equities include equity investments fair valued pursuant to the fair value option election and certain hedge fund positions; all valued based on primarily observable inputs.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

The Group holds both exchange-traded and (OTC) interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on the internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgments and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

The Group's OTC credit derivatives can include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilising observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Senior Risk Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Senior Risk Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within a Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	5 454	73 180	662		79 296
Debt securities issued by US government and government agencies	5 454	1 537			6 991
US Agency securitised products		3 946			3 946
Debt securities issued by non-US governments and government agencies		30 092			30 092
Corporate debt securities		30 904	650		31 554
Mortgage- and asset-backed securities		6 701	12		6 713
Fixed income securities backing unit-linked and with-profit business		4 585			4 585
Equity securities	28 257	565	49		28 871
Equity securities backing unit-linked and with-profit business	21 169	11			21 180
Equity securities held for proprietary investment purposes	7 088	554	49		7 691
Derivative financial instruments	31	3 563	505	-2 877	1 222
Interest rate contracts	8	2 372			2 380
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1 266
Credit contracts		18	28		46
Other contracts		64	76		140
Other invested assets	1 476	210	2 256		3 942
Total assets at fair value	35 218	82 103	3 472	-2 877	117 916
Liabilities					
Derivative financial instruments	-14	-3 097	-993	2 656	-1 448
Interest rate contracts		-2 123			-2 123
Foreign exchange contracts		-428			-428
Derivative equity contracts	-14	-527	-190		-731
Credit contracts		-11	-38		-49
Other contracts		-8	-765		-773
Liabilities for life and health policy benefits			-145		-145
Accrued expenses and other liabilities	-1 634	-1 271			-2 905
Total liabilities at fair value	-1 648	-4 368	-1 138	2 656	-4 498

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 530	73 738	401		86 669
Debt securities issued by US government and government agencies	12 530	1 797			14 327
US Agency securitised products		3 252			3 252
Debt securities issued by non-US governments and government agencies		30 692			30 692
Corporate debt securities		31 903	388		32 291
Mortgage- and asset-backed securities		6 094	13		6 107
Fixed income securities backing unit-linked and with-profit business		3 680			3 680
Equity securities	24 084	11	39		24 134
Equity securities backing unit-linked and with-profit business	20 034	11			20 045
Equity securities held for proprietary investment purposes	4 050		39		4 089
Short-term investments held for proprietary investment purposes ²	6 407	7 720			14 127
Short-term investments backing unit-linked and with-profit business ²		20			20
Derivative financial instruments	40	3 810	521	-3 530	841
Interest rate contracts		2 621			2 621
Foreign exchange contracts		272			272
Derivative equity contracts	40	892	396		1 328
Credit contracts		1			1
Other contracts		24	125		149
Other invested assets	907	562	1 812		3 281
Total assets at fair value	43 968	89 541	2 773	-3 530	132 752
Liabilities					
Derivative financial instruments	-13	-3 107	-757	2 969	-908
Interest rate contracts	-5	-2 113			-2 118
Foreign exchange contracts		-407			-407
Derivative equity contracts	-8	-564	-130		-702
Credit contracts		-1	-11		-12
Other contracts		-22	-616		-638
Liabilities for life and health policy benefits			-187		-187
Accrued expenses and other liabilities	-1 035	-864			-1 899
Total liabilities at fair value	-1 048	-3 971	-944	2 969	-2 994

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

² In the first quarter 2014, the Group changed the valuation of short-term investments from amortised cost to fair value. There is no material impact to net income, total assets or shareholders' equity.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2013 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	698	74	1 010	2 098	3 880	-2 865	-272	-3 137
Realised/unrealised gains/losses:								
Included in net income	-4	4	-330	108	-222	1 724	131	1 855
Included in other comprehensive income		1		12	13			0
Purchases	53		25	346	424			0
Issuances			100		100	-62		-62
Sales	-39	-30	-233	-462	-764	210		210
Settlements	-46		-67		-113			0
Transfers into level 3 ¹				419	419			0
Transfers out of level 3 ¹				-292	-292			0
Impact of foreign exchange movements				27	27		-4	-4
Closing balance as of 31 December	662	49	505	2 256	3 472	-993	-145	-1 138

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	3 472	-993	-145	-1 138
Realised/unrealised gains/losses:								
Included in net income	2	2	15	175	194	328	-39	289
Included in other comprehensive income	5	-5		-18	-18			0
Purchases	10		14	81	105			0
Issuances			28		28	-126		-126
Sales	-31	-4	-59	-524	-618	73		73
Settlements	-246		-25	-2	-273	-39		-39
Transfers into level 3 ¹		2	43	33	78			0
Transfers out of level 3 ¹		-4		-131	-135			0
Impact of foreign exchange movements	-1	-1		-58	-60		-3	-3
Closing balance as of 31 December	401	39	521	1 812	2 773	-757	-187	-944

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2013	2014
Gains/losses included in net income for the period	1 633	483
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	1 484	167

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions	2013 Fair value	2014 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	650	388			
Private placement corporate debt	383	317	Corporate Spread Matrix	Illiquidity premium	15 bps–186 bps (65 bps)
Private placement credit tenant leases	68	71	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (98 bps)
Derivative equity contracts	401	396			
OTC equity option referencing correlated equity indices	401	396	Proprietary Option Model	Correlation	–20%–100% (40%) ¹
Liabilities					
Derivative equity contracts	–190	–130			
OTC equity option referencing correlated equity indices	–49	–46	Proprietary Option Model	Correlation	–20%–100% (40%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–910	–803			
Variable annuity and fair valued GMDB contracts	–677	–639	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties	–125	–22	Discounted Cash Flow Model	Lapse Mortality adjustment	3%–10% 80% (n.a.)

¹ Represents average input value for the reporting period.

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities and private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (ie increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs underlying the fair valuation of an embedded derivative bifurcated from the Group's modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Both inputs are not expected to significantly fluctuate over time.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2013 Fair value	2014 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	735	710	278	non-redeemable	n.a.
Hedge funds	749	344		redeemable ¹	45–95 days ²
Private equity direct	138	109		non-redeemable	n.a.
Real estate funds	231	203	74	non-redeemable	n.a.
Total	1 853	1 366	352		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Equity securities trading

The Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement. Over the first six months of 2014, these equity securities were redeemed.

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2013	2014
Assets		
Equity securities trading	615	65
of which at fair value pursuant to the fair value option	544	0
Other invested assets	11 164	9 684
of which at fair value pursuant to the fair value option	403	444
Liabilities		
Liabilities for life and health policy benefits	-36 033	-33 605
of which at fair value pursuant to the fair value option	-145	-187

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2013	2014
Equity securities trading	35	2
Other invested assets	72	50
Liabilities for life and health policy benefits	125	-41
Total	232	11

Fair value changes from equity securities trading are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from other invested assets are reported in "Net investment income – non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December, were as follows:

2013 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		270	270
Mortgage loans		1 801	1 801
Other loans		824	824
Investment real estate		2 551	2 551
Total assets	0	5 446	5 446

Liabilities

Debt	-10 998	-7 528	-18 526
Total liabilities	-10 998	-7 528	-18 526

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		252	252
Mortgage loans		1 888	1 888
Other loans		1 065	1 065
Investment real estate		2 482	2 482
Total assets	0	5 687	5 687
Liabilities			
Debt	-9 934	-6 291	-16 225
Total liabilities	-9 934	-6 291	-16 225

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. The majority of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

10 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2013 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	81 197	2 380	-2 123	257
Foreign exchange contracts	15 580	252	-417	-165
Equity contracts	20 111	1 266	-731	535
Credit contracts	2 676	46	-49	-3
Other contracts	23 055	140	-773	-633
Total	142 619	4 084	-4 093	-9
Derivatives designated as hedging instruments				
Foreign exchange contracts	1 472	15	-11	4
Total	1 472	15	-11	4
Total derivative financial instruments	144 091	4 099	-4 104	-5
Amount offset				
Where a right of set-off exists		-2 353	2 353	
Due to cash collateral		-524	303	
Total net amount of derivative financial instruments		1 222	-1 448	-226

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	80 449	2 621	-2 118	503
Foreign exchange contracts	12 924	223	-400	-177
Equity contracts	20 462	1 328	-702	626
Credit contracts	450	1	-12	-11
Other contracts	21 247	149	-638	-489
Total	135 532	4 322	-3 870	452
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	-7	42
Total	2 770	49	-7	42
Total derivative financial instruments	138 302	4 371	-3 877	494
Amount offset				
Where a right of set-off exists		-2 554	2 554	
Due to cash collateral		-976	415	
Total net amount of derivative financial instruments		841	-908	-67

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2013 and 2014.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2013	2014
Derivatives not designated as hedging instruments		
Interest rate contracts	-241	-225
Foreign exchange contracts	-584	42
Equity contracts	-962	-172
Credit contracts	-71	9
Other contracts	1 728	-312
Total gain/loss recognised in income	-130	-658

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2013 and 2014, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. Previously, the Group has entered into interest rate swaps to reduce the exposure to interest rate volatility. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

USD millions	Gains/losses on derivatives	2013 Gains/losses on hedged items	Gains/losses on derivatives	2014 Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	-240	255		
Foreign exchange contracts	2	-1	122	-120
Total gain/loss recognised in income	-238	254	122	-120

Hedges of the net investment in foreign operations

The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the years ended 31 December 2013 and 2014, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 29 million and a gain of USD 894 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2013 and 2014 was approximately USD 1 746 million and USD 1 817 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features¹

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 305 million and USD 112 million as of 31 December 2013 and 2014, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 2 million and USD 6 million as of 31 December 2013 and 2014, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 106 million additional collateral would have had to be posted as of 31 December 2014. The total equals the amount needed to settle the instruments immediately as of 31 December 2014.

Credit derivatives written/sold

In 2013, the Group has substantially completed the unwinding and de-risking activities and reduced its exposure in credit derivatives written/sold which decreased the related notional amount and fair values materially. As of 31 December 2014, the Group had no significant exposure in credit derivatives written/sold. The maximum potential payout, which is based on notional values, as of 31 December 2013 and 2014, was USD 640 million and nil, respectively.

¹ During 2014, the Group revised the disclosure on contracts that contain credit risk related contingent features. The revision had no impact on net income and shareholders' equity of the Group.

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11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2013	2014
Senior financial debt	901	654
Senior operational debt	2 917	1 047
Short-term debt – financial and operational debt	3 818	1 701
Senior financial debt	3 233	3 513
Senior operational debt	708	713
Subordinated financial debt	5 367	5 486
Subordinated operational debt	5 414	2 903
Long-term debt – financial and operational debt	14 722	12 615
Total carrying value	18 540	14 316
Total fair value	18 526	16 225

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2013 and 2014, debt related to operational leverage and financial intermediation amounted to USD 9.0 billion (thereof USD 6.1 billion limited- or non-recourse) and USD 4.7 billion (thereof USD 3.4 billion limited- or non-recourse), respectively.

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2013	2014
Due in 2015	730	0 ¹
Due in 2016	2 151	1 984
Due in 2017	1 341	1 215
Due in 2018	0	854
Due in 2019	1 981	1 922
Due after 2019	8 519	6 640
Total carrying value	14 722	12 615

¹ Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2017	EMTN	2011	CHF	600	2.13%	601
2018	Syndicated revolving credit facility	2014	GBP	550	variable	854
2019	Senior notes ¹	1999	USD	234	6.45%	272
2022	Senior notes	2012	USD	250	2.88%	249
2024	EMTN	2014	CHF	250	1.00%	250
2026	Senior notes ¹	1996	USD	397	7.00%	519
2030	Senior notes ¹	2000	USD	193	7.75%	279
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	579	various	713
Total senior long-term debt as of 31 December 2014						4 226
Total senior long-term debt as of 31 December 2013						3 941

¹ Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	829
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	597
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	496
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	212
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 862	4.83%		2 903
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 209
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	778
	Subordinated perpetual loan note	2007	AUD	300	7.64%	2017	245
					6 months BBSW		
	Subordinated perpetual loan note	2007	AUD	450	+1.17%	2017	368
Total subordinated long-term debt as of 31 December 2014							8 389
Total subordinated long-term debt as of 31 December 2013							10 781

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2013	2014
Senior financial debt	148	120
Senior operational debt	48	16
Subordinated financial debt	286	300
Subordinated operational debt	246	231
Total	728	667

Interest expense on contingent capital instruments was USD 67 million and USD 69 million for the years ended 31 December 2013 and 2014, respectively.

Long-term debt issued in 2014

In April 2014, Swiss Re Life Capital Ltd entered into a GBP 550 million revolving credit facility with a syndicate of banks. The facility has an expiry date of 7 April 2018. At 31 December 2014, the facility was fully drawn.

In September 2014, Swiss Re Corporate Solutions Ltd issued a 30-year subordinated fixed rate resettable callable loan note with a first optional redemption date on 11 September 2024 and a scheduled maturity in 2044. The note has a face value of USD 500 million, with a fixed coupon of 4.5% per annum until the first optional redemption date.

In September 2014, Swiss Reinsurance Company Ltd issued 10-year senior notes maturing in 2024. The notes have a face value of CHF 250 million, with a fixed coupon of 1% per annum.

Contingent capital instruments

In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as “contingent capital instruments”.

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2013 and 2014, the Group declared regular dividends per share of CHF 3.50 and CHF 3.85, respectively, as well as additional special dividends of CHF 4.00 and CHF 4.15, respectively. All dividends were paid in the form of withholding tax exempt repayments of legal reserves from capital contributions.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2013	2014
Basic earnings per share		
Net income	4 513	3 569
Non-controlling interests	-2	0
Interest on contingent capital instruments ¹	-67	-69
Net income attributable to common shareholders	4 444	3 500
Weighted average common shares outstanding	342 764 609	342 213 498
Net income per share in USD	12.97	10.23
Net income per share in CHF²	12.04	9.33
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments ¹	69	69
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	1 094 715	2 198 904
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	4 513	3 569
Weighted average common shares outstanding	379 604 516	380 157 594
Net income per share in USD	11.89	9.39
Net income per share in CHF²	11.04	8.56

¹ Please refer to Note 11 "Debt and contingent capital instruments".

² The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

13 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2013	2014
Current taxes	641	1 072
Deferred taxes	-329	-414
Income tax expense	312	658

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2013	2014
Income tax at the Swiss statutory tax rate of 21.0%	1 013	888
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	61	137
Impact of foreign exchange movements	-8	-86
Tax exempt income/dividends received deduction	-164	-105
Change in valuation allowance	-257	99
Basis differences in subsidiaries	-152	-155
Change in liability for unrecognised tax benefits including interest and penalties	-144	-207
Other, net	-37	87
Total	312	658

The Group reported a tax charge of USD 658 million on a pre-tax income of USD 4 227 million for 2014, compared to a charge of USD 312 million on a pre-tax income of USD 4 825 million for 2013. This translates into an effective tax rate in the current and prior-year reporting periods of 15.6% and 6.5%, respectively. The higher tax rate in the current year results from profits earned in higher tax jurisdictions and lower one-off tax benefits, partially offset by a higher tax benefit from foreign currency translation differences between statutory and GAAP accounts. The particularly low effective tax rate in 2013 was also driven by the conclusion of audits, rulings and revised tax opinions, as well as the implementation of lower tax rates and the transition to a new tax regime in the UK.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2013	2014
Deferred tax assets		
Income accrued/deferred	503	291
Technical provisions	762	620
Pension provisions	206	289
Benefit on loss carryforwards	3 648	3 980
Currency translation adjustments	540	412
Unrealized gains in income	181	422
Other	858	1 063
Gross deferred tax asset	6 698	7 077
Valuation allowance	-935	-935
Unrecognised tax benefits offsetting benefits on loss carryforwards ¹		-24
Total deferred tax assets	5 763	6 118
Deferred tax liabilities		
Present value of future profits	-727	-640
Income accrued/deferred	-642	-929
Bond amortisation	-206	-374
Deferred acquisition costs	-721	-730
Technical provisions	-2 845	-3 104
Unrealised gains on investments	-589	-1 657
Untaxed realised gains	-524	-394
Foreign exchange provisions	-132	-279
Other	-705	-671
Total deferred tax liabilities	-7 091	-8 778
Liability for unrecognised tax benefits including interest and penalties	-1 151	-667
Total deferred and other non-current tax liabilities	-8 242	-9 445
Net deferred and other non-current taxes	-2 479	-3 327

¹ The Group updated its unrecognised tax benefits presentation. Unrecognised tax benefits is now presented as a reduction to deferred tax assets when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. This change is applied prospectively.

As of 31 December 2014, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 4.0 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2014, the Group had USD 11 336 million net operating tax loss carryforwards, expiring as follows: USD 28 million in 2018, USD 48 million in 2019, USD 9 149 million in 2020 and beyond, and USD 2 111 million never expire.

The Group also had capital loss carryforwards of USD 1 511 million, expiring as follows: USD 81 million in 2019, USD 1 430 million never expire.

Net operating tax losses of USD 1 357 million and net capital tax losses of USD 43 million were utilised during the period ended 31 December 2014.

Income taxes paid in 2013 and 2014 were USD 447 million and USD 509 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2013	2014
Balance as of 1 January	1 228	1 013
Additions based on tax positions related to current year	88	26
Additions based on tax positions related to prior years	158	71
Reduction for tax positions of current year		-137
Reductions for tax positions of prior years	-392	-248
Settlements	-90	-90
Other (including foreign currency translation)	21	-56
Balance as of 31 December	1 013	579

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 778 million and USD 539 million at 31 December 2013 and 2014, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2014 was USD 19 million (USD 128 million in 2013). As of 31 December 2013 and 2014, USD 138 million and USD 112 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2014 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2014 presented in the table above excludes accrued interest and penalties of USD 112 million.

During the year, certain tax positions and audits in Switzerland, France, Germany, Canada and Japan were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2010–2014	Japan	2009–2014
Belgium	2010–2014	Korea	2013–2014
Brasil	2010–2014	Luxembourg	2010–2014
Canada	2008–2014	Malaysia	2013–2014
China	2005–2014	Mexico	2009–2014
Colombia	1999, 2009, 2013–2014	Netherlands	2010–2014
Denmark	2010–2014	New Zealand	2009–2014
France	2008–2014	Singapore	2008–2014
Germany	2007–2014	Slovakia	2009–2014
Hong Kong	2008–2014	South Africa	2011–2014
India	2005–2014	Spain	2010–2014
Ireland	2010–2014	Switzerland	2011–2014
Israel	2008–2014	United Kingdom	2008, 2011–2014
Italy	2009–2014	United States	2009–2014

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14 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 692	2 192	383	6 267
Service cost	118	7	6	131
Interest cost	72	87	11	170
Amendments				0
Actuarial gains/losses	-338	57	-47	-328
Benefits paid	-137	-73	-15	-225
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	97	35	3	135
Benefit obligation as of 31 December	3 531	2 305	341	6 177
Fair value of plan assets as of 1 January	3 214	2 001		5 215
Actual return on plan assets	221	141		362
Company contribution	227	143	15	385
Benefits paid	-137	-74	-15	-226
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	109	34		143
Fair value of plan assets as of 31 December	3 661	2 245	0	5 906
Funded status	130	-60	-341	-271

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 531	2 305	341	6 177
Service cost	100	8	5	113
Interest cost	76	98	12	186
Amendments	-90	1		-89
Actuarial gains/losses	587	226	52	865
Benefits paid	-129	-75	-17	-221
Employee contribution	27			27
Acquisitions/disposals/additions		-4		-4
Effect of settlement, curtailment and termination	1	-24		-23
Effect of foreign currency translation	-418	-146	-22	-586
Benefit obligation as of 31 December	3 685	2 389	371	6 445
Fair value of plan assets as of 1 January	3 661	2 245		5 906
Actual return on plan assets	281	266		547
Company contribution	101	91	17	209
Benefits paid	-129	-76	-17	-222
Employee contribution	27			27
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1	-23		-22
Effect of foreign currency translation	-407	-149		-556
Fair value of plan assets as of 31 December	3 535	2 354	0	5 889
Funded status	-150	-35	-371	-556

Amounts recognised in the balance sheet, as of 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	130	49		179
Current liabilities		-2	-16	-18
Non-current liabilities		-107	-325	-432
Net amount recognised	130	-60	-341	-271

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		208		208
Current liabilities		-3	-15	-18
Non-current liabilities	-150	-240	-356	-746
Net amount recognised	-150	-35	-371	-556

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	521	385	-109	797
Prior service cost/credit	-2	2	-88	-88
Total	519	387	-197	709

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	896	407	-45	1 258
Prior service cost/credit	-87	2	-77	-162
Total	809	409	-122	1 096

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December, were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	118	7	6	131
Interest cost	72	87	11	170
Expected return on assets	-102	-99		-201
Amortisation of:				
Net gain/loss	57	18	-6	69
Prior service cost			-10	-10
Effect of settlement, curtailment and termination	1			1
Net periodic benefit cost	146	13	1	160

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	100	8	5	113
Interest cost	76	98	12	186
Expected return on assets	-112	-111		-223
Amortisation of:				
Net gain/loss	43	24	-12	55
Prior service cost	-5	-3	-11	-19
Effect of settlement, curtailment and termination	1	-2		-1
Net periodic benefit cost	103	14	-6	111

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2013				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	-457	15	-46	-488
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	-57	-18	6	-69
Prior service cost			10	10
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		10		10
Total recognised in other comprehensive income, gross of tax	-514	7	-30	-537
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	-368	20	-29	-377
2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	418	71	52	541
Prior service cost/credit	-90	-3		-93
Amortisation of:				
Net gain/loss	-43	-24	12	-55
Prior service cost	5	3	11	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		-25		-25
Total recognised in other comprehensive income, gross of tax	290	22	75	387
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	393	36	69	498

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2015 are USD 92 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2015 are USD 4 million and USD 10 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 735 million and USD 5 980 million as of 31 December 2013 and 2014, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2013	2014
Projected benefit obligation	594	4 771
Accumulated benefit obligation	593	4 722
Fair value of plan assets	490	4 379

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2013	2014	2013	2014	2013	2014
Assumptions used to determine obligations at the end of the year						
Discount rate	2.3%	1.1%	4.4%	3.5%	3.5%	2.7%
Rate of compensation increase	2.3%	2.3%	3.4%	2.9%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.0%	2.3%	4.2%	4.4%	3.1%	3.5%
Expected long-term return on plan assets	3.3%	3.3%	5.1%	5.2%		
Rate of compensation increase	2.3%	2.3%	3.2%	3.4%	3.4%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.0%	6.0%
Medical trend – ultimate rate					4.5%	4.5%
Year that the rate reaches the ultimate trend rate					2018	2019

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2014:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	-1
Effect on post-retirement benefit obligation	28	-24

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2013 and 2014 was as follows:

Asset category	Swiss plan allocation			Foreign plans allocation		
	2013	2014	Target allocation	2013	2014	Target allocation
Equity securities	27%	28%	26%	36%	29%	29%
Debt securities	41%	46%	48%	59%	66%	68%
Real estate	19%	18%	20%	1%	0%	1%
Other	13%	8%	6%	4%	5%	2%
Total	100%	100%	100%	100%	100%	100%

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2013 and 2014, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 9 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the table below are not within the scope of Note 9, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 9.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 838		2 838
Debt securities issued by the US government and government agencies		136		136
Debt securities issued by non-US governments and government agencies		1 028		1 028
Corporate debt securities		1 647		1 647
Residential mortgage-backed securities		21		21
Commercial mortgage-backed securities		1		1
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	1 030	801		1 831
Derivative financial instruments	16			16
Real estate	54	17	631	702
Other assets	136	58	132	326
Total assets at fair value	1 236	3 714	763	5 713
Cash	193			193
Total plan assets	1 429	3 714	763	5 906

2014 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:	9	3 211		3 220
Debt securities issued by the US government and government agencies	9	146		155
Debt securities issued by non-US governments and government agencies		890		890
Corporate debt securities		2 150		2 150
Residential mortgage-backed securities		22		22
Commercial mortgage-backed securities		2		2
Other asset-backed securities		1		1
Equity securities:				
Equity securities held for proprietary investment purposes	976	684		1 660
Derivative financial instruments	-3			-3
Real estate	53	10	578	641
Other assets	21	59	139	219
Total assets at fair value	1 056	3 964	717	5 737
Cash	148	4		152
Total plan assets	1 204	3 968	717	5 889

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2013			
USD millions	Real estate	Other assets	Total
Balance as of 1 January	572	125	697
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	31	1	32
Relating to assets sold during the period		4	4
Purchases, issuances and settlements	11	-1	10
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	17	3	20
Closing balance as of 31 December	631	132	763

2014			
USD millions	Real estate	Other assets	Total
Balance as of 1 January	631	132	763
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date		5	5
Relating to assets sold during the period		14	14
Purchases, issuances and settlements	13	-4	9
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	-66	-8	-74
Closing balance as of 31 December	578	139	717

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2015 to the defined benefit pension plans are USD 257 million and to the post-retirement benefit plan are USD 15 million.

As of 31 December 2014, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2015	198	75	15	288
2016	194	80	16	290
2017	187	83	17	287
2018	188	86	18	292
2019	186	90	19	295
Years 2020–2024	886	487	102	1 475

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2013 and in 2014 was USD 74 million and USD 79 million, respectively.

15 Share-based payments

As of 31 December 2013 and 2014 the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 126 million and USD 76 million in 2013 and 2014, respectively. The related tax benefit was USD 28 million and USD 17 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans is as follows:

2014	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	89	100 000
Outstanding as of 31 December	84	100 000
Exercisable as of 31 December	84	100 000

The weighted remaining contractual life is 1.4 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding options has been adjusted for the special dividend payout in 2013 and 2014.

Restricted shares

The Group granted 10 458 and 25 153 restricted shares to selected employees in 2013 and 2014, respectively. Moreover, as an alternative to the Group's cash bonus programme, 295 535 and 302 260 shares were delivered during 2013 and 2014, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2014 is as follows:

	Weighted average grant date fair value in CHF ¹	Number of shares
Non-vested at 1 January	67	528 974
Granted	81	327 413
Delivery of restricted shares	73	-277 551
Outstanding as of 31 December	73	578 836

¹ Equals the market price of the shares on the date of grant.

Long-term Incentive Plan

Between 2006 and 2011, the Group annually granted a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plans include a payout factor which was derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. The fair values of the plans are based on stochastic models which consider the likelihood of achieving performance targets and the impact of dividends.

The 2010 LTI grant was settled in shares in March 2013. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 48.15.

The 2011 LTI grant was settled in shares in March 2014. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 39.39.

For the year ended 31 December 2014, no units were outstanding:

	LTI 2011
Non-vested at 1 January	873 795
Forfeitures	-855
Vested ¹	-872 940
Outstanding as of 31 December	0

¹ Refers to the number of units before the application of the payout factor.

Leadership Performance Plan

During 2011 the Compensation Committee reviewed the existing long-term incentive scheme, and in March 2012, the LTI was replaced by a new plan called the Leadership Performance Plan (LPP). The LPP plans are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For the LPP 2014 an additional two-year holding period applies for all Group EC and GMB members. At grant date the award is split equally into two underlying components - Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a ROE performance condition and will vest within a range of 0–100%. The PSU is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, respectively a special dividend of CHF 4.15 for the LPP 2014) and the risk free rate based on the average of the 5-year US government rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0 and 3.1% for LPP 2012, LPP 2013 and LPP 2014.

For the year ended 31 December 2014, the outstanding units were as follows:

	LPP 2012		LPP 2013		LPP 2014	
	RSU	PSU	RSU	PSU	RSU	PSU
Non-vested at 1 January	458 640	540 720	350 205	407 565		
Granted					364 280	368 145
Forfeitures	-18 770	-22 135	-15 555	-18 100	-4 660	-4 715
Outstanding as of 31 December	439 870	518 585	334 650	389 465	359 620	363 430
Grant date fair value in CHF	42.00	35.60	61.19	52.59	60.85	60.21

Unrecognised compensation costs

As of 31 December 2014, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 61 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 5 538 418 and 3 930 229 as of 31 December 2013 and 2014, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Employee Participation Plan

The Group's Employee Participation Plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. The Group contributes to the employee savings over the period of the plan.

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2013 and 2014, the Group contributed USD 34 million and USD 12 million, respectively, to the outstanding plans.

Global Share Participation Plan

In June 2013 Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2013 and 2014, Swiss Re contributed USD 3 million and USD 7 million to the plans and authorised 28 218 and 109 461 shares as of 31 December 2013 and 2014, respectively.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation report on pages 138–143 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Company Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 254–255 of the Annual Report of Swiss Re Ltd.

17 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2013 and 2014, the Group's investment in mortgages and other loans included USD 304 million and USD 285 million, respectively, of loans due from employees, and USD 233 million and USD 210 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 14 Benefit plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2013 and 2014, respectively.

Share ownership and loans extended to members of BoD and Group EC are disclosed in Note 16 Compensation, participations and loans of members of governing bodies in the financial statements of Swiss Re Ltd. The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2013	2014
Share in earnings of equity-accounted investees	350	321
Dividends received from equity-accounted investees	198	277

18 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2014
2015	79
2016	76
2017	68
2018	54
2019	40
After 2019	269
Total operating lease commitments	586
Less minimum non-cancellable sublease rentals	42
Total net future minimum lease commitments	544

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2013	2014
Minimum rentals	64	69
Sublease rental income	-1	0
Total	63	69

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2014 were USD 2 034 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

19 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	EUR	382	100	f
Germany				
Swiss Re Germany AG, Unterföhring bei München	EUR	45	100	f
Guernsey				
Pension Corporation Group Limited, St. Peter Port	GBP	925	5	fv
Liechtenstein				
Elips Life AG, Triesen	CHF	12	100	f
Elips Versicherungen AG, Triesen	CHF	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg ¹	EUR	10 397	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Netherlands				
Algemene Levensherv verzekering Maatschappij N.V., Amsterdam	EUR	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	CHF	312	100	f
Swiss Re Asset Management Geneva SA, Carouge	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f
United Kingdom				
Admin Re UK Limited, Shropshire	GBP	73	100	f
Admin Re UK Finance Limited, Shropshire	GBP	0	100	f
Reassure Limited, Shropshire	GBP	289	100	f
Swiss Re Capital Markets Limited, London	USD	60	100	f
Swiss Re Services Limited, London	GBP	2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP	1	100	f

Method of consolidation

f full

e equity

fv fair value

¹ Net asset value instead of share capital

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Gasper Funding Corporation, Bridgetown	USD	17	100	f
Milvus I Reassurance Limited, Bridgetown	USD	0	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	513	100	f
Bermuda				
Ark Insurance Holdings Limited, Hamilton	USD	6	14	fv
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Sul America S.A., Rio de Janeiro	BRL	2320	15	e
Swiss Re Brasil Resseguros S.A., Sao Paulo	BRL	194	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	BRL	108	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	353	100	f
FWD Group Ltd., George Town	USD	0	12	e
Swiss Re Strategic Investments UK Limited, George Town	GBP	211	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	223 551	51	f

Significant subsidiaries and equity investees	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
United States				
Aurora National Life Assurance Company, Wethersfield	USD	3	100	f
Facility Insurance Corporation, Austin	USD	1	100	f
Facility Insurance Holding Corporation, Dallas	USD	0	100	f
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Sterling Re Inc., Burlington	USD	21	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD	2 116	100	f
Swiss Re Financial Services Corporation, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Hartford	USD	4	100	f
Swiss Re Partnership Holding, LLC, Dover	USD	368	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Solutions Holding Corporation, Wilmington	USD	9	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	ZAR	2	100	f
Kenya				
Apollo Investments Ltd., Nairobi	KES	205	27	e
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	CNY	2 178	5	fv
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	VND	1 008 277	25	e

20 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Group assesses for all its variable interests in VIEs whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. For this, the Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. In a second step, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

Whenever facts and circumstances change, a review is undertaken of the impact these changes could have on the consolidation assessment previously performed. When the assessment might be impacted, a reassessment to determine the primary beneficiary is performed.

Insurance-linked and credit-linked securitisations

The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk from a sponsor through credit default swaps. The securitisation vehicle generally retains the issuance proceeds as collateral. The collateral held predominantly consists of investment-grade securities.

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, in which case maximum loss equals to the Group's investment balance.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract to a funding vehicle, which represents a potentially significant variable interest. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides risk management services to certain asset securitisation trusts which qualify as VIEs. As the involvement of the Group is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles

Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist primarily of investment-grade securities, but also structured products, hedge fund units and derivatives.

The Group consolidates certain debt financing vehicles as it has power over the investment management in the vehicles, which is considered to be the activity that most significantly impacts the entities' economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

Investment vehicles

Investment vehicles are private equity limited partnerships, in which the Group is invested as part of its investment strategy. Typically, the Group's variable interests arise through limited partner ownership interests in the vehicles. The Group does not own the general partners of the limited partnerships, and does not have any significant kick-out or participating rights. Therefore the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

Other

The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the Group's exposure is either retroceded or hedged. The assets held by the VIEs consist mainly of residential real estate and other.

The Group did not provide financial or other support to any VIEs during 2014 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December:

USD millions	2013		2014	
	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities available-for-sale	6 490	6 490	4 200	4 200
Short-term investments	61	61	95	95
Other invested assets	8		16	
Cash and cash equivalents	162	162	25	25
Accrued investment income	60	60	38	38
Deferred tax assets			19	19
Other assets	17		16	
Total assets	6 798	6 773	4 409	4 377
	2013		2014	
	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Deferred and other non-current tax liabilities			177	177
Short-term debt	62	62		
Accrued expenses and other liabilities	20	20	7	7
Long-term debt	5 414	5 414	2 903	2 903
Total liabilities	5 496	5 496	3 087	3 087

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2013	2014
Fixed income securities:		
Available-for-sale	71	69
Trading	15	
Policy loans mortgages and other loans		84
Other invested assets	1 568	1 451
Total assets	1 654	1 604
Short-term debt	417	
Accrued expenses and other liabilities	422	167
Total liabilities	839	167

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	Total assets	Total liabilities	Maximum exposure to loss ¹	2013 Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	2014 Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	72		90	90	70		68	68
Life and health funding vehicles	18		792	792			1 683	1 683
Swaps in trusts	96	284	— ²	—	35	82	— ²	—
Debt financing	407		30	30	378		28	28
Investment vehicles	853		853	853	845		845	845
Other	208	555	1 105	550	276	85	1 076	991
Total	1 654	839	—²	—	1 604	167	—²	—

¹Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

²The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 85 million recognised for the "Other" category relate mainly to a guarantee granted.

21 Restructuring provision

In 2014, the Group set up a provision of USD 16 million for restructuring costs, and released USD 3 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 16 million is mostly related to office structure simplification costs and leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Admin Re®	Total
Balance as of 1 January	32	1	11	44
Increase in provision	46			46
Release of provision	-2			-2
Costs incurred	-12	-1	-1	-14
Balance as of 31 December	64	0	10	74

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Admin Re®	Total
Balance as of 1 January	64	0	10	74
Increase in provision	16			16
Release of provision	-3			-3
Costs incurred	-15		-3	-18
Effect of foreign currency translation	-5		-1	-6
Balance as of 31 December	57	0	6	63

22 Risk assessment

Risk management bodies and functions

Swiss Re's Board of Directors is ultimately responsible for the Group's governance principles and policies. It mainly performs risk oversight and governance through three committees:

- The Finance and Risk Committee reviews the Group Risk Policy and risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures.
- The Investment Committee reviews the financial risk analysis methodology and valuation related to each asset class and ensures that the relevant management processes and controlling mechanisms are in place.
- The Audit Committee oversees internal controls and compliance procedures.

The Group Executive Committee (Group EC) is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits, oversees the economic value management framework, determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group EC has delegated various risk management responsibilities to the Group Chief Risk Officer (CRO) as well as to the Business Units.

The Group CRO, who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. He leads the Group Risk Management function, which is responsible for risk oversight and control across Swiss Re. The Group Risk Management function is comprised of central risk management units providing shared services, along with dedicated teams for the Reinsurance, Corporate Solutions, and Admin Re® Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers, who report directly to the Group CRO and have a secondary reporting line to their respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Unit, as well as for establishing proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs, who are responsible for overseeing risk management issues that arise at regional or legal entity level.

While the risk management organisation is closely aligned to the business organisation in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

The central risk management units support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services such as:

- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management,
- Developing the central risk governance framework

The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management. In addition, actuarial management for Corporate Solutions and Admin Re® is part of Risk Management, whereas in Reinsurance the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are also supported by our Group Internal Audit and Compliance units. Group Internal Audit performs independent, objective assessments of adequacy and effectiveness of internal control systems. It evaluates execution processes of Swiss Re, including those within Risk Management. Our Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group's Code of Conduct. In addition, it assists the Board of Directors, the Group EC and management in identifying, mitigating and managing compliance risks. For more information on our audit and compliance functions, see page 95 of this Financial Report.

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Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2014, and the related consolidated income statement, statement of comprehensive income, statement of share-holders' equity, statement of cash flow and notes (pages 148 to 238) for the year then ended.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the over-all presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swiss Re Ltd and its subsidiaries at 31 December 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge



Bret Griffin

Zürich, 17 March 2015

SWISS RE LTD

AUDITED STATUTORY FINANCIAL STATEMENTS
OF SWISS RE LTD AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2014

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2013	2014
Current assets			
Cash and cash equivalents		66	30
Short-term investments	4	364	159
Loans to subsidiaries and affiliated companies		1 774	3 250
Receivables from subsidiaries and affiliated companies		53	64
Other receivables and accrued income		1	0
Total current assets		2 258	3 503
Non-current assets			
Investments in subsidiaries and affiliated companies	5	17 117	17 340
Own shares	6	741	956
Total non-current assets		17 858	18 296
Total assets		20 116	21 799

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2013	2014
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		7	–
Other liabilities and accrued expenses		14	0
Total short-term liabilities		21	0
Long-term liabilities			
Provisions		5	340
Total long-term liabilities		5	340
Total liabilities		26	340
Shareholders' equity			
	7		
Share capital	8, 9	37	37
Other legal reserves		8 238	8 040
Reserve for own shares		948	1 146
Legal reserves from capital contributions	10	5 423	2 682
Other reserves		2 730	5 440
Retained earnings brought forward		7	4
Net income for the financial year		2 707	4 110
Total shareholders' equity		20 090	21 459
Total liabilities and shareholders' equity		20 116	21 799

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Notes Swiss Re Ltd

1 Significant accounting principles

Basis of presentation

On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations. Based on the transitional provisions, the new provisions have to be implemented for annual accounts from the 2015 financial year onwards, at the latest. The Swiss Re Ltd's financial statements 2014 have still been prepared based on the accounting provisions of the Swiss Code of Obligations in effect until 31 December 2012.

Time period

The financial year 2014 comprises the accounting period from 1 January 2014 to 31 December 2014.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money-market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments

Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables

These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income

Accrued income includes other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but which are receivable in a subsequent financial year.

Investments in subsidiaries and affiliated companies

These assets are carried at cost, less necessary and legally permissible depreciation.

Own shares

Own shares are carried at cost, less necessary and legally permissible depreciation.

Loans to subsidiaries and affiliated companies

Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Payables to subsidiaries and affiliated companies/Other liabilities

These liabilities are carried at nominal value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but which are payable in a subsequent financial year.

Provisions

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other income, respectively.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as revenue in the year in which they are declared.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark license fees charged to certain subsidiaries and affiliated companies.

13 Share ownership, options and related instruments of governing bodies

The section below is in line with article 663c para. 3 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by Swiss Re's members of the Board of Directors and Group Executive Committee (Group EC). Further disclosures in respect of management compensation, as well as to closely related persons, are detailed in the Compensation Report on pages 138–143 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2013	2014
Michel M. Liès, Group CEO	171 947	187 690
David Cole, Group Chief Financial Officer ¹		28 755
John Dacey, Group Chief Strategy Officer, Chairman Admin Re®		45
Guido Fürer, Group Chief Investment Officer	21 253	32 315
Agostino Galvagni, CEO Corporate Solutions	108 060	64 860
Jean-Jacques Henchoz, CEO Reinsurance EMEA	16 335	38 280
Christian Mumenthaler, CEO Reinsurance	50 984	40 000
Moses Ojeisekhoba, CEO Reinsurance Asia	8 583	14 369
George Quinn, former Group Chief Financial Officer ²	96 506	n/a
Matthias Weber, Group Chief Underwriting Officer	38 592	57 649
Thomas Wellauer, Group Chief Operating Officer	17 708	75 973
Total	529 968	539 936

¹ Appointed as Group Chief Financial Officer as of 1 May 2014.

² Member of the Group EC until 30 April 2014.

Members of the Board of Directors	2013	2014
Walter B. Kielholz, Chairman	399 490	425 710
Mathis Cabiallavetta, Vice Chairman	109 177	92 287
Renato Fassbind, Vice Chairman	7 655	11 889
Jakob Baer, former Member and Chairman of the Audit Committee ¹	44 699	n/a
Raymund Breu, Member	36 024	37 764
Raymond K.F. Ch'ien, Member	15 048	16 921
John R. Coomber, former Member ¹	140 200	n/a
Mary Francis, Member	1 027	2 791
Rajna Gibson Brandon, Member	26 047	27 787
C. Robert Henrikson, Chairman of the Compensation Committee	4 339	6 808
Malcolm D. Knight, former Member ¹	7 665	n/a
Hans Ulrich Maerki, Member	25 594	27 431
Carlos E. Represas, Member	8 900	10 372
Jean-Pierre Roth, Member	6 762	8 234
Susan L. Wagner, Member ²	n/a	1 267
Total	832 627	669 261

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

² Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Restricted shares

Swiss Re grants restricted share units on an ad hoc basis that are subject to a vesting period with a risk of forfeiture during the vesting period.

The following unvested restricted shares were held by members of the Group EC as of 31 December:

Members of the Group EC	2013	2014
Weighted average share price in CHF as of grant date	53.10	
Moses Ojeisekhoba, CEO Reinsurance Asia	5 693	
Total	5 693	0

For the years ended 31 December 2013 and 2014, the members of the Board of Directors did not hold any restricted shares.

Vested options

The following vested options were held by members of Group governing bodies as of 31 December:

	2013	Number of options 2014
Members of the Group EC		
Weighted average strike price in CHF	83.92	74.34
Michel M. Liès, Group CEO	42 000	15 000
Guido Furer, Group Chief Investment Officer	7 500	
George Quinn, former Group Chief Financial Officer ¹	20 000	n/a
Matthias Weber, Group Chief Underwriting Officer	7 000	3 500
Total	76 500	18 500

¹ Member of the Group EC until 30 April 2014.

	2013	Number of options 2014
Members of the Board of Directors		
Weighted average strike price in CHF	83.04	74.34
Walter B. Kielholz, Chairman	40 000	20 000
John R. Coomber, former Member ¹	130 000	n/a
Total	170 000	20 000

¹ Term of office expired as of 11 April 2014 and did not stand for re-election.

The vested options held by members of Group governing bodies as of 31 December 2014 will expire in 2015. The underlying strike price for the outstanding option series has been adjusted for special dividend payouts. The stock options shown in the table above for the members of the Board of Directors were awarded at a time when the recipients were still members of Swiss Re's executive management.

2 Investment income and expenses

CHF millions	2013	2014
Cash dividends from subsidiaries and affiliated companies	2 641	3 964
Dividends in-kind from subsidiaries and affiliated companies	805	–
Realised gains on sale of investments	61	1
Income from short-term investments	0	0
Income from loans to subsidiaries and affiliated companies	13	9
Investment management income	1	0
Other interest revenues	0	0
Investment income	3 521	3 974

CHF millions	2013	2014
Valuation adjustments on investments in subsidiaries and affiliated companies	–805	–
Realised losses on sale of investments	0	0
Investment management expenses	–1	0
Other interest expenses	0	0
Investment expenses	–806	0

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2014, securities of CHF 117 million were lent to Group companies under securities lending agreements, whereas in 2013 securities of CHF 334 million were lent to Group companies. As of 31 December 2014 and 2013, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2014 and 2013, Swiss Re Ltd held the following investments in subsidiaries and affiliated companies:

As of 31 December 2014	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Principal Investments Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

As of 31 December 2013	Domicile	Affiliation	Share capital
Swiss Reinsurance Company Ltd	Zurich	100%	CHF 34.4 million
Swiss Re Corporate Solutions Ltd	Zurich	100%	CHF 100.0 million
Swiss Re Life Capital Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Investments Holding Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Principal Investments Company Ltd	Zurich	100%	CHF 0.1 million
Swiss Re Specialised Investments Holdings (UK) Ltd	London	100%	GBP 1.0 million

6 Own shares

As of 31 December 2014, Swiss Re Ltd and its subsidiaries held 28 508 013 (2013: 28 512 910) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 28 395 225 (2013: 25 685 817) shares.

In the year under report, 4 348 768 (2013: 5 998 405) own shares were purchased at an average price of CHF 74.66 (2013: CHF 78.85) and 4 352 775 (2013: 5 044 780) own shares were sold at an average price of CHF 79.99 (2013: CHF 72.95).

7 Change in shareholders' equity

CHF millions	2013	2014
Opening balance of shareholders' equity	19 954	20 090
Dividend payments for the previous year	-2 571	-2 741 ¹
Net income for the financial year	2 707	4 110
Shareholders' equity as of 31 December before proposed dividend payments	20 090	21 459
Proposed dividend payments	-2 738	-2 481 ²
Shareholders' equity as of 31 December after proposed dividend payments	17 352	18 978

¹ Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2013, the number of registered shares eligible for dividend, at the dividend payment date of 22 April 2014, increased due to the transfer of 447 213 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 3 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.

² Details on the proposed dividend payments for the financial year 2014 are disclosed on page 256.

8 Major shareholders

As of 31 December 2014, there were three shareholders with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholders	Number of shares	% of voting rights and share capital ¹	Creation of the obligation to notify
Franklin Resources, Inc.	11 399 387	3.08	18 August 2014
Warren E. Buffett/Berkshire Hathaway Inc.	11 262 000	3.10	10 June 2011
BlackRock, Inc. ²	11 134 246	3.09	26 September 2011

¹ The percentage of voting rights is calculated at the date the obligation was created and notified.

² BlackRock, Inc. notified on 13 January 2015 that it holds directly and indirectly through a number of its Group companies, in the capacity of investment manager for funds and clients 18 586 701 registered shares of Swiss Re Ltd, corresponding to 5.01% of the voting rights in Swiss Re Ltd. In addition to the number of registered shares held, BlackRock, Inc. reported contracts for difference conferring a total of 51 283 voting rights in Swiss Re Ltd. This corresponds to 0.02% of the voting rights in Swiss Re Ltd which can be exercised autonomously of the beneficial owners. The total notified holding amounts to 5.03% of the voting rights in Swiss Re Ltd.

In addition, Swiss Re Ltd held, as of 31 December 2014, directly and indirectly 28 508 013 (2013: 28 512 910) own shares, representing 7.69% (2013: 7.69%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

Registered Office of the Company

Swiss Re Ltd
Mythenquai 50/60
CH-8022 Zurich
Switzerland

Auditors of the Company

PricewaterhouseCoopers AG
Birchstrasse 160
CH-8050 Zurich
Switzerland

Legal Advisers to the Company

as to United States law
**Paul, Weiss, Rifkind, Wharton
& Garrison LLP**
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as to Swiss law
Niederer Kraft & Frey AG
Bahnhofstrasse 13
CH-8001 Zurich
Switzerland

9 Conditional capital and authorised capital

As of 31 December 2014, Swiss Re Ltd had the following conditional capital and authorised capital:

Conditional capital for Equity-Linked Financing Instruments

The share capital of the Company shall be increased by an amount not exceeding CHF 5 000 000 through the issuance of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the voluntary or mandatory exercise of conversion and/or option rights granted in connection with bonds or similar instruments including loans or other financial instruments by the Company or Group companies (hereinafter collectively the "Equity-Linked Financing Instruments"). Existing shareholders' subscription rights are excluded.

Authorised capital

The Board of Directors is authorised to increase the share capital of the Company at any time up to 10 April 2015 by an amount not exceeding CHF 8 500 000 through the issuance of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non exercised subscription rights will be determined by the Board of Directors.

With respect to a maximum of CHF 5 000 000 through the issuance of up to 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the subscription rights of shareholders may not be excluded.

With respect to a maximum of CHF 3 500 000 through the issuance of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the Board of Directors may exclude or restrict the subscription rights of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including take-over) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by the Company and/or Group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of the Company or Group companies in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital

The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 10 April 2015.

10 Legal reserves from capital contributions

CHF millions	2013	2014
Opening balance of legal reserves from capital contributions	7 994	5 423
Reclassification to other reserves for dividend payments	-2 571	-2 741
Legal reserves from capital contributions as of 31 December	5 423	2 682
<i>thereof confirmed by the Swiss Federal Tax Administration¹</i>	<i>5 231</i>	<i>2 490</i>

¹ Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Re Ltd, which comprise the income statement, balance sheet and notes (pages 245 to 255), for the year ended 31 December 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge



Bret Griffin

Zurich, 17 March 2015

SWISS RE LTD

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE SWISS RE GROUP AS OF AND FOR THE YEARS
ENDED 31 DECEMBER 2014 AND 2015

Income statement

For the years ended 31 December

USD millions	Note	2014	2015
Revenues			
Premiums earned	3	30 756	29 751
Fee income from policyholders	3	506	463
Net investment income – non-participating business ¹	7	4 103	3 436
Net realised investment gains/losses – non-participating business ²	7	567	1 206
Net investment result – unit-linked and with-profit business	7	1 381	814
Other revenues		34	44
Total revenues		37 347	35 714
Expenses			
Claims and claim adjustment expenses	3	–10 577	–9 848
Life and health benefits	3	–10 611	–9 080
Return credited to policyholders		–1 541	–1 166
Acquisition costs	3	–6 515	–6 419
Other expenses		–3 155	–3 303
Interest expenses		–721	–579
Total expenses		–33 120	–30 395
Income before income tax expense		4 227	5 319
Income tax expense	13	–658	–651
Net income before attribution of non-controlling interests		3 569	4 668
Income attributable to non-controlling interests			–3
Net income after attribution of non-controlling interests		3 569	4 665
Interest on contingent capital instruments		–69	–68
Net income attributable to common shareholders		3 500	4 597
Earnings per share in USD			
Basic	12	10.23	13.44
Diluted	12	9.39	12.28
Earnings per share in CHF³			
Basic	12	9.33	12.93
Diluted	12	8.56	11.81

¹ Total impairments for the years ended 31 December were nil in 2014 and USD 83 million in 2015, of which nil and USD 83 million, respectively, were recognised in earnings.

² Total impairments for the years ended 31 December were USD 40 million in 2014 and USD 57 million in 2015, of which USD 40 million and USD 57 million, respectively, were recognised in earnings.

³ The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income

For the years ended 31 December

USD millions	2014	2015
Net income before attribution of non-controlling interests	3 569	4 668
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	3 796	-2 670
Change in other-than-temporary impairment	3	-8
Change in foreign currency translation	-778	-1 012
Change in adjustment for pension benefits	-291	-191
Total comprehensive income before attribution of non-controlling interests	6 299	787
Interest on contingent capital instruments	-69	-68
Comprehensive income attributable to non-controlling interests		-3
Total comprehensive income attributable to common shareholders	6 230	716

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2014 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	1 622	-6	-3 897	-534	-2 815
Change during the period	6 479	4	-523	-422	5 538
Amounts reclassified out of accumulated other comprehensive income	-1 398		-41	36	-1 403
Tax	-1 285	-1	-214	95	-1 405
Balance as of period end	5 418	-3	-4 675	-825	-85

2015 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	5 418	-3	-4 675	-825	-85
Change during the period	-2 166	-10	-870	-310	-3 356
Amounts reclassified out of accumulated other comprehensive income	-1 523			74	-1 449
Tax	1 019	2	-142	45	924
Balance as of period end	2 748	-11	-5 687	-1 016	-3 966

¹ Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.

² Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

³ Reclassification adjustment included in net income is presented in the "Other expenses" line.

The accompanying notes are an integral part of the Group financial statements.

Balance sheet

As of 31 December

Assets

USD millions	Note	2014	2015
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale, at fair value (including 12 677 in 2014 and 11 897 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 77 867; 2015: 76 155)		84 450	79 435
Trading (including 645 in 2014 and 1 729 in 2015 subject to securities lending and repurchase agreements)		2 219	2 896
Equity securities:			
Available-for-sale, at fair value (including 311 in 2014 and 605 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 3 133; 2015: 4 294)		4 024	4 719
Trading		65	68
Policy loans, mortgages and other loans		3 205	3 123
Investment real estate		888	1 556
Short-term investments, at fair value (including 3 217 in 2014 and 1 278 in 2015 subject to securities lending and repurchase agreements)		14 127	7 405
Other invested assets		9 684	10 367
Investments for unit-linked and with-profit business (including fixed income securities trading: 3 680 in 2014 and 4 069 in 2015, equity securities trading: 20 045 in 2014 and 22 783 in 2015)		25 325	28 241
Total investments		143 987	137 810
Cash and cash equivalents (including 65 in 2014 and 319 in 2015 subject to securities lending)		7 471	8 204
Accrued investment income		1 049	983
Premiums and other receivables		12 265	11 709
Reinsurance recoverable on unpaid claims and policy benefits		6 950	6 578
Funds held by ceding companies		11 222	9 870
Deferred acquisition costs	6	4 840	5 471
Acquired present value of future profits	6	3 297	2 964
Goodwill		4 025	3 862
Income taxes recoverable		212	191
Deferred tax assets		6 118	5 970
Other assets		3 025	2 523
Total assets		204 461	196 135

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	2014	2015
Liabilities			
Unpaid claims and claim adjustment expenses		57 954	55 518
Liabilities for life and health policy benefits	8	33 605	30 131
Policyholder account balances		29 242	31 422
Unearned premiums		10 576	10 869
Funds held under reinsurance treaties		3 385	3 320
Reinsurance balances payable		2 115	1 928
Income taxes payable		909	488
Deferred and other non-current tax liabilities		9 445	8 093
Short-term debt	11	1 701	1 834
Accrued expenses and other liabilities		6 873	7 948
Long-term debt	11	12 615	10 978
Total liabilities		168 420	162 529
Equity			
Contingent capital instruments	11	1 102	1 102
Common shares, CHF 0.10 par value			
2014: 370 706 931; 2015: 370 706 931 shares authorised and issued		35	35
Additional paid-in capital		1 806	482
Treasury shares, net of tax		-1 185	-1 662
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 418	2 748
Other-than-temporary impairment, net of tax		-3	-11
Foreign currency translation, net of tax		-4 675	-5 687
Adjustment for pension and post-retirement benefits, net of tax		-825	-1 016
Total accumulated other comprehensive income		-85	-3 966
Retained earnings		34 257	37 526
Shareholders' equity		35 930	33 517
Non-controlling interests		111	89
Total equity		36 041	33 606
Total liabilities and equity		204 461	196 135

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the years ended 31 December

USD millions	2014	2015
Contingent capital instruments		
Balance as of 1 January	1 102	1 102
Issued		
Balance as of period end	1 102	1 102
Common shares		
Balance as of 1 January	35	35
Issue of common shares		
Balance as of period end	35	35
Additional paid-in capital		
Balance as of 1 January	4 963	1 806
Share-based compensation	-34	17
Realised gains/losses on treasury shares	6	-61
Dividends on common shares ¹	-3 129	-1 280
Balance as of period end	1 806	482
Treasury shares, net of tax		
Balance as of 1 January	-1 099	-1 185
Purchase of treasury shares	-223	-584
Issuance of treasury shares, including share-based compensation to employees	137	107
Balance as of period end	-1 185	-1 662
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	1 622	5 418
Changes during the period	3 796	-2 670
Balance as of period end	5 418	2 748
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-6	-3
Changes during the period	3	-8
Balance as of period end	-3	-11
Foreign currency translation, net of tax		
Balance as of 1 January	-3 897	-4 675
Changes during the period	-778	-1 012
Balance as of period end	-4 675	-5 687
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-534	-825
Changes during the period	-291	-191
Balance as of period end	-825	-1 016
Retained earnings		
Balance as of 1 January	30 766	34 257
Net income after attribution of non-controlling interests	3 569	4 665
Interest on contingent capital instruments, net of tax	-69	-68
Purchase of non-controlling interests	-9	
Dividends on common shares ¹		-1 328
Balance as of period end	34 257	37 526
Shareholders' equity	35 930	33 517
Non-controlling interests		
Balance as of 1 January	25	111
Changes during the period	86	-25
Income attributable to non-controlling interests		3
Balance as of period end	111	89
Total equity	36 041	33 606

¹ Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow

For the years ended 31 December

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholders	3 500	4 597
Add net income attributable to non-controlling interests		3
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	458	594
Net realised investment gains/losses	-1 059	-1 221
Income from equity-accounted investees, net of dividends received	-66	202
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ²	-34	-121
Funds held by ceding companies and under reinsurance treaties	433	764
Reinsurance recoverable on unpaid claims and policy benefits	1 273	670
Other assets and liabilities, net ²	-323	87
Income taxes payable/recoverable	134	-567
Trading positions, net ^{1,2}	81	404
Net cash provided/used by operating activities	4 397	5 412
Cash flows from investing activities		
Fixed income securities:		
Sales	55 297	45 552
Maturities	4 315	4 529
Purchases	-67 447	-55 360
Net purchases/sales/maturities of short-term investments ²	5 921	6 103
Equity securities:		
Sales	6 894	1 790
Purchases	-2 918	-2 717
Securities purchased/sold under agreement to resell/repurchase, net ¹	331	-2 089
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	-257	404
Net purchases/sales/maturities of other investments ^{1,2}	-1 642	2 264
Net purchases/sales/maturities of investments held for unit-linked and with-profit business ²	791	1 218
Net cash provided/used by investing activities	1 285	1 694
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business: ²		
Deposits	250	518
Withdrawals	-1 695	-2 383
Issuance/repayment of long-term debt	1 438	199
Issuance/repayment of short-term debt	-2 584	-1 155
Purchase/sale of treasury shares	-197	-579
Dividends paid to shareholders	-3 129	-2 608
Net cash provided/used by financing activities	-5 917	-6 008
Total net cash provided/used	-235	1 098
Effect of foreign currency translation	-366	-365
Change in cash and cash equivalents	-601	733
Cash and cash equivalents as of 1 January	8 072	7 471
Cash and cash equivalents as of 31 December	7 471	8 204

¹ The Group reviewed the nature of certain items within the statement of cash flow. "Securities purchased/sold under agreement to resell/repurchase, net" were reclassified from the operating cash flow to the investing cash flow, and certain investment related cash flows were reclassified from "Trading positions, net" in the operating cash flow to "Net purchases/sales/maturities of other investments" in the investing cash flow. Comparatives are adjusted accordingly.

² The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparatives are adjusted accordingly.

Interest paid was USD 885 million and USD 672 million for the years ended 31 December 2014 and 2015, respectively.
Tax paid was USD 509 million and USD 1 190 million for the years ended 31 December 2014 and 2015, respectively.
The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the “Swiss Re Group” or the “Group”). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation

The Group’s financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group’s accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE’s economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group’s share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group’s accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The Swiss Re Group’s liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Foreign currency remeasurement and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary’s functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders’ equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders’ equity.

Valuation of financial assets

The fair value of the majority of the Group’s financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2015, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term or for securities where the Group has decided to apply the fair value option.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For fixed income securities AFS that are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

FINANCIAL STATEMENTS

Notes to the Group financial statements

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, deposits and time deposits, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into securities lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Securities lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as hedges of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Admin Re® blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and/or health business. The initial value is determined actuarially by discounting estimated future gross profits as a measure of the value of business acquired. The resulting asset is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, and estimated gross profits are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made or in other comprehensive income for shadow loss recognition.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

FINANCIAL STATEMENTS

Notes to the Group financial statements

Income taxes

Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits

Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business, which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7.

Funds held assets and liabilities

On the asset side, funds held by ceding companies' consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, the account also includes amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts.

On the liability side, funds held under reinsurance treaties' consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, the account also includes amounts retained from ceded business written on a funds withheld basis.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments

Shadow adjustments are recognised in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

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Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions

As of 31 December 2015, the Group has a Leadership Performance Plan, stock option plans, restricted shares, an Employee Participation Plan, and a Global Share Participation Plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares

Treasury shares are reported at cost in shareholders' equity. Treasury shares also include stand-alone derivative instruments indexed to the Group's shares that meet the requirements for classification in shareholders' equity.

Earnings per common share

Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)",

an update to topic 323, "Investments — Equity Method and Joint Ventures". The Low Income Housing Tax Credit, a program created under the US Tax Reform Act of 1986, offers US federal tax credits to investors that provide capital to facilitate the development, construction, and rehabilitation of low-income rental property. ASU 2014-01 modifies the conditions that must be met to present the pre-tax effects and related tax benefits of investments in qualified affordable housing projects as a component of income. Investors that do not qualify for "net" presentation under the new guidance will continue to account for such investments under the equity method or cost method, which results in losses recognised in pre-tax income and tax benefits recognised in income taxes. For investments that qualify for the "net" presentation of investment performance, the ASU introduces a "proportional amortization method" that can be elected to amortise the investment basis. The Group adopted ASU 2014-01 on 1 January 2015. The adoption did not have a material effect on the Group's financial statements.

In January 2014, the FASB issued ASU 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)", an update to subtopic 310-40, "Receivables — Troubled Debt Restructurings by Creditors". ASU 2014-04 applies to creditors who obtain physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralising a consumer mortgage loan in satisfaction of a receivable. Existing guidance requires a creditor to reclassify a collateralised mortgage loan with the result that the loan is derecognised and the collateral asset recognised when there has been in substance repossession or foreclosure by the creditor. The ASU provides additional guidance on when a creditor is considered to have received physical possession from an in substance repossession. The Group adopted ASU 2014-04 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", an update to topics 205, "Presentation of Financial Statements" and 360, "Property, Plant and Equipment". ASU 2014-08 amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued-operations criteria. The new guidance eliminates two of the three existing criteria for classifying components of an entity as discontinued operations and instead requires discontinued operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity's operations or financial results. The ASU also expands the discontinued operations classification to include disposals of equity method investments and acquired businesses held for sale. The ASU also requires entities to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position. The Group is applying the new requirements on a prospective basis to transactions occurring after 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", an update to topic 860, "Transfers and Servicing". ASU 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings rather than as sales with forward repurchase agreements and eliminates previously issued accounting guidance on linked repurchase financing transactions. The ASU includes new disclosure requirements for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These requirements of ASU 2014-11 were adopted on 1 January 2015 and the adoption did not have an effect on the Group's financial statements. In addition, for transactions accounted for as secured borrowings, including repurchase agreements and securities lending transactions, the ASU requires entities to provide disclosures that disaggregate the related gross obligation by class of collateral pledged, disclose the remaining contractual maturity of the agreements and to provide information on the potential risks of these arrangements and related collateral pledged. In line with the specific effective date provided in the ASU, the Group adopted the new disclosure requirements for the interim period ending 30 June 2015 and applicable portions of the new disclosure requirements are provided in Note 7.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period", an update to topic 718, "Compensation — Stock Compensation". ASU 2014-12 states that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period is a performance condition, and therefore, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost for such an award would be recognised over the required service period if it is probable that the performance condition will be achieved. The Group adopted ASU 2014-12 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In August 2014, the FASB issued ASU 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure", an update to subtopic 310-40, "Receivables — Troubled Debt Restructurings by Creditors". ASU 2014-14 affects creditors that hold government-guaranteed mortgage loans. The ASU requires that a mortgage loan be derecognised and that a separate other receivable be recognised upon foreclosure if specific conditions are met, including that the guarantee is not

separable from the loan before foreclosure. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance expected to be recovered from the guarantor. The Group adopted ASU 2014-14 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred-but-not-reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claim adjustment expenses in both interim and annual periods. The Group will adopt the annual disclosure requirements for the annual reporting period ending on 31 December 2016, and the interim disclosure requirements for the quarter ending on 31 March 2017. The Group has set up a project to implement the new requirements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTA's rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

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7 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2014	2015
Fixed income securities	2 798	2 553
Equity securities	100	105
Policy loans, mortgages and other loans	133	128
Investment real estate	144	158
Short-term investments	111	77
Other current investments	127	155
Share in earnings of equity-accounted investees	321	52
Cash and cash equivalents	42	35
Net result from deposit-accounted contracts	149	95
Deposits with ceding companies	571	462
Gross investment income	4 496	3 820
Investment expenses	-358	-362
Interest charged for funds held	-35	-22
Net investment income – non-participating business	4 103	3 436

Dividends received from investments accounted for using the equity method were USD 277 million and USD 254 million for 2014 and 2015, respectively.

Share in earnings of equity-accounted investees includes an impairment of the carrying amount of an equity-accounted investee of USD 83 million for 2015.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2014	2015
Fixed income securities available-for-sale:		
Gross realised gains	814	889
Gross realised losses	-231	-283
Equity securities available-for-sale:		
Gross realised gains	686	372
Gross realised losses	-84	-69
Other-than-temporary impairments	-40	-57
Net realised investment gains/losses on trading securities	46	64
Change in net unrealised investment gains/losses on trading securities	120	-30
Net realised/unrealised gains/losses on other investments	-340	85
Net realised/unrealised gains/losses on insurance-related activities	-331	143
Gain/Loss related to sale of Aurora National Life Assurance Company	-247	9
Foreign exchange gains/losses	174	83
Net realised investment gains/losses – non-participating business	567	1 206

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

USD millions	2014		2015	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	109	92	90	77
Investment income – equity securities	621	32	556	28
Investment income – other	22	13	32	16
Total investment income – unit-linked and with-profit business	752	137	678	121
Realised gains/losses – fixed income securities	132	168	–75	–58
Realised gains/losses – equity securities	206	–1	124	–19
Realised gains/losses – other	5	–18	28	15
Total realised gains/losses – unit-linked and with-profit business	343	149	77	–62
Total net investment result – unit-linked and with-profit business	1 095	286	755	59

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, a cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2014	2015
Balance as of 1 January	228	137
Credit losses for which an other-than-temporary impairment was not previously recognised	9	30
Reductions for securities sold during the period	–78	–23
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery		7
Impact of increase in cash flows expected to be collected	–23	–10
Impact of foreign exchange movements	1	–5
Balance as of 31 December	137	136

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Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 639	960	-9		12 590
US Agency securitised products	3 212	47	-23		3 236
States of the United States and political subdivisions of the states	1 047	80	-2		1 125
United Kingdom	8 224	1 259	-2		9 481
Canada	2 944	626	-17		3 553
Germany	4 521	369	-30		4 860
France	2 889	355	-19		3 225
Other	7 902	405	-103		8 204
Total	42 378	4 101	-205		46 274
Corporate debt securities	29 750	2 622	-139	-2	32 231
Mortgage- and asset-backed securities	5 739	231	-23	-2	5 945
Fixed income securities available-for-sale	77 867	6 954	-367	-4	84 450
Equity securities available-for-sale	3 133	959	-68		4 024

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 212	612	-92		12 732
US Agency securitised products	2 937	29	-28		2 938
States of the United States and political subdivisions of the states	1 236	55	-10		1 281
United Kingdom	7 514	773	-54		8 233
Canada	3 943	520	-38		4 425
Germany	2 920	239	-31		3 128
France	2 065	223	-18		2 270
Other	7 818	262	-146		7 934
Total	40 645	2 713	-417		42 941
Corporate debt securities	30 540	1 448	-530	-11	31 447
Mortgage- and asset-backed securities	4 970	118	-38	-3	5 047
Fixed income securities available-for-sale	76 155	4 279	-985	-14	79 435
Equity securities available-for-sale	4 294	632	-207		4 719

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2014	2015
Debt securities issued by governments and government agencies	1 997	2 710
Corporate debt securities	60	52
Mortgage- and asset-backed securities	162	134
Fixed income securities trading – non-participating	2 219	2 896
Equity securities trading – non-participating	65	68

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

USD millions	Unit-linked	2014 With-profit	Unit-linked	2015 With-profit
Fixed income securities trading	1 870	1 810	2 410	1 659
Equity securities trading	19 054	991	21 894	889
Investment real estate	736	429	691	366
Other invested assets	435		332	
Total investments for unit-linked and with-profit business	22 095	3 230	25 327	2 914

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2014 and 2015, USD 11 579 million and USD 12 725 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2014 Estimated fair value	Amortised cost or cost	2015 Estimated fair value
Due in one year or less	4 749	4 757	4 874	4 911
Due after one year through five years	17 920	18 459	19 370	19 671
Due after five years through ten years	17 300	18 329	16 577	17 101
Due after ten years	32 334	37 137	30 611	32 952
Mortgage- and asset-backed securities with no fixed maturity	5 564	5 768	4 723	4 800
Total fixed income securities available-for-sale	77 867	84 450	76 155	79 435

Assets pledged

As of 31 December 2015, investments with a carrying value of USD 6 914 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 9 601 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 2015, securities of USD 16 915 million and USD 15 828 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 951 million and USD 995 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2015, a real estate portfolio with a carrying value of USD 224 million serves as collateral for short-term senior operational debt of USD 250 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2014 and 2015, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 3 907 million and USD 7 030 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2014 and 2015 was USD 494 million and USD 2 429 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

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Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2014 and 2015. As of 31 December 2014 and 2015, USD 52 million and USD 161 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 16 million and USD 46 million, respectively, to declines in value for more than 12 months.

2014 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 637	5	265	4	1 902	9
US Agency securitised products	1 069	12	483	11	1 552	23
States of the United States and political subdivisions of the states	117	1	32	1	149	2
United Kingdom	129	2	33		162	2
Canada	358	6	88	11	446	17
Germany	836	27	67	3	903	30
France	317	18	15	1	332	19
Other	1 360	75	802	28	2 162	103
Total	5 823	146	1 785	59	7 608	205
Corporate debt securities	3 884	95	917	46	4 801	141
Mortgage- and asset-backed securities	1 506	12	329	13	1 835	25
Total	11 213	253	3 031	118	14 244	371

2015 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	5 993	91	11	1	6 004	92
US Agency securitised products	1 503	23	223	5	1 726	28
States of the United States and political subdivisions of the states	325	9	6	1	331	10
United Kingdom	1 551	52	56	2	1 607	54
Canada	976	14	96	24	1 072	38
Germany	860	25	131	6	991	31
France	502	13	23	5	525	18
Other	3 113	111	202	35	3 315	146
Total	14 823	338	748	79	15 571	417
Corporate debt securities	11 246	481	365	60	11 611	541
Mortgage- and asset-backed securities	2 419	32	225	9	2 644	41
Total	28 488	851	1 338	148	29 826	999

Mortgages, loans and real estate

As of 31 December, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2014	2015
Policy loans	252	91
Mortgage loans	1 888	1 946
Other loans	1 065	1 086
Investment real estate	888	1 556

The fair value of the real estate as of 31 December 2014 and 2015 was USD 2 482 million and USD 3 211 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 26 million and USD 36 million for 2014 and 2015, respectively. Accumulated depreciation on investment real estate totalled USD 539 million and USD 504 million as of 31 December 2014 and 2015, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

8 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2015, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all of these investments are classified as level 3 due to the lack of observable prices and significant judgement required in valuation. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

The Group holds both exchange-traded and (OTC) interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on the internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgements and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

The Group's OTC credit derivatives can include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilise observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Asset Valuation Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within the Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 530	73 738	401		86 669
Debt securities issued by US government and government agencies	12 530	1 797			14 327
US Agency securitised products		3 252			3 252
Debt securities issued by non-US governments and government agencies		30 692			30 692
Corporate debt securities		31 903	388		32 291
Mortgage- and asset-backed securities		6 094	13		6 107
Fixed income securities backing unit-linked and with-profit business		3 680			3 680
Equity securities held for proprietary investment purposes	4 050		39		4 089
Equity securities backing unit-linked and with-profit business	20 034	11			20 045
Short-term investments held for proprietary investment purposes	6 407	7 720			14 127
Short-term investments backing unit-linked and with-profit business		20			20
Derivative financial instruments	40	3 810	521	-3 530	841
Interest rate contracts		2 621			2 621
Foreign exchange contracts		272			272
Equity contracts	40	892	396		1 328
Credit contracts		1			1
Other contracts		24	125		149
Other invested assets	907	562	1 812		3 281
Funds held by ceding companies ²		273			273
Total assets at fair value	43 968	89 814	2 773	-3 530	133 025
Liabilities					
Derivative financial instruments	-13	-3 107	-757	2 969	-908
Interest rate contracts	-5	-2 113			-2 118
Foreign exchange contracts		-407			-407
Equity contracts	-8	-564	-130		-702
Credit contracts		-1	-11		-12
Other contracts		-22	-616		-638
Liabilities for life and health policy benefits			-187		-187
Accrued expenses and other liabilities	-1 035	-864			-1 899
Total liabilities at fair value	-1 048	-3 971	-944	2 969	-2 994

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

² The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 900	69 038	393		82 331
Debt securities issued by US government and government agencies	12 900	1 922			14 822
US Agency securitised products		2 952			2 952
Debt securities issued by non-US governments and government agencies		27 877			27 877
Corporate debt securities		31 119	380		31 499
Mortgage- and asset-backed securities		5 168	13		5 181
Fixed income securities backing unit-linked and with-profit business		4 069			4 069
Equity securities held for proprietary investment purposes	4 753		34		4 787
Equity securities backing unit-linked and with-profit business	22 783				22 783
Short-term investments held for proprietary investment purposes	3 438	3 967			7 405
Short-term investments backing unit-linked and with-profit business		64			64
Derivative financial instruments	25	2 241	447	-1 953	760
Interest rate contracts	6	1 300			1 306
Foreign exchange contracts		318			318
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts	3	5	112		120
Other invested assets	579	50	1 595		2 224
Funds held by ceding companies ²		245			245
Total assets at fair value	44 478	79 674	2 469	-1 953	124 668
Liabilities					
Derivative financial instruments	-24	-1 574	-581	1 477	-702
Interest rate contracts	-5	-786			-791
Foreign exchange contracts		-201			-201
Equity contracts	-12	-582	-38		-632
Credit contracts			-19		-19
Other contracts	-7	-5	-524		-536
Liabilities for life and health policy benefits			-165		-165
Accrued expenses and other liabilities	-812	-2 524			-3 336
Total liabilities at fair value	-836	-4 098	-746	1 477	-4 203

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

² The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	3 472	-993	-145	-1 138
Realised/unrealised gains/losses:								
Included in net income	2	2	15	175	194	328	-39	289
Included in other comprehensive income	5	-5		-18	-18			0
Purchases	10		14	81	105			0
Issuances			28		28	-126		-126
Sales	-31	-4	-59	-524	-618	73		73
Settlements	-246		-25	-2	-273	-39		-39
Transfers into level 3 ¹		2	43	33	78			0
Transfers out of level 3 ¹		-4		-131	-135			0
Impact of foreign exchange movements	-1	-1		-58	-60		-3	-3
Closing balance as of 31 December	401	39	521	1 812	2 773	-757	-187	-944

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	401	39	521	1 812	2 773	-757	-187	-944
Realised/unrealised gains/losses:								
Included in net income	4		-12	-2	-10	190	22	212
Included in other comprehensive income	-14	-5		-42	-61			0
Purchases	31		30	156	217			0
Issuances					0	-90		-90
Sales	-47		-21	-380	-448	15		15
Settlements	-46		-79		-125	62		62
Transfers into level 3 ¹	65		8	70	143	-1		-1
Transfers out of level 3 ¹					0			0
Impact of foreign exchange movements	-1			-19	-20			0
Closing balance as of 31 December	393	34	447	1 595	2 469	-581	-165	-746

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

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Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2014	2015
Gains/losses included in net income for the period	483	202
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	167	-12

Assets and liabilities measured at fair value on a non-recurring basis

In accordance with the provisions of FASB Codification Topic 323, Investments-Equity Method and Joint Ventures, an equity method investment with a carrying amount of USD 268 million was written down to its fair value of USD 185 million resulting in an impairment charge of USD 83 million, which was included in earnings for the period in "Net investment income – non-participating business". This non-recurring fair value measurement was based on level 3 unobservable inputs using a discounted cash flow approach. The Group has performed an impairment analysis which suggests that, although the expected future cash flows (i.e. future dividend payments) could ultimately recover the current carrying value over approximately ten years, the recent decline in dividends as well as the forward outlook indicate that the decline in fair value is not temporary.

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions	2014 Fair value	2015 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	388	380			
Private placement corporate debt	317	241	Corporate Spread Matrix	Illiquidity premium	5 bps–186 bps (49 bps)
Private placement credit tenant leases	71	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loan		86	Discounted Cash Flow Model	Valuation spread	176 bps–191 bps (180 bps)
Derivative equity contracts	396	334			
OTC equity option referencing correlated equity indices	396	334	Proprietary Option Model	Correlation	-60%–100% (20%) ¹
Liabilities					
Derivative equity contracts	-130	-38			
OTC equity option referencing correlated equity indices	-46	-38	Proprietary Option Model	Correlation	-60%–100% (20%) ¹
Other derivative contracts and liabilities for life and health policy benefits	-803	-689			
Variable annuity and fair valued GMDB contracts	-639	-567	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% -10%–0% 0%–90%
Weather contracts	-40	-82	Proprietary Option Model	Risk Margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%-11% (10%) -90%–80% (21%) 28%–115% (53%) 0–356 (140) HDD/CAT ² 6–6032 (1969) HDD/CAT ²

¹ Represents average input value for the reporting period.

² Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities and private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's infrastructure loan is valuation spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (ie increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position Swiss Re a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

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Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2014 Fair value	2015 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	710	686	150	non-redeemable	n.a.
Hedge funds	344	135		redeemable ¹	45–95 days ²
Private equity direct	109	121		non-redeemable	n.a.
Real estate funds	203	203	57	non-redeemable	n.a.
Total	1 366	1 145	207		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2014	2015
Assets		
Other invested assets	9 684	10 367
of which at fair value pursuant to the fair value option	444	449
Funds held by ceding companies	11 222	9 870
of which at fair value pursuant to the fair value option ¹	273	245
Liabilities		
Liabilities for life and health policy benefits	-33 605	-30 131
of which at fair value pursuant to the fair value option	-187	-165

¹ The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2014	2015
Other invested assets	50	-32
Funds held by ceding companies ¹	1	7
Liabilities for life and health policy benefits	-41	21
Total	10	-4

¹ The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

Fair value changes from other invested assets and funds held by ceding companies are reported in “Net investment income — non-participating business”. Fair value changes from the GMDB reserves are shown in “Life and health benefits”.

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Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December, were as follows:

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		252	252
Mortgage loans		1 888	1 888
Other loans		1 065	1 065
Investment real estate		2 482	2 482
Total assets	0	5 687	5 687
Liabilities			
Debt	-9 934	-6 291	-16 225
Total liabilities	-9 934	-6 291	-16 225

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		91	91
Mortgage loans		1 946	1 946
Other loans		1 086	1 086
Investment real estate		3 211	3 211
Total assets	0	6 334	6 334
Liabilities			
Debt	-8 681	-5 674	-14 355
Total liabilities	-8 681	-5 674	-14 355

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

9 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

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Fair values and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	80 449	2 621	-2 118	503
Foreign exchange contracts	12 924	223	-400	-177
Equity contracts	20 462	1 328	-702	626
Credit contracts	450	1	-12	-11
Other contracts	21 247	149	-638	-489
Total	135 532	4 322	-3 870	452
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	-7	42
Total	2 770	49	-7	42
Total derivative financial instruments	138 302	4 371	-3 877	494
Amount offset				
Where a right of set-off exists		-2 554	2 554	
Due to cash collateral		-976	415	
Total net amount of derivative financial instruments		841	-908	-67

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	63 485	1 306	-791	515
Foreign exchange contracts	14 230	281	-201	80
Equity contracts	16 374	967	-632	335
Credit contracts	188	2	-19	-17
Other contracts	18 113	120	-536	-416
Total	112 390	2 676	-2 179	497
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	2 151	37	0	37
Total derivative financial instruments	114 541	2 713	-2 179	534
Amount offset				
Where a right of set-off exists		-1 162	1 162	
Due to cash collateral		-791	315	
Total net amount of derivative financial instruments		760	-702	58

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2014 and 2015.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in “Net realised investment gains/losses — non-participating business” in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2014	2015
Derivatives not designated as hedging instruments		
Interest rate contracts	–225	51
Foreign exchange contracts	42	435
Equity contracts	–172	–192
Credit contracts	9	–5
Other contracts	–312	247
Total gain/loss recognised in income	–658	536

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2014 and 2015, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in “Net realised investment gains/losses — non-participating business” in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

USD millions	Gains/losses on derivatives	2014 Gains/losses on hedged items	Gains/losses on derivatives	2015 Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	122	–120	119	–119
Total gain/loss recognised in income	122	–120	119	–119

Hedges of the net investment in foreign operations

The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the years ended 31 December 2014 and 2015, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 894 million and a gain of USD 1 631 million, respectively, in shareholders’ equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 and 2015 was approximately USD 1 817 million and USD 1 551 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 112 million and USD 106 million as of 31 December 2014 and 2015, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 6 million and nil as of 31 December 2014 and 2015, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 106 million additional collateral would have had to be posted as of 31 December 2015. The total equals the amount needed to settle the instruments immediately as of 31 December 2015.

6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Total
Opening balance as of 1 January	1 591	2 845	319	1	4 756
Deferred	3 563	490	507		4 560
Effect of acquisitions/disposals and retrocessions		-28			-28
Amortisation	-3 332	-448	-463		-4 243
Effect of foreign currency translation	-66	-136	-3		-205
Closing balance as of 31 December	1 756	2 723	360	1	4 840

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Total
Opening balance as of 1 January	1 756	2 723	360	1	4 840
Deferred	4 132	1 053	486		5 671
Effect of acquisitions/disposals and retrocessions	7	2			9
Amortisation	-3 793	-594	-459		-4 846
Effect of foreign currency translation	-51	-152			-203
Closing balance as of 31 December	2 051	3 032	387	1	5 471

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

	2014			2015		
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance as of 1 January	1 451	2 086	3 537	1 294	2 003	3 297
Effect of acquisitions/disposals and retrocessions		165	165		2	2
Amortisation	-156	-261	-417	-159	-191	-350
Interest accrued on unamortised PVFP	44	103	147	40	84	124
Effect of foreign currency translation	-45	-90	-135	-41	-77	-118
Effect of change in unrealised gains/losses			0		9	9
Closing balance as of 31 December	1 294	2 003	3 297	1 134	1 830	2 964

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

The percentage of PVFP which is expected to be amortised in each of the next five years is 9%, 9%, 8%, 8% and 7%.

10 Acquisitions and disposals

Acquisitions

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. The total cost of acquisition was GBP 1.6 billion in cash. Guardian provides life insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers.

The transaction has enhanced the position of the Group's Business Unit Admin Re[®] as a leading closed life book consolidator in the UK, adding approximately 900 000 policies including a mixture of annuities, life insurance and pensions. As a result, the policyholder and asset base of the Group has expanded and Admin Re[®] has diversified its current business mix, with a total of over four million policies in force.

Guardian previously prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). Given the unavailability of US GAAP financial information prior to the issuance of this report, pro forma financial statements and other US GAAP financial information are not presented in the Group financial statements and related notes for 2015. The Purchase GAAP process is in progress and is expected to be completed and reflected in the first quarter 2016 financial statements.

Apart from transaction costs of USD 21 million, the Group financial statements and related notes presented in this report are not impacted.

Disposals

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). Aurora primarily consists of bonds and policyholder liabilities. An expected pre-tax loss of USD 247 million (including the impact of net unrealised gains and shadow loss reserve that will be reclassified from equity into the income statement) on the disposition of the net assets was recognised in the fourth quarter of 2014.

In the second quarter of 2015, the Group completed the sale following the receipt of all necessary regulatory approvals. The purchase price included a cash payment of USD 184 million. The Group adjusted the initial loss on the transaction by a pre-tax gain of USD 9 million on a year to date basis. The gain was reflected in "Net realised investment gains/losses – non-participating" in the income statement of the Admin Re[®] segment.

The major classes of assets and liabilities held for sale as of 31 December 2014 and disposed during the second quarter of 2015 were as follows:

USD millions	2014	2015
Assets		
Fixed income securities available-for-sale	3 456	3 496
Policy loans, mortgages and other loans	157	154
Short-term investments	6	1
Cash and cash equivalents	23	19
Accrued investment income	37	33
Premiums and other receivables	6	9
Reinsurance recoverable on unpaid claims and policy benefits	7	8
Other assets	1	1
Total assets	3 693	3 721
Liabilities		
Unpaid claims and claim adjustment expenses	15	22
Liabilities for life and health policy benefits	1 494	1 479
Policyholder account balances	1 151	1 130
Accrued expenses and other liabilities	292	315
Total liabilities	2 952	2 946

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions, maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2014	2015
Senior financial debt	654	
Senior operational debt	1 047	765
Subordinated financial debt		1 069
Short-term debt – financial and operational debt	1 701	1 834
Senior financial debt	3 513	3 688
Senior operational debt	713	467
Subordinated financial debt	5 486	4 103
Subordinated operational debt	2 903	2 720
Long-term debt – financial and operational debt	12 615	10 978
Total carrying value	14 316	12 812
Total fair value	16 225	14 355

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2014 and 2015, debt related to operational leverage and financial intermediation amounted to USD 4.7 billion (thereof USD 3.4 billion limited- or non-recourse) and USD 4.0 billion (thereof USD 3.0 billion limited- or non-recourse), respectively.

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2014	2015
Due in 2016	1 984	0 ¹
Due in 2017	1 215	1 143
Due in 2018	854	0
Due in 2019	1 922	2 663
Due in 2020	212	204
Due after 2020	6 428	6 968
Total carrying value	12 615	10 978

¹ Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2017	EMTN	2011	CHF	600	2.13%	599
2019	Syndicated revolving credit facility	2014	GBP	550	variable	808
2019	Senior notes ¹	1999	USD	234	6.45%	263
2022	Senior notes	2012	USD	250	2.88%	248
2024	EMTN	2014	CHF	250	1.00%	248
2026	Senior notes ¹	1996	USD	397	7.00%	508
2027	EMTN	2015	CHF	250	0.75%	251
2030	Senior notes ¹	2000	USD	193	7.75%	274
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	383	various	467
Total senior long-term debt as of 31 December 2015						4 155
Total senior long-term debt as of 31 December 2014						4 226

¹ Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	first call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	813
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	537
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	496
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	204
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 845	4.87%		2 720
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	736
	Subordinated perpetual loan note	2007	AUD	300	7.64%	2017	218
	Subordinated perpetual loan note	2007	AUD	450	6 months BBSW + 1.17%	2017	327
	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	772
Total subordinated long-term debt as of 31 December 2015							6 823
Total subordinated long-term debt as of 31 December 2014							8 389

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Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2014	2015
Senior financial debt	120	118
Senior operational debt	16	13
Subordinated financial debt	300	236
Subordinated operational debt	231	137
Total	667	504

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 69 million and USD 68 million for the years ended 31 December 2014 and 2015, respectively.

Long-term debt issued in 2015

In January 2015, Swiss Reinsurance Company Ltd issued senior notes due 2027. The notes have a face value of CHF 250 million, with a fixed coupon of 0.75% per annum.

In April 2015, Swiss Reinsurance Company Ltd issued EUR 750 million face amount of perpetual subordinated fixed-to-floating rate callable loan notes with a first optional redemption date on 1 September 2025. The notes bear interest through the first optional redemption date at 2.60% per annum. The notes were issued in connection with a concurrent exchange of part of the EUR 1 billion 5.252% Perpetual Subordinated Step-Up Loan Notes issued by Swiss Reinsurance Company Ltd.

Subordinated debt facility established in 2015

In November 2015, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 August 2025. The facility allows Swiss Re Ltd to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 700 million, having a first optional redemption date of 15 August 2025 and a maturity date of 15 August 2050. Swiss Re Ltd pays a fee of 3.53% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.75% per annum until the first optional redemption date.

In these financial statements, the facility fee is classified as interest expense. Notes, when issued under the facility, will be classified as subordinated debt. As of 31 December 2015, no notes have been issued under the facility.

Contingent capital instruments

In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss ReSwiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as "contingent capital instruments".

5 Unpaid claims and claim adjustment expenses

The liability for unpaid claims and claim adjustment expenses as of 31 December is analysed as follows:

USD millions	2014	2015
Non-Life	46 633	44 835
Life & Health	11 321	10 683
Total	57 954	55 518

A reconciliation of the opening and closing reserve balances for non-life unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2014	2015
Balance as of 1 January	50 392	46 633
Reinsurance recoverable	-6 029	-4 746
Deferred expense on retroactive reinsurance	-56	-14
Net balance as of 1 January	44 307	41 873
Incurring related to:		
Current year	11 298	11 127
Prior year	-838	-1 394
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	17	27
Total incurred	10 477	9 760
Paid related to:		
Current year	-2 193	-2 245
Prior year	-8 693	-8 352
Total paid	-10 886	-10 597
Foreign exchange	-2 224	-1 892
Effect of acquisitions, disposals, new retroactive reinsurance and other items	199	1 433
Net balance as of 31 December	41 873	40 577
Reinsurance recoverable	4 746	3 918
Deferred expense on retroactive reinsurance	14	340
Balance as of 31 December	46 633	44 835

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development

In 2015, claims development on prior years was driven by favourable experience on most lines of business. In particular liability, within the casualty line of business, showed a consistent level of releases throughout the year and across all regions. Favourable development on more recent accident years more than offset increases for US asbestos and environmental losses. Following large commutation and positive claim experience, accident and health claims developed favourably, contributing to the overall positive claims development on casualty. This was partially offset by the motor line of business, which experienced adverse trends in the US on most recent underwriting years. The European motor claims were also adversely impacted following improvements to the reserving models for French and German business. On property, claims development was favourable across all regions. Similar to last year, specialty lines showed a favourable trend. Experience has been significantly below what was expected, enabling reserves to be released.

A summary of prior-year claims development by lines of business is shown below:

USD millions	2014	2015
Line of business:		
Property	-277	-539
Casualty	-62	-571
Specialty	-499	-284
Total	-838	-1 394

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2015 the Group carried net reserves for US asbestos and environmental liabilities equal to USD 2 094 million. During 2015, the Group incurred net losses of USD 128 million and paid net against these liabilities of USD 173 million.

Note that during 2015, USD 76 million of existing reserves were reclassified as asbestos following a detailed review of historic cedent accounts by our claims department. The above mentioned incurred amount (USD 128 million) does not show this amount as incurred during 2015.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of, asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		758	2 745	651		4 154
Reinsurance	16 233	11 431	705	165		28 534
Intra-group transactions (assumed and ceded)	-157	272	157	-272		0
Premiums earned before retrocession to external parties						
	16 076	12 461	3 607	544		32 688
Retrocession to external parties	-478	-1 249	-163	-42		-1 932
Net premiums earned	15 598	11 212	3 444	502	0	30 756
Fee income from policyholders, thereof:						
Direct				363		363
Reinsurance		54		90		144
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		54		453		507
Retrocession to external parties		-1				-1
Net fee income	0	53	0	453	0	506

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Premiums earned and fees assessed against policyholders

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		736	2 732	500		3 968
Reinsurance	15 301	11 354	872	142		27 669
Intra-group transactions (assumed and ceded)	57	244	-57	-244		0
Premiums earned before retrocession to external parties	15 358	12 334	3 547	398		31 637
Retrocession to external parties	-268	-1 420	-168	-30		-1 886
Net premiums earned	15 090	10 914	3 379	368	0	29 751
Fee income from policyholders, thereof:						
Direct				323		323
Reinsurance		50		91		141
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		50		414		464
Retrocession to external parties		-1				-1
Net fee income	0	49	0	414	0	463

Claims and claim adjustment expenses

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-10 176	-9 120	-2 068	-2 153	-9	-23 526
Intra-group transactions (assumed and ceded)	-427	-238	428	238	-1	0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	1 022	1 162	345	68		2 597
Net claims paid	-9 581	-8 196	-1 295	-1 847	-10	-20 929
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 662	-967	-136	459	-22	996
Intra-group transactions (assumed and ceded)	395	8	-395	-8		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-969	-39	-228	-19		-1 255
Net unpaid claims and claim adjustment expenses; life and health benefits	1 088	-998	-759	432	-22	-259
Claims and claim adjustment expenses; life and health benefits	-8 493	-9 194	-2 054	-1 415	-32	-21 188

Acquisition costs

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 514	-2 681	-462	-184		-6 841
Intra-group transactions (assumed and ceded)	25	-1	-25	1		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	107	193	24	2		326
Net acquisition costs	-3 382	-2 489	-463	-181	0	-6 515

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Claims and claim adjustment expenses

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-8 651	-9 415	-2 726	-1 826	-38	-22 656
Intra-group transactions (assumed and ceded)	-739	-214	739	214		0
Claims before receivables from retrocession to external parties	-9 390	-9 629	-1 987	-1 612	-38	-22 656
Retrocession to external parties	540	1 168	278	54		2 040
Net claims paid	-8 850	-8 461	-1 709	-1 558	-38	-20 616
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	567	148	754	796	37	2 302
Intra-group transactions (assumed and ceded)	941	-3	-941	3		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 508	145	-187	799	37	2 302
Retrocession to external parties	-550	26	-59	-31		-614
Net unpaid claims and claim adjustment expenses; life and health benefits	958	171	-246	768	37	1 688
Claims and claim adjustment expenses; life and health benefits	-7 892	-8 290	-1 955	-790	-1	-18 928

Acquisition costs

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-3 898	-2 229	-492	-141		-6 760
Intra-group transactions (assumed and ceded)	-6	-1	6	1		0
Acquisition costs before impact of retrocession to external parties	-3 904	-2 230	-486	-140		-6 760
Retrocession to external parties	68	244	27	2		341
Net acquisition costs	-3 836	-1 986	-459	-138	0	-6 419

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2014 and 2015, the Group had a reinsurance recoverable of USD 6 950 million and USD 6 578 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 60% of the Group's reinsurance recoverable as of year-end 2014 and 52% as of year-end 2015.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2014	2015
Premium receivables invoiced	1 355	1 441
Receivables invoiced from ceded re/insurance business	341	201
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	779	171
Recognised allowance	-86	-56

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2014 and 2015 was 8% and 8%, respectively. The amount of policyholder dividend expense in 2014 and 2015 was USD 113 million and USD 126 million, respectively.

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4 Premiums written

For the years ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		768	2 996	662			4 426
Reinsurance	16 308	11 393	984	165			28 850
Intra-group transactions (assumed)	342	273	303			-918	0
Gross premiums written	16 650	12 434	4 283	827		-918	33 276
Intra-group transactions (ceded)	-303		-342	-273		918	0
Gross premiums written before retrocession to external parties							
	16 347	12 434	3 941	554			33 276
Retrocession to external parties	-206	-1 243	-145	-42			-1 636
Net premiums written	16 141	11 191	3 796	512	0	0	31 640

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		748	2 905	495			4 148
Reinsurance	15 811	11 303	845	142			28 101
Intra-group transactions (assumed)	288	244	192			-724	0
Gross premiums written	16 099	12 295	3 942	637		-724	32 249
Intra-group transactions (ceded)	-192		-288	-244		724	0
Gross premiums written before retrocession to external parties							
	15 907	12 295	3 654	393			32 249
Retrocession to external parties	-204	-1 413	-160	-30			-1 807
Net premiums written	15 703	10 882	3 494	363	0	0	30 442

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2014 and 2015, the Group declared regular dividends per share of CHF 3.85 and CHF 4.25, respectively, as well as additional special dividends of CHF 4.15 and CHF 3.00, respectively. All dividends were paid in the form of withholding tax exempt repayments of legal reserves from capital contributions.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2014	2015
Basic earnings per share		
Net income	3 569	4 668
Non-controlling interests	0	-3
Interest on contingent capital instruments ¹	-69	-68
Net income attributable to common shareholders	3 500	4 597
Weighted average common shares outstanding	342 213 498	341 951 654
Net income per share in USD	10.23	13.44
Net income per share in CHF²	9.33	12.93
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments ¹	69	68
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	2 198 904	2 241 636
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	3 569	4 665
Weighted average common shares outstanding	380 157 594	379 938 482
Net income per share in USD	9.39	12.28
Net income per share in CHF²	8.56	11.81

¹ Please refer to Note 11 "Debt and contingent capital instruments".

² The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

At the 151st Annual General Meeting held on 21 April 2015, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2016 Annual General Meeting by way of a buy-back programme for cancellation purposes. As of 31 December 2015, 4.4 million shares were repurchased.

13 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2014	2015
Current taxes	1 072	582
Deferred taxes	-414	69
Income tax expense	658	651

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2014	2015
Income tax at the Swiss statutory tax rate of 21.0%	888	1 117
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	137	303
Impact of foreign exchange movements	-86	-180
Tax exempt income/dividends received deduction	-105	-93
Change in valuation allowance	99	-72
Basis differences in subsidiaries	-155	-306
Change in liability for unrecognised tax benefits including interest and penalties	-207	-126
Other, net	87	8
Total	658	651

The Group reported a tax charge of USD 651 million on a pre-tax income of USD 5 319 million for 2015, compared to a charge of USD 658 million on a pre-tax income of USD 4 227 million for 2014. This translates into an effective tax rate in the current and prior-year reporting periods of 12.2% and 15.6%, respectively. The lower tax rate in 2015 was largely driven by a tax benefit arising from a local statutory adjustment for the restructuring of subsidiaries, higher tax benefits from foreign currency translation differences between statutory and GAAP accounts, and the release of valuation allowances partially offset by tax on profits earned in higher tax jurisdictions.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2014	2015
Deferred tax assets		
Income accrued/deferred	291	295
Technical provisions	620	685
Pension provisions	289	330
Benefit on loss carryforwards	3 980	3 467
Currency translation adjustments	412	394
Unrealised gains in income	422	226
Other	1 063	1 397
Gross deferred tax asset	7 077	6 794
Valuation allowance	-935	-789
Unrecognised tax benefits offsetting benefits on loss carryforwards	-24	-35
Total deferred tax assets	6 118	5 970
Deferred tax liabilities		
Present value of future profits	-640	-514
Income accrued/deferred	-929	-923
Bond amortisation	-374	-639
Deferred acquisition costs	-730	-914
Technical provisions	-3 104	-2 685
Unrealised gains on investments	-1 657	-702
Untaxed realised gains	-394	-224
Foreign exchange provisions	-279	-352
Other	-671	-760
Total deferred tax liabilities	-8 778	-7 713
Liability for unrecognised tax benefits including interest and penalties	-667	-380
Total deferred and other non-current tax liabilities	-9 445	-8 093
Net deferred and other non-current taxes	-3 327	-2 123

As of 31 December 2015, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 4.4 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2015, the Group had USD 10 200 million net operating tax loss carryforwards, expiring as follows: USD 26 million in 2018, USD 54 million in 2019, USD 14 million in 2020, USD 8 123 million in 2021 and beyond, and USD 1 983 million never expire.

The Group also had capital loss carryforwards of USD 1 266 million, expiring as follows: USD 82 million in 2019, USD 71 million in 2020 and USD 1 113 million never expire.

Net operating tax losses of USD 1 424 million and net capital tax losses of USD 321 million were utilised during the period ended 31 December 2015.

Income taxes paid in 2014 and 2015 were USD 509 million and USD 1 190 million, respectively.

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Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2014	2015
Balance as of 1 January	1 013	579
Additions based on tax positions related to current year	26	35
Additions based on tax positions related to prior years	71	115
Reduction for tax positions of current year	-137	-1
Reductions for tax positions of prior years	-248	-265
Settlements	-90	-98
Other (including foreign currency translation)	-56	-22
Balance as of 31 December	579	343

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 539 million and USD 345 million at 31 December 2014 and 31 December 2015, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2015 was USD 35 million (USD 19 million in 2014). As of 31 December 2014 and 31 December 2015, USD 112 million and USD 72 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2015 is included within the deferred and other non-current taxes section reflected in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2015 presented in the table above excludes accrued interest and penalties (USD 72 million).

During the year, certain tax positions and audits in Switzerland, France, Italy and Germany were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subjects to examination:

Australia	2010-2015	Japan	2009-2015
Belgium	2013-2015	Korea	2013-2015
Brazil	2011-2015	Luxembourg	2011-2015
Canada	2011-2015	Malaysia	2013-2015
China	2005-2015	Mexico	2009-2015
Colombia	1999, 2009, 2013-2015	Netherlands	2011-2015
Denmark	2010-2015	New Zealand	2009-2015
France	2008-2009, 2012-2015	Singapore	2011-2015
Germany	2007-2015	Slovakia	2011-2015
Hong Kong	2009-2015	South Africa	2011-2015
India	2005-2015	Spain	2011-2015
Ireland	2010-2015	Switzerland	2012-2015
Israel	2008-2015	United Kingdom	2008, 2011-2015
Italy	2011-2015	United States	2009-2015

14 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 531	2 305	341	6 177
Service cost	100	8	5	113
Interest cost	76	98	12	186
Amendments	-90	1		-89
Actuarial gains/losses	587	226	52	865
Benefits paid	-129	-75	-17	-221
Employee contribution	27			27
Acquisitions/disposals/additions		-4		-4
Effect of settlement, curtailment and termination	1	-24		-23
Effect of foreign currency translation	-418	-146	-22	-586
Benefit obligation as of 31 December	3 685	2 389	371	6 445
Fair value of plan assets as of 1 January	3 661	2 245	0	5 906
Actual return on plan assets	281	266		547
Company contribution	101	91	17	209
Benefits paid	-129	-76	-17	-222
Employee contribution	27			27
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1	-23		-22
Effect of foreign currency translation	-407	-149		-556
Fair value of plan assets as of 31 December	3 535	2 354	0	5 889
Funded status	-150	-35	-371	-556

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2015

USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 685	2 389	371	6 445
Service cost	111	8	5	124
Interest cost	42	79	10	131
Amendments				0
Actuarial gains/losses	236	-67	-2	167
Benefits paid	-189	-74	-16	-279
Employee contribution	26			26
Acquisitions/disposals/additions		2		2
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	-36	-131	-5	-172
Benefit obligation as of 31 December	3 877	2 206	363	6 446
Fair value of plan assets as of 1 January	3 535	2 354	0	5 889
Actual return on plan assets	36	7		43
Company contribution	94	85	16	195
Benefits paid	-189	-74	-16	-279
Employee contribution	26			26
Acquisitions/disposals/additions		1		1
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	-25	-138		-163
Fair value of plan assets as of 31 December	3 479	2 235	0	5 714
Funded status	-398	29	-363	-732

Amounts recognised in "Other assets" and "Accrued expenses and other liabilities" in the Group's balance sheet as of 31 December were as follows:

2014

USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		208		208
Current liabilities		-3	-15	-18
Non-current liabilities	-150	-240	-356	-746
Net amount recognised	-150	-35	-371	-556

2015

USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		232		232
Current liabilities		-3	-15	-18
Non-current liabilities	-398	-200	-348	-946
Net amount recognised	-398	29	-363	-732

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	896	407	-45	1 258
Prior service cost/credit	-87	2	-77	-162
Total	809	409	-122	1 096

2015				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 133	384	-43	1 474
Prior service cost/credit	-78	2	-67	-143
Total	1 055	386	-110	1 331

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	100	8	5	113
Interest cost	76	98	12	186
Expected return on assets	-112	-111		-223
Amortisation of:				
Net gain/loss	43	24	-12	55
Prior service cost	-5	-3	-11	-19
Effect of settlement, curtailment and termination	1	-2		-1
Net periodic benefit cost	103	14	-6	111

2015				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	111	8	5	124
Interest cost	42	79	10	131
Expected return on assets	-113	-95		-208
Amortisation of:				
Net gain/loss	76	22	-4	94
Prior service cost	-9		-10	-19
Effect of settlement, curtailment and termination	2			2
Net periodic benefit cost	109	14	1	124

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Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2014				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	418	71	52	541
Prior service cost/credit	-90	-3		-93
Amortisation of:				
Net gain/loss	-43	-24	12	-55
Prior service cost	5	3	11	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		-25		-25
Total recognised in other comprehensive income, gross of tax	290	22	75	387
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	393	36	69	498
2015				
USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	313	21	-2	332
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	-76	-22	4	-94
Prior service cost	9		10	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		-22		-22
Total recognised in other comprehensive income, gross of tax	246	-23	12	235
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	355	-9	13	359

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 87 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 4 million and USD 9 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 980 million and USD 6 016 million as of 31 December 2014 and 2015, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2014	2015
Projected benefit obligation	4 771	4 883
Accumulated benefit obligation	4 722	4 843
Fair value of plan assets	4 379	4 283

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2014	2015	2014	2015	2014	2015
Assumptions used to determine obligations at the end of the year						
Discount rate	1.1%	0.8%	3.5%	3.7%	2.7%	2.7%
Rate of compensation increase	2.3%	2.0%	2.9%	2.9%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.3%	1.1%	4.4%	3.5%	3.5%	2.7%
Expected long-term return on plan assets	3.3%	3.3%	5.2%	4.3%		
Rate of compensation increase	2.3%	2.3%	3.4%	2.9%	2.1%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.0%	6.1%
Medical trend – ultimate rate					4.5%	4.6%
Year that the rate reaches the ultimate trend rate					2019	2020

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2015:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	-1
Effect on post-retirement benefit obligation	26	-22

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2014 and 2015 was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2014	2015	Target allocation	2014	2015	Target allocation
Asset category						
Equity securities	28%	26%	25%	29%	26%	26%
Debt securities	46%	47%	47%	66%	68%	68%
Real estate	18%	21%	20%	0%	0%	1%
Other	8%	6%	8%	5%	6%	5%
Total	100%	100%	100%	100%	100%	100%

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2014 and 2015, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the following table are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 8.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2014 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	9	146		155
Debt securities issued by non-US governments and government agencies		890		890
Corporate debt securities		2 150		2 150
Residential mortgage-backed securities		22		22
Commercial mortgage-backed securities		2		2
Other asset-backed securities		1		1
Equity securities:				
Equity securities held for proprietary investment purposes	976	684		1 660
Derivative financial instruments	-3			-3
Real estate	53	10	578	641
Other assets	21	59	139	219
Total assets at fair value	1 056	3 964	717	5 737
Cash	148	4		152
Total plan assets	1 204	3 968	717	5 889

2015 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	34	149		183
Debt securities issued by non-US governments and government agencies		799		799
Corporate debt securities		2 179		2 179
Residential mortgage-backed securities		16		16
Commercial mortgage-backed securities		1		1
Other asset-backed securities		4		4
Equity securities:				
Equity securities held for proprietary investment purposes	917	572		1 489
Derivative financial instruments	-9			-9
Real estate	129	9	596	734
Other assets	19	79	142	240
Total assets at fair value	1 090	3 808	738	5 636
Cash	82	-4		78
Total plan assets	1 172	3 804	738	5 714

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Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2014			
USD millions	Real estate	Other assets	Total
Balance as of 1 January	631	132	763
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date		5	5
Relating to assets sold during the period		14	14
Purchases, issuances and settlements	13	-4	9
Impact of foreign exchange movements	-66	-8	-74
Closing balance as of 31 December	578	139	717

2015			
USD millions	Real estate	Other assets	Total
Balance as of 1 January	578	139	717
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	10	-13	-3
Relating to assets sold during the period		17	17
Purchases, issuances and settlements	12	6	18
Impact of foreign exchange movements	-4	-7	-11
Closing balance as of 31 December	596	142	738

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2016 to the defined benefit pension plans are USD 158 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2015, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2016	204	74	16	294
2017	197	78	16	291
2018	196	81	17	294
2019	195	84	18	297
2020	191	86	19	296
Years 2021–2025	905	462	104	1471

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2014 and in 2015 was USD 79 million and USD 77 million, respectively.

15 Share-based payments

As of 31 December 2014 and 2015, the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 76 million and USD 61 million in 2014 and 2015, respectively. The related tax benefit was USD 17 million and USD 13 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans for the year ended 31 December 2015 is as follows:

	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	84	100 000
Outstanding as of 31 December	82	100 000
Exercisable as of 31 December	82	100 000

The weighted remaining contractual life is 0.3 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding options has been adjusted for the special dividend payout in 2013, 2014 and 2015.

Restricted shares

The Group granted 25 153 and 7 776 restricted shares to selected employees in 2014 and 2015, respectively. Moreover, as an alternative to the Group's cash bonus programme, 302 260 and 288 125 shares were delivered during 2014 and 2015, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2015 is as follows:

	Weighted average grant date fair value in CHF ¹	Number of shares
Non-vested at 1 January	73	578 836
Granted	87	295 901
Delivery of restricted shares	75	-343 719
Outstanding as of 31 December	79	531 018

¹ Equal to the market price of the shares on the date of grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2014 and LPP 2015 awards, an additional two-year holding period applies for all members of the Group EC and GMDs. At grant date the award is split equally into two underlying components – Restricted Share Units (RSUs) and Performance Share Units (PSUs). The RSUs are measured against a ROE performance condition and will vest within a range of 0–100%. The PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, a special dividend of CHF 4.15 for the LPP 2014, and a special dividend of CHF 3.00 for the LPP 2015 respectively) and the risk free rate based on the average of the 5-year US government bond rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0 and 3.1% for all LPP plans.

For the year ended 31 December 2015, the outstanding units were as follows:

RSUs	LPP 2012	LPP 2013	LPP 2014	LPP 2015
Non-vested at 1 January	439 870	334 650	359 620	
Granted				327 875
Forfeitures	–1 610	–4 790	–5 530	–3 185
Vested	–438 260			
Outstanding as of 31 December	0	329 860	354 090	324 690
Grant date fair value in CHF	42.00	61.19	60.85	67.65
PSUs				
Non-vested at 1 January	518 585	389 465	363 430	
Granted				361 590
Forfeitures	–1 900	–5 585	–5 590	–3 510
Vested	–516 685			
Outstanding as of 31 December	0	383 880	357 840	358 080
Grant date fair value in CHF	35.60	52.59	60.21	61.37

Unrecognised compensation costs

As of 31 December 2015, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 56 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 3 930 229 and 3 554 592 as of 31 December 2014 and 2015, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Employee Participation Plan

The Group's Employee Participation Plan consists of a savings scheme lasting two or three years. Employees combine regular savings with the purchase of either actual or tracking options. The Group contributes to the employee savings over the period of the plan.

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2014 and 2015, the Group contributed USD 12 million and USD 1 million, respectively, to the outstanding plans.

Global Share Participation Plan

In June 2013, Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2014 and 2015, Swiss Re contributed USD 7 million and USD 10 million to the plans and authorised 109 461 and 211 472 shares as of 31 December 2014 and 2015, respectively.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation report on pages 147–151 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Company Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 260–261 of the Annual Report of Swiss Re Ltd.

18 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2015
2016	88
2017	81
2018	64
2019	48
2020	42
After 2020	261
Total operating lease commitments	584
Less minimum non-cancellable sublease rentals	30
Total net future minimum lease commitments	554

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2014	2015
Minimum rentals	69	63
Sublease rental income	0	0
Total	69	63

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to ten years. The total commitments remaining uncalled as of 31 December 2015 were USD 1 557 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Admin Re[®]. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include stock and mutual insurance companies as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 52 offices worldwide.

Admin Re®

Through Admin Re®, Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. Since 1998, Swiss Re has acquired more than 50 blocks of business spanning a range of product types. It currently operates in the UK, US and the Netherlands.

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). The sale was completed in the second quarter of 2015. For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 10.

During 2015, a new Business Unit, Life Capital, was announced. This Business Unit includes the existing Admin Re® segment and will manage closed and open life and health insurance books. The change in segmentation is effective from 1 January 2016. The Group financial statements and related notes presented in this report are not impacted. For more details, please refer to the Q3 2015 news release of 29 October 2015 and the Investors' Day presentation of 8 December 2015.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Groups' ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation

Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

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a) Business segments – income statement

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	15 598	11 212	3 444	502			30 756
Fee income from policyholders		53		453			506
Net investment income – non-participating business	1 076	1 544	94	1 256	115	18	4 103
Net realised investment gains/losses – non-participating business	699	–255	168	–114	69		567
Net investment result – unit-linked and with-profit business		75		1 306			1 381
Other revenues	69		3	1	340	–379	34
Total revenues	17 442	12 629	3 709	3 404	524	–361	37 347
Expenses							
Claims and claim adjustment expenses	–8 493		–2 054		–32	2	–10 577
Life and health benefits		–9 194		–1 415		–2	–10 611
Return credited to policyholders		–99		–1 442			–1 541
Acquisition costs	–3 382	–2 489	–463	–181			–6 515
Other expenses	–1 175	–885	–687	–359	–384	335	–3 155
Interest expenses	–255	–438	–8	–25	–21	26	–721
Total expenses	–13 305	–13 105	–3 212	–3 422	–437	361	–33 120
Income/loss before income tax expense	4 137	–476	497	–18	87	0	4 227
Income tax expense/benefit	–552	63	–179	52	–42		–658
Net income/loss before attribution of non-controlling interests	3 585	–413	318	34	45	0	3 569
Income/loss attributable to non-controlling interests	–1		1				0
Net income/loss after attribution of non-controlling interests	3 584	–413	319	34	45	0	3 569
Interest on contingent capital instruments	–20	–49					–69
Net income/loss attributable to common shareholders	3 564	–462	319	34	45	0	3 500
Claims ratio in %	54.5		59.6				55.4
Expense ratio in %	29.2		33.4				30.0
Combined ratio in %	83.7		93.0				85.4
Management expense ratio in %		6.9					
Operating margin in %		2.6					

Business segments – income statement

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	15 090	10 914	3 379	368			29 751
Fee income from policyholders		49		414			463
Net investment income – non-participating business	1 097	1 331	135	938	–70	5	3 436
Net realised investment gains/losses – non-participating business	445	310	142	275	34		1 206
Net investment result – unit-linked and with-profit business		42		772			814
Other revenues	45	5	9		332	–347	44
Total revenues	16 677	12 651	3 665	2 767	296	–342	35 714
Expenses							
Claims and claim adjustment expenses	–7 892		–1 955		–1		–9 848
Life and health benefits		–8 290		–790			–9 080
Return credited to policyholders		–60		–1 106			–1 166
Acquisition costs	–3 836	–1 986	–459	–138			–6 419
Other expenses	–1 247	–903	–756	–320	–395	318	–3 303
Interest expenses	–262	–278	–24	–16	–23	24	–579
Total expenses	–13 237	–11 517	–3 194	–2 370	–419	342	–30 395
Income/loss before income tax expense	3 440	1 134	471	397	–123	0	5 319
Income tax expense/benefit	–443	–146	–129	25	42		–651
Net income/loss before attribution of non-controlling interests	2 997	988	342	422	–81	0	4 668
Income attributable to non-controlling interests	–1		–2				–3
Net income/loss after attribution of non-controlling interests	2 996	988	340	422	–81	0	4 665
Interest on contingent capital instruments	–19	–49					–68
Net income/loss attributable to common shareholders	2 977	939	340	422	–81	0	4 597
Claims ratio in %	52.3		57.8				53.3
Expense ratio in %	33.7		36.0				34.1
Combined ratio in %	86.0		93.8				87.4
Management expense ratio in %		7.3					
Operating margin in %		9.9					

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Business segments – balance sheet

As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	31 853	29 073	5 148	20 566	29		86 669
Equity securities	1 497	965	732		895		4 089
Other investments	9 185	1 814	47	1 769	7 037	-6 075	13 777
Short-term investments	6 397	3 725	2 348	1 400	257		14 127
Investments for unit-linked and with-profit business		894		24 431			25 325
Cash and cash equivalents	5 069	574	737	1 029	62		7 471
Deferred acquisition costs	1 756	2 723	360	1			4 840
Acquired present value of future profits		1 294		2 003			3 297
Reinsurance recoverable	3 648	1 689	7 674	281		-6 342	6 950
Other reinsurance assets	10 500	8 424	2 662	3 595	1	-1 695	23 487
Goodwill	1 950	1 966	109				4 025
Other	8 890	3 980	958	1 065	516	-5 005	10 404
Total assets	80 745	57 121	20 775	56 140	8 797	-19 117	204 461
Liabilities							
Unpaid claims and claim adjustment expenses	41 233	10 177	11 720	1 132	38	-6 346	57 954
Liabilities for life and health policy benefits		16 442	241	16 922			33 605
Policyholder account balances		1 473		27 769			29 242
Other reinsurance liabilities	10 893	1 968	4 733	526	9	-2 053	16 076
Short-term debt	503	4 530			544	-3 876	1 701
Long-term debt	4 494	6 779	496	855		-9	12 615
Other	9 389	8 836	1 162	2 548	2 121	-6 829	17 227
Total liabilities	66 512	50 205	18 352	49 752	2 712	-19 113	168 420
Shareholders' equity	14 211	6 916	2 334	6 388	6 085	-4	35 930
Non-controlling interests	22		89				111
Total equity	14 233	6 916	2 423	6 388	6 085	-4	36 041
Total liabilities and equity	80 745	57 121	20 775	56 140	8 797	-19 117	204 461

Business segments – balance sheet

As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	32 146	28 976	5 888	15 303	18		82 331
Equity securities	2 231	921	935		700		4 787
Other investments	12 105	1 976	162	1 524	6 077	-6 798	15 046
Short-term investments	3 458	1 069	1 256	571	1 051		7 405
Investments for unit-linked and with-profit business		818		27 423			28 241
Cash and cash equivalents	4 282	433	680	1 433	1 376		8 204
Deferred acquisition costs	2 051	3 032	387	1			5 471
Acquired present value of future profits		1 134		1 830			2 964
Reinsurance recoverable	2 872	1 652	6 438	895		-5 279	6 578
Other reinsurance assets	8 879	8 057	2 296	3 479	3	-1 135	21 579
Goodwill	1 873	1 883	106				3 862
Other	8 279	5 752	917	1 023	397	-6 701	9 667
Total assets	78 176	55 703	19 065	53 482	9 622	-19 913	196 135
Liabilities							
Unpaid claims and claim adjustment expenses	39 366	9 653	10 619	1 022		-5 142	55 518
Liabilities for life and health policy benefits		15 472	257	14 408		-6	30 131
Policyholder account balances		1 368		30 187		-133	31 422
Other reinsurance liabilities	10 597	2 342	4 178	433	3	-1 436	16 117
Short-term debt	1 001	2 612			515	-2 294	1 834
Long-term debt	4 074	8 770	496	808		-3 170	10 978
Other	9 799	8 936	1 187	1 684	2 652	-7 729	16 529
Total liabilities	64 837	49 153	16 737	48 542	3 170	-19 910	162 529
Shareholders' equity	13 316	6 550	2 262	4 940	6 452	-3	33 517
Non-controlling interests	23		66				89
Total equity	13 339	6 550	2 328	4 940	6 452	-3	33 606
Total liabilities and equity	78 176	55 703	19 065	53 482	9 622	-19 913	196 135

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b) Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2014				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 783	6 437	2 378	15 598
Expenses				
Claims and claim adjustment expenses	-3 013	-4 513	-967	-8 493
Acquisition costs	-1 049	-1 831	-502	-3 382
Other expenses	-669	-355	-151	-1 175
Total expenses before interest expenses	-4 731	-6 699	-1 620	-13 050
Underwriting result	2 052	-262	758	2 548
Net investment income				1 076
Net realised investment gains/losses				699
Other revenues				69
Interest expenses				-255
Income before income tax expense				4 137
Claims ratio in %	44.4	70.1	40.6	54.5
Expense ratio in %	25.3	34.0	27.5	29.2
Combined ratio in %	69.7	104.1	68.1	83.7

Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2015				
USD millions	Property	Casualty	Specialty	Total
Premiums earned	6 092	6 602	2 396	15 090
Expenses				
Claims and claim adjustment expenses	-2 567	-4 139	-1 186	-7 892
Acquisition costs	-1 198	-2 053	-585	-3 836
Other expenses	-689	-401	-157	-1 247
Total expenses before interest expenses	-4 454	-6 593	-1 928	-12 975
Underwriting result	1 638	9	468	2 115
Net investment income				1 097
Net realised investment gains/losses				445
Other revenues				45
Interest expenses				-262
Income before income tax expense				3 440
Claims ratio in %	42.1	62.7	49.5	52.3
Expense ratio in %	31.0	37.2	31.0	33.7
Combined ratio in %	73.1	99.9	80.5	86.0

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c) Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2014

USD millions

	Life	Health	Total
Revenues			
Premiums earned	7 166	4 046	11 212
Fee income from policyholders	53		53
Net investment income – non-participating business	944	600	1 544
Net investment income – unit-linked and with-profit business	37		37
Net realised investment gains/losses – unit-linked and with-profit business	38		38
Net realised investment gains/losses – insurance-related derivatives	121	–7	114
Total revenues before non-participating realised gains/losses	8 359	4 639	12 998
Expenses			
Life and health benefits	–5 890	–3 304	–9 194
Return credited to policyholders	–99		–99
Acquisition costs	–1 808	–681	–2 489
Other expenses	–628	–257	–885
Total expenses before interest expenses	–8 425	–4 242	–12 667
Operating income/loss	–66	397	331
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			–369
Interest expenses			–438
Loss before income tax benefit			–476
Management expense ratio in %	7.7	5.5	6.9
Operating margin ¹ in %	–0.8	8.6	2.6

¹ Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2015			
USD millions	Life	Health	Total
Revenues			
Premiums earned	7 114	3 800	10 914
Fee income from policyholders	49		49
Net investment income – non-participating business	866	465	1 331
Net investment income – unit-linked and with-profit business	38		38
Net realised investment gains/losses – unit-linked and with-profit business	4		4
Net realised investment gains/losses – insurance-related derivatives	90	42	132
Other revenues	3	2	5
Total revenues before non-participating realised gains/losses	8 164	4 309	12 473
Expenses			
Life and health benefits	–5 563	–2 727	–8 290
Return credited to policyholders	–60		–60
Acquisition costs	–1 258	–728	–1 986
Other expenses	–642	–261	–903
Total expenses before interest expenses	–7 523	–3 716	–11 239
Operating income	641	593	1 234
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			178
Interest expenses			–278
Income before income tax expense			1 134
Management expense ratio in %	8.0	6.1	7.3
Operating margin ¹ in %	7.9	13.8	9.9

¹ Operating margin is calculated as operating income divided by total operating revenues. Total operating revenues are total revenues excluding unit-linked and with-profit revenues.

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d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2014	2015
Americas	12 199	13 230
Europe (including Middle East and Africa)	11 316	10 333
Asia-Pacific	7 747	6 651
Total	31 262	30 214

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2014	2015
United States	9 422	10 259
United Kingdom	3 620	3 516
China	3 059	2 516
Australia	2 132	1 639
Germany	1 429	1 217
Canada	1 383	1 190
Japan	1 034	960
Ireland	903	782
France	948	755
Switzerland	743	745
Republic of Korea	436	466
Other	6 153	6 169
Total	31 262	30 214

Net premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

19 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees	Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
Europe			
Belgium			
Swiss Re Treasury (Belgium) N.V., Brussels	EUR 426	100	f
Germany			
Swiss Re Germany AG, Munich	EUR 45	100	f
Guernsey			
Pension Corporation Group Limited, St. Peter Port	GBP 925	5	fv
Liechtenstein			
Elips Life AG, Triesen	CHF 12	100	f
Elips Versicherungen AG, Triesen	CHF 5	100	f
Luxembourg			
Swiss Re Europe Holdings S.A., Luxembourg	EUR 105	100	f
Swiss Re Europe S.A., Luxembourg	EUR 350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR 0	100	f
Swiss Re Funds (Lux) I, Senningerberg ¹	EUR 11 345	100	f
Swiss Re International SE, Luxembourg	EUR 182	100	f
Netherlands			
Algemene Levensherv verzekering Maatschappij N.V., Amstelveen	EUR 1	100	f
Switzerland			
European Reinsurance Company of Zurich Ltd, Zurich	CHF 312	100	f
Swiss Re Asset Management Geneva S.A., Carouge	CHF 0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF 100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF 0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF 0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF 0	100	f
Swiss Re Investments Ltd, Zurich	CHF 1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF 0	100	f
Swiss Re Management Ltd, Adliswil	CHF 0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	CHF 0	100	f
Swiss Re Reinsurance Holding Company Ltd, Zurich	CHF 0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF 34	100	f
United Kingdom			
Admin Re UK Limited, Shropshire	GBP 73	100	f
Admin Re UK Finance Limited, Shropshire	GBP 0	100	f
Reassure Limited, Shropshire	GBP 289	100	f
Swiss Re Services Limited, London	GBP 2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP 1	100	f

Method of consolidation

f full

e equity

fv fair value

¹ Net asset value instead of share capital

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Notes to the Group financial statements

Significant subsidiaries and equity investees		Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Milvus I Reassurance Limited, Bridgetown	USD	397	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	0	100	f
Bermuda				
Ark Insurance Holdings Limited, Hamilton	USD	6	4	fv
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Swiss Re Brasil Resseguros S.A., São Paulo	BRL	194	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	0	100	f
FWD Group Ltd, George Town	USD	0	15	e
PEP SR I Umbrella L.P., George Town	USD	750	100	f
Swiss Re Strategic Investments UK Limited, George Town	GBP	0	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	224 003	51	f

Significant subsidiaries and equity investees	Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
United States			
Claret Re Inc., Burlington	USD 5	100	f
Facility Insurance Holding Corporation, Dallas	USD 0	100	f
First Specialty Insurance Corporation, Jefferson City	USD 5	100	f
North American Capacity Insurance Company, Manchester	USD 4	100	f
North American Elite Insurance Company, Manchester	USD 4	100	f
North American Specialty Insurance Company, Manchester	USD 5	100	f
Pillar RE Holdings LLC, Wilmington	USD 0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD 0	100	f
Sterling Re Inc., Burlington	USD 218	100	f
Swiss Re America Holding Corporation, Wilmington	USD 0	100	f
Swiss Re Capital Markets Corporation, New York	USD 0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD 0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD 0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD 2 116	100	f
Swiss Re Life & Health America Holding Company, Wilmington	USD 0	100	f
Swiss Re Life & Health America Inc., Jefferson City	USD 4	100	f
Swiss Re Partnership Holding, LLC, Dover	USD 368	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD 0	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD 0	100	f
Swiss Reinsurance America Corporation, Armonk	USD 10	100	f
Washington International Insurance Company, Manchester	USD 4	100	f
Westport Insurance Corporation, Jefferson City	USD 6	100	f
Africa			
South Africa			
Swiss Re Life and Health Africa Limited, Cape Town	ZAR 2	100	f
Asia-Pacific			
Australia			
Swiss Re Australia Ltd, Sydney	AUD 845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD 980	100	f
China			
Alltrust Insurance Company of China Limited, Shanghai	CNY 2 178	5	fv
Swiss Re Corporate Solutions Insurance China Ltd, Shanghai	CNY 500	100	f
Vietnam			
Vietnam National Reinsurance Corporation, Hanoi	VND 1 310 759	25	e

20 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Group assesses for all its variable interests in VIEs whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. For this, the Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. In a second step, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

Whenever facts and circumstances change, a review is undertaken of the impact these changes could have on the consolidation assessment previously performed. When the assessment might be impacted, a reassessment to determine the primary beneficiary is performed.

Insurance-linked and credit-linked securitisations

The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk from a sponsor through credit default swaps. The securitisation vehicle generally retains the issuance proceeds as collateral. The collateral held predominantly consists of investment-grade securities.

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, in which case maximum loss equals to the Group's investment balance.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract to a funding vehicle, which represents a potentially significant variable interest. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides risk management services to certain asset securitisation trusts which qualify as VIEs. As the involvement of the Group is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles

Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist primarily of investment-grade securities, but also structured products, hedge fund units and derivatives.

The Group consolidates a debt financing vehicle as it has power over the investment management in the vehicle, which is considered to be the activity that most significantly impacts the entities' economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

Investment vehicles

Investment vehicles are private equity limited partnerships, in which the Group is invested as part of its investment strategy. Typically, the Group's variable interests arise through limited partner ownership interests in the vehicles. The Group does not own the general partners of the limited partnerships, and does not have any significant kick-out or participating rights. Therefore the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

Other

The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the Group's exposure is either retroceded or hedged. The assets held by the VIEs consist mainly of residential real estate and other.

The Group did not provide financial or other support to any VIEs during 2015 that it was not previously contractually required to provide.

FINANCIAL STATEMENTS

Notes to the Group financial statements

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December:

USD millions	2014		2015	
	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities available-for-sale	4 200	4 200	3 876	3 876
Short-term investments	95	95	88	88
Other invested assets	16		26	
Cash and cash equivalents	25	25	147	147
Accrued investment income	38	38	42	42
Premiums and other receivables			34	34
Deferred acquisition costs			9	9
Deferred tax assets	19	19	38	38
Other assets	16		8	
Total assets	4 409	4 377	4 268	4 234
	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Unpaid claims and claim adjustment expenses			53	53
Unearned premiums			26	26
Reinsurance balances payable			2	2
Deferred and other non-current tax liabilities	177	177	96	96
Accrued expenses and other liabilities	7	7	17	17
Long-term debt	2 903	2 903	2 720	2 720
Total liabilities	3 087	3 087	2 914	2 914

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2014	2015
Fixed income securities available-for-sale	69	52
Policy loans, mortgages and other loans	84	1
Other invested assets	1 451	1 706
Total assets	1 604	1 759
Accrued expenses and other liabilities	167	45
Total liabilities	167	45

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2014				2015			
	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	70		68	68	52		52	52
Life and health funding vehicles			1 683	1 683	2	1	1 777	1 776
Swaps in trusts	35	82	— ²	—	146	44	— ²	—
Debt financing	378		28	28	361		27	27
Investment vehicles	845		845	845	1 009		1 011	1 011
Other	276	85	1 076	991	189		189	189
Total	1 604	167	—²	—	1 759	45	—²	—

¹ Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

² The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses.

21 Restructuring provision

In 2015, the Group set up a provision of USD 13 million for restructuring costs, and released USD 2 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 11 million is mostly related to leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2014 USD millions	Property & Casualty Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	64	0	10	0	74
Increase in provision	16				16
Release of provision	-3				-3
Costs incurred	-15		-3		-18
Effect of foreign currency translation	-5		-1		-6
Balance as of 31 December	57	0	6	0	63

2015 USD millions	Property & Casualty Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	57	0	6	0	63
Increase in provision	11	1		1	13
Release of provision	-2				-2
Costs incurred	-28	-1	-1	-1	-31
Effect of foreign currency translation	-3				-3
Balance as of 31 December	35	0	5	0	40

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of 31 December 2015, and the related consolidated income statement, statement of comprehensive income, statement of shareholders' equity, statement of cash flow and notes (pages 156 to 244) for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing, and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as evaluating the over-all presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at 31 December 2015, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

**Alex Finn**

Audit expert

Auditor in charge

**Bret Griffin**

Zürich, 15 March 2016

SWISS RE LTD

AUDITED STATUTORY FINANCIAL STATEMENTS OF
SWISS RE LTD AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2015

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2014	2015
Revenues			
Investment income	2	3 974	3 563
Trademark licence fees		306	306
Other revenues		0	156
Total revenues		4 280	4 025
Expenses			
Administrative expenses	3	-142	-112
Investment expenses	2	0	-1
Other expenses		-16	-20
Total expenses		-158	-133
Income before income tax expense		4 122	3 892
Income tax expense		-12	-27
Net income		4 110	3 865

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2014	2015
Current assets			
Cash and cash equivalents		30	26
Short-term investments	4	159	1 917
Receivables from subsidiaries and affiliated companies		64	49
Other receivables and accrued income		0	0
Loans to subsidiaries and affiliated companies		3 250	2 287
Total current assets		3 503	4 279
Non-current assets			
Investments in subsidiaries and affiliated companies	5	17 340	17 561
Total non-current assets		17 340	17 561
Total assets		20 843	21 840

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2014	2015
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		–	0
Other liabilities and accrued expenses		0	118
Total short-term liabilities		0	118
Long-term liabilities			
Provisions		340	253
Total long-term liabilities		340	253
Total liabilities		340	371
Shareholders' equity	7		
Share capital	9	37	37
Legal reserves from capital contributions	10	2 682	192
Other legal capital reserves		–	65
Legal capital reserves		2 682	257
Legal profit reserves		9 177	9 168
Reserve for own shares (indirectly held by subsidiaries)		9	18
Voluntary profit reserves		5 440	9 550
Retained earnings brought forward		4	4
Net income for the financial year		4 110	3 865
Own shares (directly held by the Company)	8	–956	–1 430
Total shareholders' equity		20 503	21 469
Total liabilities and shareholders' equity		20 843	21 840

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Notes Swiss Re Ltd

1 Significant accounting principles

Basis of presentation

On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revision of the Swiss Code of Obligations which required implementation in 2015. Swiss Re Ltd adopted the new regulation for the financial statements 2015 and chose to adopt the presentation of the 2014 financial statements to be comparable with 2015. This resulted in changes to the presentation of the balance sheet and the notes as well as a reclassification of own shares from assets to shareholders' equity. This reclassification reduced the 2014 previously reported total non-current assets, total assets, total shareholders' equity and total liabilities and shareholders' equity by CHF 956 million.

Time period

The financial year 2015 comprises the accounting period from 1 January 2015 to 31 December 2015.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments

Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables

These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income

Accrued income consists of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but receivable in a subsequent financial year.

Loans to subsidiaries and affiliated companies

Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Investments in subsidiaries and affiliated companies

These assets are carried at cost, less necessary and legally permissible depreciation.

Payables to subsidiaries and affiliated companies/Other liabilities

These liabilities are carried at nominal value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but payable in a subsequent financial year.

Provisions

Provisions contain provision for currency fluctuation and provision for taxation.

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

Other legal capital reserves

Other legal capital reserves reflect gains and losses from sale of own shares (directly held by the Company).

Reserve for own shares (indirectly held by subsidiaries)

Reserve for own shares is accounted for at the book value of those shares in the statutory financial statements of the respective subsidiary.

Own shares (directly held by the Company)

Own shares are carried at cost and presented as a deduction in shareholders' equity.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other revenues, respectively.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as investment income in the year in which they are declared.

Trademark licence fees

Trademark licence fees are charged by the Company to its direct and indirect subsidiaries and their branches that benefit from the use of the Swiss Re brand.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On the federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark licence fees charged to certain subsidiaries and affiliated companies.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2016. This is the date on which the financial statements are available to be issued.

2 Investment income and expenses

CHF millions	2014	2015
Cash dividends from subsidiaries and affiliated companies	3 964	3 539
Realised gains on sale of investments	1	4
Income from short-term investments	0	2
Income from loans to subsidiaries and affiliated companies	9	17
Investment management income	0	1
Other interest revenues	0	0
Investment income	3 974	3 563

CHF millions	2014	2015
Realised losses on sale of investments	0	0
Investment management expenses	0	1
Other interest expenses	0	0
Investment expenses	0	1

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2015, securities of CHF 545 million were lent to Group companies under securities lending agreements, whereas in 2014 securities of CHF 117 million were lent to Group companies. As of 31 December 2015 and 2014, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2015 and 2014, Swiss Re Ltd held directly the following investments in subsidiaries and affiliated companies:

As of 31 December 2015	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

As of 31 December 2014	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

Further disclosures in respect of investments in significant indirect subsidiaries and affiliated companies are detailed in note 19 “Significant subsidiaries and equity investees” on pages 237 to 239 in the notes to the Group financial statements, where the voting interests are equal to the affiliations disclosed.

6 Commitments

In November 2015, the Company established a subordinated debt facility with a termination date of 15 August 2025. The facility allows the Company to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 700 million, having a first optional redemption date of 15 August 2025 and a maturity date of 15 August 2050. The Company pays a fee of 3.53% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.75% per annum until the first optional redemption date. Notes, when issued under the facility, will be classified as subordinated debt. As of 31 December 2015, no notes have been issued under the facility.

In November 2015, the Company entered into a subordinated funding facility with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company of up to USD 700 million at any time before August 2030. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee, payable in annual instalments calculated as 5.80% on the total facility amount. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee equal to 2.22% per annum on the undrawn facility amount. As of 31 December 2015, the facility was undrawn.

7 Change in shareholders' equity

CHF millions	2014	2015
Opening balance of shareholders' equity	19 349	20 503
Share buy-back programme	-	-430
Other movements in own shares	-215	-44
Net realised gains from sale of own shares	-	65
Dividend payments for the previous year	-2 741	-2 490¹
Net income for the financial year	4 110	3 865
Shareholders' equity as of 31 December before proposed dividend payment	20 503	21 469
Proposed dividend payment	-2 481	-1 554²
Shareholders' equity as of 31 December after proposed dividend payment	18 022	19 915

¹ Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2014, the number of registered shares eligible for dividend, at the dividend payment date of 27 April 2015, increased due to the transfer of 1 180 649 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 9 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.

² Details on the proposed dividend payments for the financial year 2015 are disclosed on page 262.

8 Own shares (directly and indirectly held by the Company)

As of 31 December 2015, Swiss Re Ltd and its subsidiaries held 32 967 226 (2014: 28 508 013) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 32 755 754 (2014: 28 395 225) shares.

In the year under report, 6 035 389 (2014: 4 348 768) own shares were purchased at an average price of CHF 92.91 (2014: CHF 74.66); thereof 4 420 000 own shares are related to the share buy-back programme which were purchased at an average price of CHF 97.27. In the same time period 1 575 654 (2014: 4 352 775) own shares were sold at an average price of CHF 93.31 (2014: CHF 79.99).

9 Major shareholders

As of 31 December 2015, there was one shareholder with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital ¹	Creation of the obligation to notify
BlackRock, Inc.	18 300 365	4.96	30 April 2015

¹ The percentage of voting rights is calculated at the date the obligation was created and notified.

In addition, Swiss Re Ltd held, as of 31 December 2015, directly and indirectly 32 967 226 (2014: 28 508 013) own shares, representing 8.89% (2014: 7.69%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

10 Legal reserves from capital contributions

CHF millions	2014	2015
Opening balance of legal reserves from capital contributions	5 423	2 682
Reclassification to voluntary profit reserves for dividend payments	-2 741	-2 490
Legal reserves from capital contributions as of 31 December	2 682	192
<i>thereof confirmed by the Swiss Federal Tax Administration¹</i>	<i>2 490</i>	<i>1</i>

¹ Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Release of undisclosed reserves

In 2015, no net undisclosed reserves were released. In 2014, the net release of undisclosed reserves amounted to CHF 426 million.

12 Share ownership, options and related instruments of governing bodies

The section below is in line with articles 663c para. 3 and 959c para. 2 cif. 11 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by Swiss Re's members of the Board of Directors and Group Executive Committee (Group EC) at the end of the reporting year and of share-based compensation for the Board of Directors during the reporting year. Further disclosures in respect of board and management compensation, and persons closely related, are detailed in the Compensation Report on pages 147 to 151 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2014	2015
Michel M. Liès, Group CEO	187 690	262 808
David Cole, Group Chief Financial Officer	28 755	54 207
John Dacey, Group Chief Strategy Officer, Chairman Admin Re® ¹	45	171
Guido Furer, Group Chief Investment Officer	32 315	42 302
Agostino Galvagni, CEO Corporate Solutions	64 860	65 816
Jean-Jacques Henchoz, CEO Reinsurance EMEA	38 280	35 476
Christian Mumenthaler, CEO Reinsurance	40 000	50 000
Moses Ojeisekhoba, CEO Reinsurance Asia	14 369	26 404
J. Eric Smith, CEO Swiss Re Americas	0	16 990
Matthias Weber, Group Chief Underwriting Officer	57 649	25 410
Thomas Wellauer, Group Chief Operating Officer	75 973	116 111
Total	539 936	695 695

¹Chairman Admin Re® until May 2015.

Members of the Board of Directors	2014	2015
Walter B. Kielholz, Chairman	425 710	447 241
Renato Fassbind, Vice Chairman and Chairman of the Audit Committee	11 889	15 844
Raymund Breu, former Member ¹	37 764	n/a
Mathis Cabiallavetta, Member	92 287	71 346
Raymond K.F. Ch'ien, Member	16 921	18 459
Mary Francis, Member	2 791	4 329
Rajna Gibson Brandon, Member	27 787	20 216
C. Robert Henrikson, Chairman of the Compensation Committee	6 808	8 896
Hans Ulrich Maerki, Member	27 431	28 969
Trevor Manuel, Member ²		868
Carlos E. Represas, Member	10 372	11 581
Jean-Pierre Roth, Member	8 234	8 443
Philip K. Ryan, Chairman of the Finance and Risk Committee ²		3 394
Susan L. Wagner, Chairman of the Investment Committee ³	1 267	3 485
Total	669 261	643 071

¹ Term of office expired as of 21 April 2015 and did not stand for re-election.

² Elected to Swiss Re's Board of Directors at the Annual General Meeting of 21 April 2015.

³ Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Share-based compensation

The share-based compensation for the members of the Board of Directors for 2014 and 2015 was:

	2014		2015	
	Fees in blocked shares ¹ (CHF thousands)	Number of shares ²	Fees in blocked shares ¹ (CHF thousands)	Number of shares ²
Members of the Board of Directors				
Walter B. Kielholz, Chairman	1 955	26 220	1 906	21 531
Renato Fassbind, Vice Chairman and Chairman of the Audit Committee ³	316	4 234	350	3 955
Jakob Baer, former Chairman of the Audit Committee ⁴	87	1 165	n/a	n/a
Raymund Breu, former Member ⁵	130	1 740	36	403
Mathis Caballavetta, Member ⁶	977	13 110	359	4 059
Raymond K.F. Ch'ien, Member	140	1 873	136	1 538
John R. Coomber, former Member ⁴	43	583	n/a	n/a
Mary Francis, Member ⁷	132	1 764	136	1 538
Rajna Gibson Brandon, Member	130	1 740	126	1 429
C. Robert Henrikson, Chairman of the Compensation Committee	184	2 469	185	2 088
Malcolm D. Knight, former Member ⁴	38	510	n/a	n/a
Hans Ulrich Maerki, Member	137	1 837	136	1 538
Trevor Manuel, Member ⁸			77	868
Carlos E. Represas, Member ⁹	110	1 472	107	1 209
Jean-Pierre Roth, Member	110	1 472	107	1 209
Philip K. Ryan, Chairman of the Finance and Risk Committee ^{8,9}			168	1 894
Susan L. Wagner, Chairman of the Investment Committee ¹⁰	94	1 267	197	2 218
Total	4 583	61 456	4 026	45 477

¹ Represents the portion (40%) of the total fees for the members of the Board of Directors that is delivered in Swiss Re Ltd shares, with a four-year blocking period.

² The number of shares is calculated by dividing the 40% portion of the total fees with the average closing price of the shares on the SIX Swiss Exchange during the ten trading days preceding the AGM less the amount of any dividend resolved by the AGM.

³ Acting as the Lead Independent Director. Chairman of the Audit Committee since 11 April 2014.

⁴ Term of office expired as of 11 April 2014 and did not stand for re-election.

⁵ Term of office expired as of 21 April 2015 and did not stand for re-election.

⁶ Vice Chairman until 21 April 2015.

⁷ Includes fees received for duties on the board of Luxembourg Group companies.

⁸ Elected to Swiss Re's Board of Directors at the Annual General Meeting of 21 April 2015.

⁹ Includes fees received for duties on the board of US Group companies.

¹⁰ Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Restricted shares

For the year ended 31 December 2014 and 2015, neither the members of the Group EC nor the members of the Board of Directors held any restricted shares.

Vested options

The following vested options were held by members of Group governing bodies as of 31 December:

Members of the Group EC	2014	2015
Weighted average strike price in CHF	74.34	n/a
Michel Liès, Group CEO	15 000	0
Matthias Weber, Group Chief Underwriting Officer	3 500	0
Total	18 500	0

Member of the Board of Directors	2014	2015
Weighted average strike price in CHF	74.34	n/a
Walter B. Kielholz, Chairman	20 000	0
Total	20 000	0

The vested options held by members of Group governing bodies as of 31 December 2014 expired in 2015. The underlying strike price for the outstanding option series has been adjusted for special dividend payouts. The stock options shown in the table above for the member of the Board of Directors was awarded at a time when the recipient was still a member of Swiss Re's executive management.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Re Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 251 to 261), for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the Company's Articles of Association.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge



Bret Griffin

Zurich, 15 March 2016

SWISS RE LTD

UNAUDITED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS OF THE SWISS RE GROUP AS OF AND FOR
THE THREE MONTHS ENDED 31 MARCH 2016

Income statement

For the three months ended 31 March

USD millions	Note	2015	2016
Revenues			
Gross premiums written	4	10 076	11 395
Net premiums written	4	9 682	10 872
Change in unearned premiums		-2 269	-3 060
Premiums earned	3	7 413	7 812
Fee income from policyholders	3	149	128
Net investment income – non-participating business	6	890	934
Net realised investment gains/losses – non-participating business ¹	6	559	692
Net investment result – unit-linked and with-profit business	6	1 441	405
Other revenues		12	12
Total revenues		10 464	9 983
Expenses			
Claims and claim adjustment expenses	3	-2 435	-2 867
Life and health benefits	3	-2 357	-2 539
Return credited to policyholders		-1 452	-350
Acquisition costs	3	-1 538	-1 773
Operating expenses ²		-770	-745
Total expenses before interest expenses		-8 552	-8 274
Income before interest and income tax expense		1 912	1 709
Interest expenses ²		-161	-155
Income before income tax expense		1 751	1 554
Income tax expense		-294	-311
Net income before attribution of non-controlling interests		1 457	1 243
Income attributable to non-controlling interests			3
Net income after attribution of non-controlling interests		1 457	1 246
Interest on contingent capital instruments		-17	-17
Net income attributable to common shareholders		1 440	1 229
Earnings per share in USD			
Basic	11	4.21	3.68
Diluted	11	3.83	3.35
Earnings per share in CHF³			
Basic	11	4.00	3.68
Diluted	11	3.64	3.34

¹ Total impairments for the three months ended 31 March were USD 5 million in 2015 and USD 33 million in 2016 of which USD 5 million and USD 33 million, respectively, were recognised in earnings.

² Letter of credit fees of USD 14 million in 2015 have been reclassified from "Operating expenses" to "Interest expenses".

³ The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income

For the three months ended 31 March

USD millions	2015	2016
Net income before attribution of non-controlling interests	1 457	1 243
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	1 195	1 566
Change in other-than-temporary impairment	1	5
Change in foreign currency translation	-929	137
Change in adjustment for pension benefits	29	10
Total comprehensive income before attribution of non-controlling interests	1 753	2 961
Interest on contingent capital instruments	-17	-17
Comprehensive income attributable to non-controlling interests		3
Total comprehensive income attributable to common shareholders	1 736	2 947

Reclassification out of accumulated other comprehensive income

For the three months ended 31 March

2015 USD millions	Unrealised investment gains/losses ¹	Other-than-temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	5 418	-3	-4 675	-825	-85
Change during the period	1 927	2	-809	23	1 143
Amounts reclassified out of accumulated other comprehensive income	-347			16	-331
Tax	-385	-1	-120	-10	-516
Balance as of period end	6 613	-2	-5 604	-796	211

2016 USD millions	Unrealised investment gains/losses ¹	Other-than-temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	2 748	-11	-5 687	-1 016	-3 966
Change during the period	2 527	5	35	-2	2 565
Amounts reclassified out of accumulated other comprehensive income	-392	2		16	-374
Tax	-569	-2	102	-4	-473
Balance as of period end	4 314	-6	-5 550	-1 006	-2 248

¹ Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.

² Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

³ Reclassification adjustment included in net income is presented in the "Operating expenses" line.

The accompanying notes are an integral part of the Group financial statements.

Balance sheet

Assets

USD millions	Note	31.12.2015	31.03.2016
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale (including 11 897 in 2015 and 10 624 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 76 155; 2016: 89 524)		79 435	95 068
Trading (including 1 729 in 2015 and 1 815 in 2016 subject to securities lending and repurchase agreements)		2 896	2 868
Equity securities:			
Available-for-sale (including 605 in 2015 and 673 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 4 294; 2016: 3 932)		4 719	4 268
Trading		68	88
Policy loans, mortgages and other loans		3 123	4 205
Investment real estate		1 556	1 845
Short-term investments (including 1 278 in 2015 and 1 865 in 2016 subject to securities lending and repurchase agreements)		7 405	8 190
Other invested assets		10 367	12 055
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 069 in 2015 and 5 980 in 2016, equity securities trading: 22 783 in 2015 and 27 097 in 2016)		28 241	34 929
Total investments		137 810	163 516
Cash and cash equivalents (including 319 in 2015 and 425 in 2016 subject to securities lending)		8 204	11 145
Accrued investment income		983	1 119
Premiums and other receivables		11 709	15 472
Reinsurance recoverable on unpaid claims and policy benefits		6 578	8 267
Funds held by ceding companies		9 870	8 906
Deferred acquisition costs	5	5 471	6 186
Acquired present value of future profits	5	2 964	2 294
Goodwill		3 862	4 122
Income taxes recoverable		191	178
Deferred tax assets		5 970	6 395
Other assets		2 523	3 886
Total assets		196 135	231 486

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	31.12.2015	31.03.2016
Liabilities			
Unpaid claims and claim adjustment expenses		55 518	57 684
Liabilities for life and health policy benefits	7	30 131	46 281
Policyholder account balances		31 422	36 802
Unearned premiums		10 869	14 220
Funds held under reinsurance treaties		3 320	3 551
Reinsurance balances payable		1 928	2 026
Income taxes payable		488	345
Deferred and other non-current tax liabilities		8 093	9 203
Short-term debt	10	1 834	2 381
Accrued expenses and other liabilities		7 948	11 988
Long-term debt	10	10 978	10 986
Total liabilities		162 529	195 467
Equity			
Contingent capital instruments		1 102	1 102
Common shares, CHF 0.10 par value			
2015: 370 706 931; 2016: 370 706 931 shares authorised and issued		35	35
Additional paid-in capital		482	521
Treasury shares, net of tax		-1 662	-2 236
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		2 748	4 314
Other-than-temporary impairment, net of tax		-11	-6
Foreign currency translation, net of tax		-5 687	-5 550
Adjustment for pension and post-retirement benefits, net of tax		-1 016	-1 006
Total accumulated other comprehensive income		-3 966	-2 248
Retained earnings		37 526	38 755
Shareholders' equity		33 517	35 929
Non-controlling interests		89	90
Total equity		33 606	36 019
Total liabilities and equity		196 135	231 486

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the twelve months ended 31 December and the three months ended 31 March

USD millions	2015	2016
Contingent capital instruments		
Balance as of 1 January	1 102	1 102
Issued		
Balance as of period end	1 102	1 102
Common shares		
Balance as of 1 January	35	35
Issue of common shares		
Balance as of period end	35	35
Additional paid-in capital		
Balance as of 1 January	1 806	482
Share-based compensation	17	11
Realised gains/losses on treasury shares	-61	28
Dividends on common shares ¹	-1 280	
Balance as of period end	482	521
Treasury shares, net of tax		
Balance as of 1 January	-1 185	-1 662
Purchase of treasury shares	-584	-595
Issuance of treasury shares, including share-based compensation to employees	107	21
Balance as of period end	-1 662	-2 236
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	5 418	2 748
Changes during the period	-2 670	1 566
Balance as of period end	2 748	4 314
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-3	-11
Changes during the period	-8	5
Balance as of period end	-11	-6
Foreign currency translation, net of tax		
Balance as of 1 January	-4 675	-5 687
Changes during the period	-1 012	137
Balance as of period end	-5 687	-5 550
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-825	-1 016
Changes during the period	-191	10
Balance as of period end	-1 016	-1 006
Retained earnings		
Balance as of 1 January	34 257	37 526
Net income after attribution of non-controlling interests	4 665	1 246
Interest on contingent capital instruments, net of tax	-68	-17
Dividends on common shares ¹	-1 328	
Balance as of period end	37 526	38 755
Shareholders' equity	33 517	35 929
Non-controlling interests		
Balance as of 1 January	111	89
Changes during the period	-25	4
Income attributable to non-controlling interests	3	-3
Balance as of period end	89	90
Total equity	33 606	36 019

¹ Dividends to shareholders were paid in the form of a withholding tax-exempt repayment of legal reserves from capital contributions.

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow

For the three months ended 31 March

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholders	1 440	1 229
Add net income attributable to non-controlling interests		-3
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	148	186
Net realised investment gains/losses	-1 796	-834
Income from equity-accounted investees, net of dividends received	60	41
Change in:		
Technical provisions and other reinsurance assets and liabilities, net ¹	944	507
Funds held by ceding companies and under reinsurance treaties	100	1 280
Reinsurance recoverable on unpaid claims and policy benefits	222	99
Other assets and liabilities, net	-178	122
Income taxes payable/recoverable	-300	6
Trading positions, net ¹	149	184
Net cash provided/used by operating activities	789	2 817
Cash flows from investing activities		
Fixed income securities:		
Sales	12 831	10 459
Maturities	1 049	775
Purchases	-16 463	-11 614
Net purchases/sales/maturities of short-term investments ¹	2 326	-443
Equity securities:		
Sales	399	490
Purchases	-1 361	-460
Securities purchased/sold under agreement to resell/repurchase, net	927	534
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		314
Net purchases/sales/maturities of other investments ¹	1 662	1
Net purchases/sales/maturities of investments held for unit-linked and with-profit business ¹	410	701
Net cash provided/used by investing activities	1 780	757
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business: ¹		
Deposits	59	165
Withdrawals	-365	-833
Issuance/repayment of long-term debt	239	-36
Issuance/repayment of short-term debt	-427	540
Purchase/sale of treasury shares	-21	-590
Net cash provided/used by financing activities	-515	-754
Total net cash provided/used	2 054	2 820
Effect of foreign currency translation	-288	121
Change in cash and cash equivalents	1 766	2 941
Cash and cash equivalents as of 1 January	7 471	8 204
Cash and cash equivalents as of 31 March	9 237	11 145

¹ The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparative information for 2015 has been restated accordingly.

Interest paid was USD 79 million and USD 100 million (thereof USD 15 and 13 million for letter of credit fees) for the three months ended 31 March 2015 and 2016, respectively.

Tax paid was USD 574 million and USD 301 million for the three months ended 31 March 2015 and 2016, respectively.

The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the “Swiss Re Group” or the “Group”). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group’s audited financial statements for the year ended 31 December 2015.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures, including contingent assets and liabilities. The Group’s liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited. The purchase price has been allocated based on estimated fair values of assets acquired and liabilities assumed as of the date of acquisition. The allocation required significant judgment. Consequently, it is possible that the estimates will change as the purchase price allocation gets finalised. For more details on the transaction and its impact on the Group’s financial statements, please refer to Note 9.

Valuation of financial assets

The fair value of the majority of the Group’s financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group’s exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group’s own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group’s observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 March 2016, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 28 April 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity – a consensus of the FASB Emerging Issues Task Force", an update to topic 810, "Consolidation". The ASU applies to entities that are required to consolidate a collateralised financing entity (CFE) under the VIE consolidation guidance when the entity measures all financial assets and financial liabilities of the CFE at fair value, with changes in fair value recorded in earnings. Before the ASU became effective, if an entity would measure the fair value of assets and liabilities separately following applicable US GAAP rules, the aggregate fair value might have differed. The new guidance allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both. The Group adopted ASU 2014-13 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity – a consensus of the FASB Emerging Issues Task Force", an update to topic 815, "Derivatives and Hedging". The ASU provides guidance on how to assess whether or not a derivative embedded in an instrument in the legal form of a share must be bifurcated and accounted for separately from its host contract. Entities are required to use "the whole instrument approach" to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. No single term or feature will necessarily determine the nature of the host contract. The Group adopted ASU 2014-16 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", an update to subtopic 225-20, "Income Statement—Extraordinary and Unusual Items". The ASU eliminates the separate presentation of extraordinary items, net of tax and the related earnings per share. Extraordinary items were events and transactions that were distinguished by their unusual nature and by the infrequency of their occurrence. The ASU does not affect the requirement to disclose material items that are unusual in nature or infrequently occurring. The Group adopted ASU 2015-01 on 1 January 2016 on a prospective basis. The adoption did not have a material effect on the Group's financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendments to the Consolidation Analysis", an amendment to topic 810, "Consolidation". ASU 2015-02 (i) eliminates the indefinite deferral of the consolidation requirements for certain investment companies and similar entities, (ii) modifies how to evaluate partnerships and other entities under the variable interest entity (VIE) framework, (iii) eliminates the presumption that a general partner should consolidate a limited partnership, (iv) modifies consolidation analysis, particularly for decision-maker fee arrangements and related party relationships, (v) excludes from the scope of consolidation assessment the entities that are, or operate similar to, money market funds registered under the US Investment Company Act of 1940. The Group adopted ASU 2015-2 on 1 January 2016 following the modified retrospective method. The modified retrospective method does not require the restatement of prior periods. The adoption did not have a material effect on the Group's financial statements; however, it led to an increase in VIEs disclosed in Note 12 Variable interest entities.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", an update to subtopic 835-30, "Interest—Imputation of Interest". The ASU changes the presentation of debt issuance costs in financial statements by requiring that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs is reported as interest expense. The Group adopted ASU 2015-03 on 1 January 2016 on a prospective basis. The adoption did not have an impact on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", an amendment to topic 820, "Fair Value Measurement". ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Group adopted ASU 2015-07 on 1 January 2016 and applies the amendments retrospectively. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient gets removed from the fair value hierarchy in all periods presented in an entity's financial statements. The amended disclosures are provided in Note 7 Fair value disclosures.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred but not reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claims adjustment expenses in both interim and annual periods. The Group will adopt the annual disclosure requirements for the annual reporting period ending on 31 December 2016, and the interim disclosure requirements for the quarter ending on 31 March 2017. The Group has set up a project to implement the new requirements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", an amendment to topic 805, "Business Combinations". ASU 2015-16 is on adjustments to provisional amounts from business combinations during the measurement periods. It requires that an acquirer recognises such adjustments in the reporting period in which the adjustment amounts are determined. Further, the ASU requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortisation, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Group adopted this guidance on 1 January 2016. The adoption did not have an effect on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTAs rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2018. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the three months ended 31 March was as follows:

USD millions	2015	2016
Fixed income securities	650	692
Equity securities	14	20
Policy loans, mortgages and other loans	32	48
Investment real estate	36	44
Short-term investments	23	19
Other current investments	36	57
Share in earnings of equity-accounted investees	20	13
Cash and cash equivalents	11	9
Net result from deposit-accounted contracts	21	15
Deposits with ceding companies	136	116
Gross investment income	979	1 033
Investment expenses	-86	-95
Interest charged for funds held	-3	-4
Net investment income – non-participating business	890	934

Dividends received from investments accounted for using the equity method were USD 80 million and USD 54 million for the three months ended 31 March 2015 and 2016, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) for the three months ended 31 March were as follows:

USD millions	2015	2016
Fixed income securities available-for-sale:		
Gross realised gains	381	284
Gross realised losses	-40	-134
Equity securities available-for-sale:		
Gross realised gains	77	63
Gross realised losses	-16	-53
Other-than-temporary impairments	-5	-33
Net realised investment gains/losses on trading securities	39	54
Change in net unrealised investment gains/losses on trading securities	27	64
Net realised/unrealised gains/losses on other investments	-83	9
Net realised/unrealised gains/losses on insurance-related activities	35	247
Foreign exchange gains/losses	144	191
Net realised investment gains/losses – non-participating business	559	692

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders for the three months ended 31 March was as follows:

USD millions	2015		2016	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	21	22	27	35
Investment income – equity securities	139	8	167	24
Investment income – other	9	5	6	4
Total investment income – unit-linked and with-profit business	169	35	200	63
Realised gains/losses – fixed income securities	27	32	75	65
Realised gains/losses – equity securities	1 127	51	–9	23
Realised gains/losses – other			–7	–5
Total realised gains/losses – unit-linked and with-profit business	1 154	83	59	83
Total net investment result – unit-linked and with-profit business	1 323	118	259	146

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings for the three months ended 31 March was as follows:

USD millions	2015	2016
Balance as of 1 January	137	136
Credit losses for which an other-than-temporary impairment was not previously recognised		13
Reductions for securities sold during the period	–10	–12
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	4	8
Impact of increase in cash flows expected to be collected	–2	–2
Impact of foreign exchange movements	–4	
Balance as of 31 March	125	143

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2015 and 31 March 2016 were as follows:

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 212	612	-92		12 732
US Agency securitised products	2 937	29	-28		2 938
States of the United States and political subdivisions of the states	1 236	55	-10		1 281
United Kingdom	7 514	773	-54		8 233
Canada	3 943	520	-38		4 425
Germany	2 920	239	-31		3 128
France	2 065	223	-18		2 270
Other	7 818	262	-146		7 934
Total	40 645	2 713	-417		42 941
Corporate debt securities	30 540	1 448	-530	-11	31 447
Mortgage- and asset-backed securities	4 970	118	-38	-3	5 047
Fixed income securities available-for-sale	76 155	4 279	-985	-14	79 435
Equity securities available-for-sale	4 294	632	-207		4 719

2016 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 786	835	-6		12 615
US Agency securitised products	3 583	55	-11		3 627
States of the United States and political subdivisions of the states	1 302	91	-5		1 388
United Kingdom	8 628	1 043	-28		9 643
Canada	4 188	598	-22		4 764
Germany	3 025	392	-8		3 409
France	2 113	359	-3		2 469
Other	8 489	423	-73		8 839
Total	43 114	3 796	-156		46 754
Corporate debt securities	40 764	2 090	-294	-1	42 559
Mortgage- and asset-backed securities	5 646	143	-29	-5	5 755
Fixed income securities available-for-sale	89 524	6 029	-479	-6	95 068
Equity securities available-for-sale	3 932	501	-165		4 268

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2015 and 31 March 2016 were as follows:

USD millions	2015	2016
Debt securities issued by governments and government agencies	2 710	2 616
Corporate debt securities	52	124
Mortgage- and asset-backed securities	134	128
Fixed income securities trading – non-participating business	2 896	2 868
Equity securities trading – non-participating business	68	88

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December 2015 and 31 March 2016 were as follows:

USD millions	Unit-linked	2015 With-profit	Unit-linked	2016 With-profit
Fixed income securities trading	2 410	1 659	2 717	3 263
Equity securities trading	21 894	889	24 917	2 180
Investment real estate	691	366	692	350
Other invested assets	332		810	
Total investments for unit-linked and with-profit business	25 327	2 914	29 136	5 793

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2015 and 31 March 2016, USD 12 725 million and USD 15 369 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2015 Estimated fair value	Amortised cost or cost	2016 Estimated fair value
Due in one year or less	4 874	4 911	6 356	6 396
Due after one year through five years	19 370	19 671	20 023	20 463
Due after five years through ten years	16 577	17 101	20 496	21 555
Due after ten years	30 611	32 952	37 289	41 187
Mortgage- and asset-backed securities with no fixed maturity	4 723	4 800	5 360	5 467
Total fixed income securities available-for-sale	76 155	79 435	89 524	95 068

Assets pledged

As of 31 March 2016, investments with a carrying value of USD 7 329 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 11 201 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 31 March 2016, securities of USD 15 828 million and USD 15 402 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 995 million and USD 2 383 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 March 2016, a real estate portfolio with a carrying value of USD 232 million serves as collateral for a credit facility allowing the Group to withdraw funds up to CHF 650 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2015 and 31 March 2016, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 7 030 million and USD 6 686 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2015 and 31 March 2016 was USD 2 429 million and USD 2 685 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2015 and 31 March 2016 was as follows:

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	2 713	–1 953	760	–13	747
Reverse repurchase agreements	6 401	–3 000	3 401	–3 394	7
Securities borrowing	452		452	–452	0
Total	9 566	–4 953	4 613	–3 859	754

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–2 179	1 477	–702	81	–621
Repurchase agreements	–2 844	2 475	–369	369	0
Securities lending	–1 151	525	–626	582	–44
Total	–6 174	4 477	–1 697	1 032	–665

2016 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	3 899	–2 348	1 551	–4	1 547
Reverse repurchase agreements	5 855	–1 626	4 229	–4 228	1
Securities borrowing	359		359	–359	0
Total	10 113	–3 974	6 139	–4 591	1 548

2016 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–3 215	1 973	–1 242	106	–1 136
Repurchase agreements	–2 622	1 101	–1 521	1 521	0
Securities lending	–1 387	525	–862	775	–87
Total	–7 224	3 599	–3 625	2 402	–1 223

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in “Other invested assets” and “Accrued expenses and other liabilities”, respectively.

Recognised gross liability for the obligation to return collateral that the Group has the right to sell or repledge

As of 31 December 2015 and 31 March 2016, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2015 USD millions	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	370	2 136	176	135	2 817
Corporate debt securities	3	24			27
Total repurchase agreements	373	2 160	176	135	2 844

Securities lending

Debt securities issued by governments and government agencies	217		501	433	1 151
Total securities lending	217	0	501	433	1 151

Gross amount of recognised liabilities for repurchase agreements and securities lending					3 995

2016 USD millions	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	1 166	1 044	161	135	2 506
Corporate debt securities	116				116
Total repurchase agreements	1 282	1 044	161	135	2 622

Securities lending

Debt securities issued by governments and government agencies	131		672	451	1 254
Corporate debt securities			107		107
Equity securities	26				26
Total securities lending	157	0	779	451	1 387

Gross amount of recognised liabilities for repurchase agreements and securities lending					4 009

The programme is structured in a conservative manner within a clearly defined risk framework. Yield enhancement is conducted on a non-cash basis, thereby taking no reinvestment risk.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2015 and 31 March 2016. As of 31 December 2015 and 31 March 2016, USD 161 million and USD 145 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 46 million and USD 20 million, respectively, to decline in value for more than 12 months.

2015 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	5 993	91	11	1	6 004	92
US Agency securitised products	1 503	23	223	5	1 726	28
States of the United States and political subdivisions of the states	325	9	6	1	331	10
United Kingdom	1 551	52	56	2	1 607	54
Canada	976	14	96	24	1 072	38
Germany	860	25	131	6	991	31
France	502	13	23	5	525	18
Other	3 113	111	202	35	3 315	146
Total	14 823	338	748	79	15 571	417
Corporate debt securities	11 246	481	365	60	11 611	541
Mortgage- and asset-backed securities	2 419	32	225	9	2 644	41
Total	28 488	851	1 338	148	29 826	999

2016 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 504	6			2 504	6
US Agency securitised products	877	8	201	3	1 078	11
States of the United States and political subdivisions of the states	101	5			101	5
United Kingdom	976	19	52	9	1 028	28
Canada	1 071	5	97	17	1 168	22
Germany	113	8	125	0	238	8
France	39	3			39	3
Other	2 302	55	170	18	2 472	73
Total	7 983	109	645	47	8 628	156
Corporate debt securities	7 904	275	199	20	8 103	295
Mortgage- and asset-backed securities	1 535	25	172	9	1 707	34
Total	17 422	409	1 016	76	18 438	485

Mortgages, loans and real estate

As of 31 December 2015 and 31 March 2016, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2015	2016
Policy loans	91	90
Mortgage loans	1 946	2 433
Other loans	1 086	1 682
Investment real estate	1 556	1 845

The fair value of the real estate as of 31 December 2015 and 31 March 2016 was USD 3 211 million and USD 3 574 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 7 million and USD 9 million for the three months ended 31 March 2015 and 2016, respectively. Accumulated depreciation on investment real estate totalled USD 504 million and USD 527 million as of 31 December 2015 and 31 March 2016, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

7 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the three months ended 31 March 2016, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as practical expedient.

The Group holds both exchange-traded and (OTC) interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgements and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

The Group's OTC credit derivatives can include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilise observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Asset Valuation Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within the Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

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Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2015 and 31 March 2016, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 900	69 038	393		82 331
Debt securities issued by US government and government agencies	12 900	1 922			14 822
US Agency securitised products		2 952			2 952
Debt securities issued by non-US governments and government agencies		27 877			27 877
Corporate debt securities		31 119	380		31 499
Mortgage- and asset-backed securities		5 168	13		5 181
Fixed income securities backing unit-linked and with-profit business		4 069			4 069
Equity securities held for proprietary investment purposes	4 753		34		4 787
Equity securities backing unit-linked and with-profit business	22 783				22 783
Short-term investments held for proprietary investment purposes	3 438	3 967			7 405
Short-term investments backing unit-linked and with-profit business		64			64
Derivative financial instruments	25	2 241	447	-1 953	760
Interest rate contracts	6	1 300			1 306
Foreign exchange contracts		318			318
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts	3	5	112		120
Other invested assets	579	50	1 595		2 224
Funds held by ceding companies		245			245
Total assets at fair value	44 478	79 674	2 469	-1 953	124 668
Liabilities					
Derivative financial instruments	-24	-1 574	-581	1 477	-702
Interest rate contracts	-5	-786			-791
Foreign exchange contracts		-201			-201
Equity contracts	-12	-582	-38		-632
Credit contracts			-19		-19
Other contracts	-7	-5	-524		-536
Liabilities for life and health policy benefits			-165		-165
Accrued expenses and other liabilities	-812	-2 524			-3 336
Total liabilities at fair value	-836	-4 098	-746	1 477	-4 203

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2016 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Investments measured at net asset value as practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	12 534	84 481	921			97 936
Debt securities issued by US government and government agencies	12 534	2 103				14 637
US Agency securitised products		3 641				3 641
Debt securities issued by non-US governments and government agencies		31 092				31 092
Corporate debt securities		41 774	909			42 683
Mortgage- and asset-backed securities		5 871	12			5 883
Fixed income securities backing unit-linked and with-profit business		5 980				5 980
Equity securities held for proprietary investment purposes	4 333		23			4 356
Equity securities backing unit-linked and with-profit business	27 097					27 097
Short-term investments held for proprietary investment purposes	3 814	4 376				8 190
Short-term investments backing unit-linked and with-profit business		62				62
Derivative financial instruments	39	3 331	529	-2 348		1 551
Interest rate contracts	8	2 317				2 325
Foreign exchange contracts		444				444
Equity contracts	22	567	406			995
Credit contracts		3	1			4
Other contracts	9		122			131
Investment real estate			265			265
Other invested assets	302	537	532		1 023	2 394
Other investments backing unit-linked and with-profit business		536				536
Funds held by ceding companies		244				244
Total assets at fair value	48 119	99 547	2 270	-2 348	1 023	148 611
Liabilities						
Derivative financial instruments	-41	-2 262	-912	1 973		-1 242
Interest rate contracts	-8	-1 267				-1 275
Foreign exchange contracts	-1	-430				-431
Equity contracts	-13	-565	-48			-626
Credit contracts			-17			-17
Other contracts	-19		-847			-866
Liabilities for life and health policy benefits			-176			-176
Accrued expenses and other liabilities	-617	-2 862				-3 479
Total liabilities at fair value	-658	-5 124	-1 088	1 973	0	-4 897

¹ The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December 2015 and 31 March 2016, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	401	39	521	1 812	2 773	-757	-187	-944
Realised/unrealised gains/losses:								
Included in net income	4		-12	-2	-10	190	22	212
Included in other comprehensive income	-14	-5		-42	-61			0
Purchases	31		30	156	217			0
Issuances					0	-90		-90
Sales	-47		-21	-380	-448	15		15
Settlements	-46		-79		-125	62		62
Transfers into level 3 ¹	65		8	70	143	-1		-1
Transfers out of level 3 ¹					0			0
Impact of foreign exchange movements	-1			-19	-20			0
Closing balance as of 31 December	393	34	447	1 595	2 469	-581	-165	-746

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2016 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	393	34	447		1 595	2 469	-581	-165	-746
Impact of Accounting Standards Updates ²				274	-1 120	-846	-207		-207
Realised/unrealised gains/losses:									
Included in net income	3		84	13	5	105	-113	-12	-125
Included in other comprehensive income	-7					-7			0
Purchases	568	1			37	606			0
Issuances						0	-8		-8
Sales	-32			-22		-54	16		16
Settlements	-2		-8			-10	-14		-14
Transfers into level 3 ¹			6		12	18	-5		-5
Transfers out of level 3 ¹		-12				-12			0
Impact of foreign exchange movements	-2				3	1		1	1
Closing balance as of 31 March	921	23	529	265	532	2 270	-912	-176	-1 088

¹ Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

² Impact of ASU 2015 – 02 and ASU 2015 – 07. Please refer to Note 1 for more details.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the three months ended 31 March were as follows:

USD millions	2015	2016
Gains/losses included in net income for the period	–9	–20
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	13	–51

Assets and liabilities measured at fair value on a non-recurring basis

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, loans held for sale with a carrying amount of USD 116 million were written down to their fair value of USD 109 million, resulting in a loss of USD 7 million, which was included in earnings for the period in “Net realised investment gains/losses – non-participating business”. This non-recurring fair value measurement was based on level 3 unobservable inputs using a discounted cash flow approach by an external vendor.

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2015 and 31 March 2016 were as follows:

USD millions	2015 Fair value	2016 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	380	909			
Private placement corporate debt	241	601	Corporate Spread Matrix	Credit spread	96 bps–760 bps (249 bps)
Private placement credit tenant leases	51	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loan	86	88	Discounted Cash Flow Model	Valuation spread	181 bps–196 bps (185 bps)
Derivative equity contracts	334	406			
OTC equity option referencing correlated equity indices	334	406	Proprietary Option Model	Correlation	–60%–100% (20%) ¹
Investment real estate		265	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Liabilities					
Derivative equity contracts	–38	–48			
OTC equity option referencing correlated equity indices	–38	–48	Proprietary Option Model	Correlation	–60%–100% (20%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–689	–1 023			
Variable annuity and fair valued GMDB contracts	–567	–695	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Swap liability referencing real estate investments		–201	Discounted Cash Flow Model	Discount rate due to lifetime lease	5% per annum
Weather contracts	–82	–84	Proprietary Option Model	Risk Margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%–11% (9%) –90%–63% (–19%) 32%–84% (49%) 0–204 (23) HDD/ CAT ² 175–4924 (2197) HDD/CAT ²

¹ Represents average input value for the reporting period.

² Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities is credit spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's infrastructure loan is valuation spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future property sales to reflect lifetime lease on residential properties. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (ie increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2015 and 31 March 2016, respectively, were as follows:

USD millions	2015 Fair value	2016 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	686	619	184	non-redeemable	n.a.
Hedge funds	135	134		redeemable ¹	45–95 days ²
Private equity direct	121	77		non-redeemable	n.a.
Real estate funds	203	193	93	non-redeemable	n.a.
Total	1 145	1 023	277		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Investments for unit-linked and with-profit business

For operational efficiencies, the Group elected the fair value option for equity linked deposits from one of its unit-linked businesses. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Accrued expenses and other liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability is carried at fair value and changes in fair value are reported as a component of earnings.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2015 and 31 March 2016 were as follows:

USD millions	2015	2016
Assets		
Other invested assets	10 367	12 055
of which at fair value pursuant to the fair value option	449	488
Funds held by ceding companies	9 870	8 906
of which at fair value pursuant to the fair value option	245	244
Investments for unit-linked and with-profit business		34 929
of which at fair value pursuant to the fair value option		536
Liabilities		
Liabilities for life and health policy benefits	-30 131	-46 281
of which at fair value pursuant to the fair value option	-165	-176
Accrued expenses and other liabilities		-11 988
of which at fair value pursuant to the fair value option		-201

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the three months ended 31 March were as follows:

USD millions	2015	2016
Other invested assets	-40	2
Funds held by ceding companies	3	-1
Investments for unit-linked and with-profit business		3
Liabilities for life and health policy benefits	13	-12
Accrued expenses and other liabilities		6
Total	-24	-2

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income – non-participating business". Fair value changes from investments for unit-linked and with-profit business and accrued expenses and other liabilities are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2015 and 31 March 2016, were as follows:

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		91	91
Mortgage loans		1 946	1 946
Other loans		1 086	1 086
Investment real estate		3 211	3 211
Total assets	0	6 334	6 334

Liabilities

Debt	-8 681	-5 674	-14 355
Total liabilities	-8 681	-5 674	-14 355

2016 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		90	90
Mortgage loans		2 433	2 433
Other loans		1 682	1 682
Investment real estate		3 309	3 309
Total assets	0	7 514	7 514
Liabilities			
Debt	-8 852	-6 450	-15 302
Total liabilities	-8 852	-6 450	-15 302

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

8 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments

As of 31 December 2015 and 31 March 2016, the fair values and notional amounts of the derivatives outstanding were as follows:

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	63 485	1 306	-791	515
Foreign exchange contracts	14 230	281	-201	80
Equity contracts	16 374	967	-632	335
Credit contracts	188	2	-19	-17
Other contracts	18 113	120	-536	-416
Total	112 390	2 676	-2 179	497
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	2 151	37	0	37
Total derivative financial instruments	114 541	2 713	-2 179	534
Amount offset				
Where a right of set-off exists		-1 162	1 162	
Due to cash collateral		-791	315	
Total net amount of derivative financial instruments		760	-702	58

2016 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	84 596	2 325	-1 275	1 050
Foreign exchange contracts	23 976	442	-231	211
Equity contracts	17 002	995	-626	369
Credit contracts	215	4	-17	-13
Other contracts	18 276	131	-866	-735
Total	144 065	3 897	-3 015	882
Derivatives designated as hedging instruments				
Foreign exchange contracts	6 714	2	-200	-198
Total	6 714	2	-200	-198
Total derivative financial instruments	150 779	3 899	-3 215	684
Amount offset				
Where a right of set-off exists		-1 590	1 590	
Due to cash collateral		-758	383	
Total net amount of derivative financial instruments		1 551	-1 242	309

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2015 and 31 March 2016.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses – non-participating business" in the income statement. For the three months ended 31 March, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2015	2016
Derivatives not designated as hedging instruments		
Interest rate contracts	–30	459
Foreign exchange contracts	219	112
Equity contracts	–102	–147
Credit contracts	–1	1
Other contracts	53	–96
Total gain/loss recognised in income	139	329

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 March, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses – non-participating business" in the income statement. For the three months ended 31 March, the gains and losses attributable to the hedged risks were as follows:

USD millions	Gains/losses on derivatives	2015 Gains/losses on hedged items	Gains/losses on derivatives	2016 Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	119	–119	–205	205
Total gain/loss recognised in income	119	–119	–205	205

Hedges of the net investment in foreign operations

The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the year ended 31 December 2015 and the three months ended 31 March 2016, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 631 million and a gain of USD 1 411 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2015 and 31 March 2016 was approximately USD 1 551 million and USD 2 309 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 106 million and USD 128 million as of 31 December 2015 and 31 March 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 31 March 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 128 million additional collateral would have had to be posted as of 31 March 2016. The total equals the amount needed to settle the instruments immediately as of 31 March 2016.

9 Acquisitions

IHC Risk Solutions Corporation

On 31 March 2016, Swiss Re Corporate Solutions acquired 100% of the shares of IHC Risk Solutions, LLC, a leading US employer stop loss underwriter. The cost of the acquisition was USD 153 million. The transaction includes IHC Risk Solutions' operations, its team of experts and business portfolio, including in-force, new and renewal business by IHC Risk Solutions. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Guardian Holdings Europe Limited

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. Guardian provides insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers.

The transaction has further demonstrated progress against the strategy of the Group's Business Unit Life Capital (formerly Admin Re®) as a leading closed life book consolidator in the UK, adding approximately 900,000 policies including a mixture of annuities, life insurance and pensions. As a result, the policyholder and asset base of the Group has expanded and Life Capital has diversified its current business mix, with a total of approximately four million policies under administration.

The results of the operations of Guardian have been included in the Group's consolidated financial statements since 6 January 2016. For the period 6 January until 31 March 2016, Guardian generated USD 526 million (including net investment result – unit-linked and with-profit business of USD 108 million) in revenues and USD 274 million in net income for the Group.

Determination and allocation of the purchase price

The total cost of acquisition as of 6 January 2016 was USD 2.3 billion in cash, paid in form of the following components:

USD millions	2016
Share purchase	1 211
Debt repayment	1 118
Total cost of acquisition	2 329
Goodwill	153
Total net assets acquired	2 176

5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December 2015 and 31 March 2016, the DAC were as follows:

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Opening balance as of 1 January	1 756	2 723	360	1	4 840
Effect of change in Group structure ¹		-12		12	0
Deferred	4 132	1 018	486	35	5 671
Effect of acquisitions/disposals and retrocessions	7	2			9
Amortisation	-3 793	-560	-459	-34	-4 846
Effect of foreign currency translation	-51	-151		-1	-203
Closing balance	2 051	3 020	387	13	5 471

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Opening balance as of 1 January	2 051	3 020	387	13	5 471
Deferred	1 503	258	100	13	1 874
Amortisation	-1 024	-101	-110	-8	-1 243
Effect of foreign currency translation	39	42	2	1	84
Closing balance	2 569	3 219	379	19	6 186

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December 2015 and 31 March 2016, the PVFP was as follows:

2015 USD millions	Life & Health Reinsurance			Life Capital	Total
		Positive PVFP	Negative PVFP	Total	
Opening balance as of 1 January	1 294	2 003	0	2 003	3 297
Effect of acquisitions/disposals and retrocessions		2		2	2
Amortisation	-159	-191		-191	-350
Interest accrued on unamortised PVFP	40	84		84	124
Effect of foreign currency translation	-41	-77		-77	-118
Effect of change in unrealised gains/losses		9		9	9
Closing balance	1 134	1 830	0	1 830	2 964

2016 USD millions	Life & Health Reinsurance			Life Capital	Total
		Positive PVFP	Negative PVFP	Total	
Opening balance as of 1 January	1 134	1 830	0	1 830	2 964
Effect of acquisitions/disposals and retrocessions			-631	-631	-631
Amortisation	-30	-2	11	9	-21
Interest accrued on unamortised PVFP	9	21	-3	18	27
Effect of foreign currency translation	-8	-31	-5	-36	-44
Effect of change in unrealised gains/losses		-1		-1	-1
Closing balance	1 105	1 817	-628	1 189	2 294

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

In the first quarter 2016, the Group's Business Unit Life Capital acquired Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian"), and recognised negative PVFP. Upon acquisition, PVFP is calculated as the difference between the estimated fair value and established reserves, which are in line with US GAAP accounting policies and assumptions of the Group. The product mix of Guardian is weighted towards annuity business, for which the fair value of insurance and investment contract liabilities significantly exceeds the established US GAAP reserves. This excess is mainly due to differences in discount rates and risk weightings between fair value and US GAAP estimates. Overall, the excess on the annuity business outweighs the estimated future gross profits of other business and synergy expectations included in the fair value of insurance and investment contract liabilities for the business as a whole, resulting in a negative PVFP.

The subsequent measurement of negative PVFP is in alignment with the existing measurement of positive PVFP assets (please refer to Note 1 in the annual Financial Report).

10 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December 2015 and 31 March 2016 was as follows:

USD millions	2015	2016
Senior financial debt		791
Senior operational debt	765	505
Subordinated financial debt	1 069	1 085
Short-term debt – financial and operational debt	1 834	2 381
Senior financial debt	3 688	3 711
Senior operational debt	467	422
Subordinated financial debt	4 103	4 186
Subordinated operational debt	2 720	2 667
Long-term debt – financial and operational debt	10 978	10 986
Total carrying value	12 812	13 367
Total fair value	14 355	15 302

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2015 and 31 March 2016, debt related to operational leverage and financial intermediation amounted to USD 4.0 billion (thereof USD 3.0 billion limited- or non-recourse) and USD 3.6 billion (thereof USD 2.7 billion limited- or non-recourse), respectively.

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the periods ended 31 March was as follows:

USD millions	2015	2016
Senior financial debt	30	29
Senior operational debt	3	3
Subordinated financial debt	73	49
Subordinated operational debt	34	32
Total	140	113

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 17 million and USD 17 million for the three months ended 31 March 2015 and 2016, respectively.

Long-term debt issued in 2016

No long-term debt was issued in the first quarter 2016.

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Premiums earned, thereof:					
Direct		10	704	298	1 012
Reinsurance	3 823	2 757	201	34	6 815
Intra-group transactions (assumed and ceded)	-2	148	2	-148	0
Premiums earned before retrocession to external parties					
	3 821	2 915	907	184	7 827
Retrocession to external parties	-54	-323	-25	-12	-414
Net premiums earned	3 767	2 592	882	172	7 413
Fee income from policyholders, thereof:					
Direct				110	110
Reinsurance		15		24	39
Net fee income	0	15	0	134	149

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

Premiums earned and fees assessed against policyholders

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		10	673	328	1 011
Reinsurance	3 972	2 977	258	32	7 239
Intra-group transactions (assumed and ceded)	20	161	-20	-161	0
Premiums earned before retrocession to external parties	3 992	3 148	911	199	8 250
Retrocession to external parties	-36	-325	-46	-31	-438
Net premiums earned	3 956	2 823	865	168	7 812
Fee income from policyholders, thereof:					
Direct				94	94
Reinsurance		12		22	34
Net fee income	0	12	0	116	128

Claims and claim adjustment expenses

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Claims paid, thereof:					
Gross claims paid to external parties	-1 933	-2 243	-533	-454	-5 163
Intra-group transactions (assumed and ceded)	-87	-111	87	111	0
Claims before receivables from retrocession to external parties					
Retrocession to external parties	153	323	39	10	525
Net claims paid	-1 867	-2 031	-407	-333	-4 638
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-58	74	94	-53	57
Intra-group transactions (assumed and ceded)	138	-6	-138	6	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties					
Retrocession to external parties	-175	-11	-22	-3	-211
Net unpaid claims and claim adjustment expenses; life and health benefits	-95	57	-66	-50	-154
Claims and claim adjustment expenses; life and health benefits	-1 962	-1 974	-473	-383	-4 792

Acquisition costs

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-932	-519	-121	-43	-1 615
Intra-group transactions (assumed and ceded)		-20		20	0
Acquisition costs before impact of retrocession to external parties					
Retrocession to external parties	15	58	3	1	77
Net acquisition costs	-917	-481	-118	-22	-1 538

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

Claims and claim adjustment expenses

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	-2 007	-2 977	-444	-824	-6 252
Intra-group transactions (assumed and ceded)	-46	-115	46	115	0
Claims before receivables from retrocession to external parties	-2 053	-3 092	-398	-709	-6 252
Retrocession to external parties	99	343	53	40	535
Net claims paid	-1 954	-2 749	-345	-669	-5 717
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	-499	708	-15	207	401
Intra-group transactions (assumed and ceded)	146	-20	-146	20	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	-353	688	-161	227	401
Retrocession to external parties	-67	-13	13	-23	-90
Net unpaid claims and claim adjustment expenses; life and health benefits	-420	675	-148	204	311
Claims and claim adjustment expenses; life and health benefits	-2 374	-2 074	-493	-465	-5 406

Acquisition costs

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	-1 037	-675	-131	-6	-1 849
Intra-group transactions (assumed and ceded)	-7	-20	7	20	0
Acquisition costs before impact of retrocession to external parties	-1 044	-695	-124	14	-1 849
Retrocession to external parties	7	55	12	2	76
Net acquisition costs	-1 037	-640	-112	16	-1 773

Reinsurance receivables

Reinsurance receivables as of 31 December 2015 and 31 March 2016 were as follows:

USD millions	2015	2016
Premium receivables invoiced	1 441	1 985
Receivables invoiced from ceded re/insurance business	201	423
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	171	104
Recognised allowance	-56	-57

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the three months ended 31 March 2015 and 2016, the relative percentage of participating insurance of the life and health policy benefits was 8% and 10%, respectively. The amount of policyholder dividend expense for the three months ended 31 March 2015 and 2016 was USD 24 million and USD 71 million, respectively.

4 Premiums written

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Consolidation	Total
Gross premiums written, thereof:						
Direct		10	531	493		1 034
Reinsurance	6 066	2 845	97	34		9 042
Intra-group transactions (assumed)	134	246	46		-426	0
Gross premiums written	6 200	3 101	674	527	-426	10 076
Intra-group transactions (ceded)	-46		-134	-246	426	0
Gross premiums written before retrocession to external parties						
	6 154	3 101	540	281		10 076
Retrocession to external parties	-26	-322	-34	-12		-394
Net premiums written	6 128	2 779	506	269	0	9 682

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		10	495	570		1 075
Reinsurance	6 869	3 134	284	33		10 320
Intra-group transactions (assumed)	139	261	25		-425	0
Gross premiums written	7 008	3 405	804	603	-425	11 395
Intra-group transactions (ceded)	-25		-139	-261	425	0
Gross premiums written before retrocession to external parties						
	6 983	3 405	665	342		11 395
Retrocession to external parties	-35	-324	-77	-87		-523
Net premiums written	6 948	3 081	588	255	0	10 872

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

11 Earnings per share

Earnings per share for the three months ended 31 March were as follows:

USD millions (except share data)	2015	2016
Basic earnings per share		
Net income	1 457	1 243
Non-controlling interests		3
Interest on contingent capital instruments ¹	-17	-17
Net income attributable to common shareholders	1 440	1 229
Weighted average common shares outstanding	342 110 887	333 979 460
Net income per share in USD	4.21	3.68
Net income per share in CHF²	4.00	3.68
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments ¹	17	17
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	2 450 503	2 219 012
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	1 457	1 246
Weighted average common shares outstanding	380 306 582	371 943 664
Net income per share in USD	3.83	3.35
Net income per share in CHF²	3.64	3.34

¹ Please refer to Note 10 "Debt and contingent capital instruments".

² The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

Dividends are declared in Swiss francs. In 2015, the Group paid a dividend per share of CHF 4.25, as well as an additional special dividend of CHF 3.00. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions. On 23 February 2016, the Board of Directors of the Group proposed a dividend of CHF 4.60 for the 2015 financial year to be paid in 2016. This was approved by shareholders at the Annual General Meeting on 22 April 2016.

At the 151st Annual General Meeting held on 21 April 2015, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2016 Annual General Meeting by way of a buy-back programme for cancellation purposes. The share buy-back programme was completed as of 2 March 2016. The total number of shares repurchased amounted to 10.6 million, of which 4.4 million and 6.2 million shares were repurchased as of 31 December 2015 and between 1 January and 2 March 2016, respectively.

13 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the three months ended 31 March 2015 and 2016 were USD 29 million and USD 28 million, respectively.

Employer's contributions for 2016

For the three months ended 31 March 2016, the Group contributed USD 49 million to its defined benefit pension plans and USD 4 million to other post-retirement plans, compared to USD 57 million and USD 4 million, respectively, in the same period of 2015.

The expected 2016 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 31 March 2016 for the latest information, amount to USD 155 million and USD 16 million, respectively.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Life Capital (which includes the former Business Unit Admin Re®). The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include stock and mutual insurance companies as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 50 offices worldwide.

Life Capital

Life Capital was created on 1 January 2016 to manage Swiss Re's primary life and health business. It comprises the closed and open life and health insurance books, including the existing Admin Re® business and the existing primary life and health insurance business formerly conducted by Life & Health Reinsurance. Through Admin Re®, Swiss Re acquires closed blocks of in-force life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party.

Group items

Items not allocated to the business segments are included in the “Group items” column, which encompasses Swiss Re Ltd, the Groups’ ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation

Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the “Consolidation” column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

a) Business segments – income statement

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Revenues							
Gross premiums written	6 200	3 101	674	527		-426	10 076
Net premiums written	6 128	2 779	506	269			9 682
Change in unearned premiums	-2 361	-187	376	-97			-2 269
Premiums earned	3 767	2 592	882	172			7 413
Fee income from policyholders		15		134			149
Net investment income – non-participating business	279	334	30	280	-36	3	890
Net realised investment gains/losses – non-participating business	197	159	88	112	3		559
Net investment result – unit-linked and with-profit business		75		1 366			1 441
Other revenues	13	2	4		75	-82	12
Total revenues	4 256	3 177	1 004	2 064	42	-79	10 464
Expenses							
Claims and claim adjustment expenses	-1 962		-473				-2 435
Life and health benefits		-1 974		-383			-2 357
Return credited to policyholders		-83		-1 369			-1 452
Acquisition costs	-917	-481	-118	-22			-1 538
Operating expenses ²	-297	-190	-183	-91	-84	75	-770
Total expenses before interest expenses	-3 176	-2 728	-774	-1 865	-84	75	-8 552
Income/loss before interest and income tax expense							
	1 080	449	230	199	-42	-4	1 912
Interest expenses ²	-63	-88	-6	-4	-4	4	-161
Income/loss before income tax expense	1 017	361	224	195	-46	0	1 751
Income tax expense/benefit	-204	-72	-57	11	28		-294
Net income/loss before attribution of non-controlling interests	813	289	167	206	-18	0	1 457
Income attributable to non-controlling interests							0
Net income/loss after attribution of non-controlling interests	813	289	167	206	-18	0	1 457
Interest on contingent capital instruments	-5	-12					-17
Net income/loss attributable to common shareholders	808	277	167	206	-18	0	1 440
Claims ratio in %	52.1		53.7				52.4
Expense ratio in %	32.2		34.1				32.6
Combined ratio in %	84.3		87.8				85.0
Management expense ratio in %		6.5					
Net operating margin in %	25.4	14.5	22.9	28.5	-100.0		21.2

¹ The primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

² Letter of credit fees of USD 11 million in Life & Health Reinsurance and USD 3 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

Business segments – income statement

For the three months ended 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	7 008	3 405	804	603		–425	11 395
Net premiums written	6 948	3 081	588	255			10 872
Change in unearned premiums	–2 992	–258	277	–87			–3 060
Premiums earned	3 956	2 823	865	168			7 812
Fee income from policyholders		12		116			128
Net investment income – non-participating business	237	333	36	316	20	–8	934
Net realised investment gains/losses – non-participating business	296	107	–11	305	–5		692
Net investment result – unit-linked and with-profit business		–63		468			405
Other revenues	11	5	2		78	–84	12
Total revenues	4 500	3 217	892	1 373	93	–92	9 983
Expenses							
Claims and claim adjustment expenses	–2 374		–493				–2 867
Life and health benefits		–2 074		–465			–2 539
Return credited to policyholders		60		–410			–350
Acquisition costs	–1 037	–640	–112	16			–1 773
Operating expenses	–280	–165	–177	–108	–92	77	–745
Total expenses before interest expenses	–3 691	–2 819	–782	–967	–92	77	–8 274
Income/loss before interest and income tax expense	809	398	110	406	1	–15	1 709
Interest expenses	–69	–78	–6	–5	–12	15	–155
Income/loss before income tax expense	740	320	104	401	–11	0	1 554
Income tax expense/benefit	–148	–64	–27	–80	8		–311
Net income/loss before attribution of non-controlling interests	592	256	77	321	–3	0	1 243
Income attributable to non-controlling interests			3				3
Net income/loss after attribution of non-controlling interests	592	256	80	321	–3	0	1 246
Interest on contingent capital instruments	–5	–12					–17
Net income/loss attributable to common shareholders	587	244	80	321	–3	0	1 229
Claims ratio in %	60.0		57.0				59.5
Expense ratio in %	33.3		33.4				33.3
Combined ratio in %	93.3		90.4				92.8
Management expense ratio in %		5.2					
Net operating margin in %	18.0	12.1	12.3	44.9	1.1		17.8

Notes to the Group financial statements (unaudited)

Business segments – balance sheet

As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Group items	Consolidation	Total
Assets							
Fixed income securities	32 146	28 850	5 888	15 429	18		82 331
Equity securities	2 231	921	935		700		4 787
Other investments	12 105	1 976	162	1 524	6 077	-6 798	15 046
Short-term investments	3 458	1 052	1 256	588	1 051		7 405
Investments for unit-linked and with-profit business		818		27 423			28 241
Cash and cash equivalents	4 282	280	680	1 586	1 376		8 204
Deferred acquisition costs	2 051	3 020	387	13			5 471
Acquired present value of future profits		1 134		1 830			2 964
Reinsurance recoverable	2 872	1 652	6 438	1 069		-5 453	6 578
Other reinsurance assets	8 879	7 876	2 296	3 766	3	-1 241	21 579
Goodwill	1 873	1 883	106				3 862
Other	8 279	5 849	917	1 208	397	-6 983	9 667
Total assets	78 176	55 311	19 065	54 436	9 622	-20 475	196 135
Liabilities							
Unpaid claims and claim adjustment expenses	39 366	9 468	10 619	1 380		-5 315	55 518
Liabilities for life and health policy benefits		15 472	257	14 409		-7	30 131
Policyholder account balances		1 368		30 187		-133	31 422
Other reinsurance liabilities	10 597	2 202	4 178	785	3	-1 648	16 117
Short-term debt	1 001	2 612			515	-2 294	1 834
Long-term debt	4 074	8 770	496	808		-3 170	10 978
Other	9 799	8 871	1 187	1 925	2 652	-7 905	16 529
Total liabilities	64 837	48 763	16 737	49 494	3 170	-20 472	162 529
Shareholders' equity	13 316	6 548	2 262	4 942	6 452	-3	33 517
Non-controlling interests	23		66				89
Total equity	13 339	6 548	2 328	4 942	6 452	-3	33 606
Total liabilities and equity	78 176	55 311	19 065	54 436	9 622	-20 475	196 135

¹ The primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

Business segments – balance sheet

As of 31 March

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	34 029	31 496	5 590	26 805	16		97 936
Equity securities	1 914	937	911	1	593		4 356
Other investments	13 987	2 121	270	3 405	5 296	-6 974	18 105
Short-term investments	3 513	1 549	1 322	1 298	508		8 190
Investments for unit-linked and with-profit business		628		34 301			34 929
Cash and cash equivalents	5 159	497	936	4 310	243		11 145
Deferred acquisition costs	2 569	3 219	379	19			6 186
Acquired present value of future profits		1 105		1 189			2 294
Reinsurance recoverable	2 829	1 637	6 311	2 679		-5 189	8 267
Other reinsurance assets	11 606	7 729	2 209	4 160	3	-1 329	24 378
Goodwill	1 906	1 890	175	151			4 122
Other	10 167	4 668	1 249	2 057	3 879	-10 442	11 578
Total assets	87 679	57 476	19 352	80 375	10 538	-23 934	231 486
Liabilities							
Unpaid claims and claim adjustment expenses	40 311	10 365	10 672	1 509		-5 173	57 684
Liabilities for life and health policy benefits		15 901	260	30 137		-17	46 281
Policyholder account balances		1 411		35 391			36 802
Other reinsurance liabilities	13 866	2 565	3 984	1 280	3	-1 901	19 797
Short-term debt	752	1 818		791	505	-1 485	2 381
Long-term debt	4 111	9 601	496	788	61	-4 071	10 986
Other	16 578	8 750	1 411	3 305	2 776	-11 284	21 536
Total liabilities	75 618	50 411	16 823	73 201	3 345	-23 931	195 467
Shareholders' equity	12 038	7 065	2 462	7 174	7 193	-3	35 929
Non-controlling interests	23		67				90
Total equity	12 061	7 065	2 529	7 174	7 193	-3	36 019
Total liabilities and equity	87 679	57 476	19 352	80 375	10 538	-23 934	231 486

b) Property & Casualty Reinsurance business segment – by line of business

For the three months ended 31 March

2015					
USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	2 844	2 220	1 136		6 200
Net premiums written	2 814	2 215	1 099		6 128
Change in unearned premiums	-1 295	-562	-504		-2 361
Premiums earned	1 519	1 653	595		3 767
Net investment income				279	279
Net realised investment gains/losses				197	197
Other revenues				13	13
Total revenues	1 519	1 653	595	489	4 256
Expenses					
Claims and claim adjustment expenses	-654	-1 072	-236		-1 962
Acquisition costs	-290	-493	-134		-917
Operating expenses ¹	-166	-94	-37		-297
Total expenses before interest expenses	-1 110	-1 659	-407	0	-3 176
Income/loss before interest and income tax expense	409	-6	188	489	1 080
Interest expenses ¹				-63	-63
Income/loss before income tax expense	409	-6	188	426	1 017
Claims ratio in %	43.1	64.9	39.7		52.1
Expense ratio in %	30.0	35.5	28.7		32.2
Combined ratio in %	73.1	100.4	68.4		84.3

¹ Letter of credit fees of USD 3 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".

Property & Casualty Reinsurance business segment – by line of business

For the three months ended 31 March

2016

USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	2 651	3 255	1 102		7 008
Net premiums written	2 599	3 251	1 098		6 948
Change in unearned premiums	-1 067	-1 427	-498		-2 992
Premiums earned	1 532	1 824	600		3 956
Net investment income				237	237
Net realised investment gains/losses				296	296
Other revenues				11	11
Total revenues	1 532	1 824	600	544	4 500
Expenses					
Claims and claim adjustment expenses	-754	-1 331	-289		-2 374
Acquisition costs	-331	-570	-136		-1 037
Operating expenses	-155	-90	-35		-280
Total expenses before interest expenses	-1 240	-1 991	-460	0	-3 691
Income/loss before interest and income tax expense	292	-167	140	544	809
Interest expenses				-69	-69
Income/loss before income tax expense	292	-167	140	475	740
Claims ratio in %	49.2	73.0	48.2		60.0
Expense ratio in %	31.7	36.2	28.5		33.3
Combined ratio in %	80.9	109.2	76.7		93.3

c) Life & Health Reinsurance business segment – by line of business

For the three months ended 31 March

2015				
USD millions	Life	Health	Unallocated	Total ¹
Revenues				
Gross premium written	2 045	1 056		3 101
Net premiums written	1 745	1 034		2 779
Change in unearned premiums	-52	-135		-187
Premiums earned	1 693	899		2 592
Fee income from policyholders	15			15
Net investment income – non-participating business	216	118		334
Net realised investment gains/losses – non-participating business	10	-1	150	159
Net investment result – unit-linked and with-profit business	75			75
Other revenues	2			2
Total revenues	2 011	1 016	150	3 177
Expenses				
Life and health benefits	-1 324	-650		-1 974
Return credited to policyholders	-83			-83
Acquisition costs	-305	-176		-481
Operating expenses ²	-140	-50		-190
Total expenses before interest expenses	-1 852	-876	0	-2 728
Income before interest and income tax expense	159	140	150	449
Interest expenses ²			-88	-88
Income before income tax expense	159	140	62	361
Management expense ratio in %	7.3	4.9		6.5
Net operating margin ³ in %	8.2	13.8		14.5

¹ The primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment.² Letter of credit fees of USD 11 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".³ Net operating margin is calculated as income/loss before interest and income tax expense divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the three months ended 31 March

2016				
USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premium written	2 237	1 168		3 405
Net premiums written	1 935	1 146		3 081
Change in unearned premiums	-63	-195		-258
Premiums earned	1 872	951		2 823
Fee income from policyholders	12			12
Net investment income – non-participating business	218	115		333
Net realised investment gains/losses – non-participating business			107	107
Net investment result – unit-linked and with-profit business	-63			-63
Other revenues	5			5
Total revenues	2 044	1 066	107	3 217
Expenses				
Life and health benefits	-1 385	-689		-2 074
Return credited to policyholders	60			60
Acquisition costs	-451	-189		-640
Operating expenses	-116	-49		-165
Total expenses before interest expenses	-1 892	-927	0	-2 819
Income before interest and income tax expense	152	139	107	398
Interest expenses			-78	-78
Income before income tax expense	152	139	29	320
Management expense ratio in %	5.5	4.6		5.2
Net operating margin ¹ in %	7.2	13.0		12.1

¹ Net operating margin is calculated as income/loss before interest and income tax expense divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 31 March

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance ¹	Corporate Solutions	Life Capital ¹	Total
Premiums earned, thereof:					
Direct		10	704	298	1 012
Reinsurance	3 823	2 757	201	34	6 815
Intra-group transactions (assumed and ceded)	-2	148	2	-148	0
Premiums earned before retrocession to external parties					
	3 821	2 915	907	184	7 827
Retrocession to external parties	-54	-323	-25	-12	-414
Net premiums earned	3 767	2 592	882	172	7 413
Fee income from policyholders, thereof:					
Direct				110	110
Reinsurance		15		24	39
Net fee income	0	15	0	134	149

¹ As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been restated accordingly.

12 Variable interest entities

The adoption of ASU 2015-2 as of 1 January 2016 led to an increase in the number of variable interest entities (VIEs), mainly due to the evaluation of partnerships and investment funds.

The Group enters into arrangements with VIEs in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise primarily as a result of the Group's involvements in certain insurance-linked securitisations, life and health funding transactions, swaps in trusts, debt financing, investment, senior commercial mortgage and infrastructure loans as well as other entities, which meet the definition of a VIE.

When analysing whether the entity is a VIE, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity.

When one of these criteria is not met, the entity is considered a VIE and is assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called a primary beneficiary and consolidates the VIE. The party is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb the entity's losses that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

For all its variable interests in VIEs, the Group assesses whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. The Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. Additionally, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

The Group monitors changes to the facts and circumstances of the existing involvements with legal entities to determine whether they require reconsideration of the entity's designation as a VIE or voting interest entity. For VIEs, the Group reassesses regularly the primary beneficiary determination.

Insurance-linked securitisations

The insurance-linked securitisations transfer pre-existing insurance risk to investors through the issuance of insurance-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. The securitisation vehicle generally retains the issuance proceeds as collateral, which consists of investment-grade securities. The Group does not have potentially significant variable interest in these vehicles and therefore is not a primary beneficiary.

Typically, the variable interests held by the Group arise through ownership of insurance-linked securities, in which case the Group's maximum loss equals the principal amount of the securities held by the Group.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a separate funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract with a funding vehicle, which represents a potentially significant variable interest in the funding vehicle. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or outstanding balance of the funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides interest rate and foreign exchange risk hedges to certain asset securitisation trusts which qualify as VIEs. As the Group's involvement is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles

The Group consolidates a debt-financing vehicle created to collateralise reinsurance coverage provided by the Group. The Group manages the asset portfolio in the vehicle and absorbs the variability of the investment return of the vehicle's portfolio thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and significant economic interest.

As part of a broader run-off transaction, the Group holds equity in and borrows funds from a VIE. The assets held by the VIE consist primarily of investment grade securities and the majority of their returns is absorbed by a third party, minimising the Group's maximum exposure. The Group is not a primary beneficiary of the VIE, because it does not have power over most significant activities of the VIE and its interests are not potentially significant.

Investment vehicles

The ASU 2015-2 implementation resulted in consolidation by the Group of the following two structured investment vehicles that are VIEs:

- Real estate investment entity, which holds real estate backing annuities business. The Group is its primary beneficiary, because it has both power over the entity's investment decisions, as well as a significant variable interest in the entity.
- Investment entity, which was acquired through the Guardian acquisition, primarily holding loans and structured securities, where the Group holds the entire variable interest and participated in the entity's formation. As the contractual termination of the Group's interests in the vehicle will take place in 2016, the loans are classified as held for sale in the Group's consolidated balance sheet. The securities are classified as trading.

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs under ASU 2015-2, because the limited partners as a group lack kick-out or participating rights. The Group does not hold the general partner interest in the limited partnerships and therefore does not direct investment activities of the entity. Therefore, the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the investment vehicles decrease. The Group's maximum exposure to loss equals the Group's share of the investment.

The Group is a passive investor in structured securitisation vehicles issuing residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) and other asset-backed securities (ABS). The Group's investments in RMBS, CMBS and other ABS are passive in nature and do not obligate the Group to provide any financial or other support to the issuer entities. By design, RMBS, CMBS and ABS securitisation entities are not adequately capitalised and therefore considered VIEs. The Group is not the primary beneficiary, because it does not have power to direct most significant activities. These investments are accounted for as available-for-sale as described in the investment note 6 and are not included in the tables below.

The Group consolidates an investment vehicle, because the Group holds the entire interest in the entity and makes investment decisions related to the entity. The investment vehicle is a VIE under ASU 2015-2, because it is structured as an umbrella company comprised of multiple sub-funds. The majority of the investments held in this vehicle are accounted for as available-for-sale and are disclosed in the investment note 6 and not included in the tables below.

Investment vehicles (unit-linked business)

Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, it never has power over the fund's investment decisions, or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is borne by the policyholder.

Senior commercial mortgage and infrastructure loans

The Group also invests in structured commercial mortgage and infrastructure loans, which are held for investment.

The commercial mortgage loans are made to non-recourse special purpose entities collateralised with commercial real estate. The entities are adequately capitalised and generally structured as voting interest entities. Occasionally, the borrower entities can be structured as limited partnerships where the limited partners do not have kick-out or participating rights, which results in the VIE designation.

The infrastructure loans are made to non-recourse special purpose entities collateralised with infrastructure project assets. Some borrower entities may have insufficient equity investment at risk, which results in the VIE designation.

The Group does not have power over the activities most significant to the aforementioned borrower entities designated as VIEs and therefore does not consolidate them.

The Group's maximum exposure to loss from its investments equals the loan outstanding amount.

Other

The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2016 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to the VIEs of which the Group is the primary beneficiary as of 31 December 2015 and 31 March 2016:

USD millions	2015	2016
Fixed income securities:		
Available-for-sale	3 876	4 092
Trading		69
Equity securities available-for-sale		1
Policy loans, mortgages and other loans		109
Investment real estate		265
Short-term investments	88	257
Other invested assets	26	2
Cash and cash equivalents	147	485
Accrued investment income	42	53
Premiums and other receivables	34	48
Deferred acquisition costs	9	12
Deferred tax assets	38	47
Other assets	8	224
Total assets	4 268	5 664
Unpaid claims and claim adjustment expenses	53	67
Liabilities for life and health policy benefits		2
Unearned premiums	26	32
Reinsurance balances payable	2	13
Deferred and other non-current tax liabilities	96	145
Accrued expenses and other liabilities	17	279
Long-term debt	2 720	2 667
Total liabilities	2 914	3 205

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors' ownership liquidation requests. There is no recourse to the Group for the consolidated VIEs' liabilities. The assets of the consolidated VIEs are not available to the Group's creditors.

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 31 March 2016:

USD millions	2015	2016
Fixed income securities available-for-sale	52	382
Equity securities available-for-sale		571
Policy loans, mortgages and other loans	1	808
Other invested assets	1 706	2 751
Investments for unit-linked and with-profit business		8 782
Other assets		1
Total assets	1 759	13 295
Accrued expenses and other liabilities	45	66
Total liabilities	45	66

The following table shows the Group's assets, liabilities representing variable interests and maximum exposure to loss related to the VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2015 and 31 March 2016:

USD millions	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities
				2015				2016
Insurance-linked securitisations	52		52	52	294		294	294
Life and health funding vehicles	2	1	1 777	1 776	3	1	1 804	1 803
Swaps in trusts	146	44	— ²	—	108	65	— ²	—
Debt financing	361		27	27	355		26	26
Investment vehicles	1 009		1 011	1 011	2 863		2 864	2 864
Investment vehicles for unit-linked and with-profit business					8 782		—	—
Commercial mortgage / infrastructure loans					890		890	890
Other	189		189	189				
Total	1 759	45	—	—	13 295	66	—	—

¹ Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

² The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts.

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