Swiss Re

2009 Annual Report
Building on our strengths

Sharing potential loss exposure
Public-private partnerships can help protect against the financial impact of large catastrophes. Reinsurers provide capacity, taking on some of the risks that would otherwise burden urban society.

Population growth
Urbanisation offers opportunities to manage risk in locations of high population and infrastructure concentration. By focusing on the risks we understand best, we enable the risk-taking that is essential to urban environments.

Rising sea levels
Coastal flooding affects property and infrastructure, displacing people and economic activity. Swiss Re's collaboration with scientists to quantify the effects of climate change on coastal flood damage extends our expertise in measuring loss.

Cities are complex environments, with many interconnected, cumulative and uninsured risks that an ever-growing urban population faces.

Key information

Premiums earned
(CHF millions)

09	24 606
08	25 501
07	31 664
06	29 515
05	26 891

Net income
(CHF millions)

09	506
08	– 864
07	4 162
06	4 560
05	2 304

Return on equity

09	2,3%
08	– 3,4%
07	13,5%
06	16,3%
05	10,3%

Shareholders' equity
(CHF millions)

09	26 201
08	20 453
07	31 867
06	30 884
05	24 393

Shareholders' equity
(CHF billions)

26.2

(2008: CHF 20.5 billion)

Share performance

in %	2004 – 12.02.2010 (p.a.)
Swiss Re	–9.9
Swiss Market Index	2.6
Dow Jones STOXX 600 Insurance	–3.2

Net premiums earned and fee income by region
(Total earned CHF 25.5 billion)

48.6 %
Americas: CHF 12.4 billion

40.4 %
Europe: CHF 10.3 billion
(including Middle East and Africa)

11.0 %
Asia-Pacific: CHF 2.8 billion

Financial highlights
For the twelve months ended 31 Decemb

CHF millions, unless otherwise stated
Property & Casualty
Premiums earned
Combined ratio, traditional business in %
Life & Health
Premiums earned
Benefit ratio in %
Asset Management
Operating income
Return on investments in %
Legacy
Operating income/loss
Group
Premiums earned
Net income/loss attributable to common sha
Earnings per share in CHF
Shareholders' equity
Return on equity[1] in %
Number of employees[2]

[1] Return on equity is calculated by dividing annualised r by average common shareholders' equity.
[2] Regular staff.

Premiums earned
(CHF billions)

24.6

(2008: CHF 25.5 billion)

2009		
–0.8		
18.3		
12.6		

Financial strength rating

Standard & Poor's	Moody's	A. M. Best
A+	A1	A
stable	negative	stable

per

	2008	2009	Change in %
	14 379	**13 885**	–3
	97.9	**88.3**	–
	11 090	**10 679**	–4
	85.5	**82.4**	–
	5 912	**3 898**	–34
	4.7	**1.8**	–
	–5 890	**139**	–
	25 501	**24 606**	–4
reholders	–864	**506**	–
	–2.61	**1.49**	–
	20 453	**26 201**	28
	–3.4	**2.3**	–
	11 560	**10 552**	–9

net income attributable to common shareholders

- Full-year 2009 net income of CHF 506 million; earnings per share of CHF 1.49
- Shareholders' equity increased significantly by CHF 5.7 billion to CHF 26.2 billion
- Proposed dividend: CHF 1.00 per share
- Strong performance of core business
- Good progress in de-risking Legacy and Asset Management
- Capital strength fully restored; over CHF 9 billion excess capital to AA requirement estimated as of 31 December 2009

Who we are

Swiss Re is a leading and highly diversified global (re)insurance company. We deliver both traditional and innovative offerings in Property & Casualty and Life & Health that meet our clients' needs. A pioneer in insurance-based capital market solutions, we combine financial strength and unparalleled expertise for the benefit of our clients.

Letter to shareholders

In 2009, we took every step necessary to restore Swiss Re's reputation and to regain our position as the leading innovator in the industry

Dear shareholders

The challenges Swiss Re faced in the early part of 2009 are well known. The impact of the decisions we made on asset allocation in 2007 and 2008 as well as the problems that resulted from developing activities that were too far from our core business obscured the outstanding performance of our Property & Casualty and Life & Health businesses over the same period.

Undoubtedly, this resulted in a crisis of confidence for all of our stakeholders, and ultimately in the loss of our AA rating. This prompted concerns over Swiss Re's client franchise and capital adequacy, as well as over potential future losses from our asset exposures.

In our first year as Chairman and CEO, we committed to focus our activities on the core business. We strove to regain capital strength by de-risking assets on our balance sheet and exiting non-core business activities. We also promised to achieve significant cost reductions by gaining economies of scale in support functions while advancing our client franchise. It was critical that we took every step necessary to restore Swiss Re's reputation and to regain our position as the leading innovator in the industry.

Where we stand today

We set out to build on our traditional strengths in 2009, and can be proud of what we have achieved. First, we have fully restored our capital position. Second, we have significantly and successfully de-risked and strengthened the balance sheet. And third, we have maintained the strong earnings power of our core business through underwriting profitability and strict cost discipline. This strong record of achievement for the year has enabled us to support our clients and to generate value for our shareholders.

Walter B. Kielholz

Stefan Lippe

Capital strength restored
The measures we have taken to rebuild our capital base have proven to be very effective. In 2009, our capital position improved steadily quarter by quarter. At year end, estimated excess capital at AA level was more than CHF 9 billion. This means we are on schedule to meet our goal of redeeming the CHF 3 billion convertible perpetual capital instrument (CPCI) issued to Berkshire Hathaway.

This regained capital strength not only increases confidence about our ability to redeem the CPCI but also provides the necessary flexibility to grow the business when market conditions allow. We are well positioned to support our clients with traditional reinsurance products and Admin Re® capital relief transactions should the insurance industry go through a period of consolidation or need to improve solvency, ahead of the change to economic models such as Solvency II.

Strong client franchise demonstrated
Our relationships with our clients are at the heart of our ability to create value for shareholders. The renewals in 2009 and our ability to maintain our market position demonstrate the strength of these relationships.

We were careful to engage in an early dialogue with our clients over the decision to reduce business that fell short of our profitability targets. The fact that we were able to maintain premium income and significantly increase operating profit in 2009 clearly demonstrates that our clients have remained loyal and that we continued to meet their needs.

Our drive for innovation continues to underpin our client orientation and strong reputation. In 2009, we were the first reinsurer to provide longevity risk protection to a public pension fund in the UK and the first to combine earthquake and hurricane risk based on parametric triggers in an insurance-linked securitisation for the Mexican government. We also entered into a public-private partnership with a municipal government body in China to protect agricultural production against natural catastrophe events. We further strengthened our position in Sharia compliant insurance through the establishment of a dedicated Retakaful operation in Kuala Lumpur in October 2009.

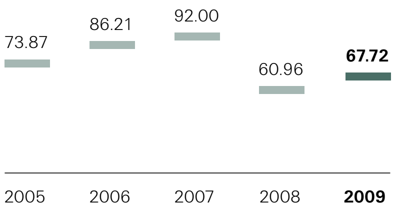
Legacy issues substantially reduced
In Legacy, we succeeded in significantly reducing risk without impairing Swiss Re's capital position. We terminated substantially all of the exposures in the Portfolio CDS and selectively sold assets

Letter to shareholders

Our underwriting performance, our ability to innovate, and our ability to provide the capacity to conduct large transactions: these are the strengths on which we build our competitive advantage

Book value

Per common share (CHF), as of 31 December



from the Structured CDS. We also commuted the majority of Financial Guarantee Re business. We continue to actively manage the remaining positions and expect to achieve a further significant reduction in 2010.

De-risking significantly progressed

In Asset Management, we reduced our exposure to private equity, hedge funds and securitised products. We increased the allocation to government securities and reduced our corporate credit hedging, increasing our exposure to high grade corporate bonds in the third quarter of 2009. We will continue to adjust our hedging programme as credit market conditions stabilise.

Our de-risking was not limited to Asset Management and, as part of our priority to focus on core business, we reduced our exposure in Credit & Surety. In Life & Health, we discontinued writing variable annuity business and we also re-priced US Life "XXX" business.

Taking all of these steps together, we have more than achieved our target to internally generate CHF 1 billion in capital savings.

Cost efficiency programme ahead of plan

We are well on track towards achieving a reduction in the Group's running costs of CHF 400 million by the end of 2010. As of the end of 2009, net savings, after restructuring costs, were CHF 205 million, well above the original target of CHF 100 million for the year.

Strong core business results driven by focus on profitability

The Group returned to profit in 2009, reporting net income of CHF 506 million, compared to a loss of CHF 864 million in the prior year. Our shareholders' equity also rose substantially to CHF 26.2 billion, compared to CHF 20.5 billion at the end of 2008, an increase of CHF 5.7 billion. This was partly driven by the capital injection from Berkshire Hathaway, but the underlying economic improvement is far more substantial and is masked by rising interest rates that reduced the value of our government bond holdings by CHF 4 billion.

Our Property & Casualty unit achieved excellent technical results despite continued pressure on rates. Disciplined underwriting, supported by lower natural catastrophe claims compared to 2008, resulted in operating income of CHF 3.8 billion and a combined ratio of 88.3%.

Life & Health also demonstrated strong underwriting performance, reporting operating income of CHF 0.7 billion and a benefit ratio of 82.4%. Improvement in the financial markets, favourable mortality experience as well as the positive outcome of an arbitration were partially offset by unfavourable results from the discontinued variable annuity business.

Asset Management achieved a return on investments of 1.8%. Total return on investments was 2.3%. As liquidity returned to the financial markets in the second half of 2009, we started to optimise our asset allocation and adjust our hedging programme. For the full year, the hedges on corporate bonds had a negative mark-to-market impact of CHF 1.9 billion, but were more than offset by a market value increase of CHF 2.6 billion in the underlying asset values reflected in shareholders' equity.

Given the regained capital strength of the Group, we propose to increase the dividend to CHF 1.00. This is the first step in returning to normal dividend policy.

Outlook

With our regained capital strength, the quality of our insurance portfolio and our track record of cycle management, we were well equipped for the January 2010 non-life treaty renewals. For 2010, we expect non-life treaty business to be better priced than in 2009, and a Property & Casualty combined ratio of 93%.

The strong fundamentals of our business and Swiss Re's restored capital strength put us in a leading position to respond to clients' needs and current market trends. Few reinsurers can match the size and diversification of our portfolio. Fewer still can match our underwriting performance, our ability to innovate, and our ability to provide the capacity to conduct large transactions. It is on these strengths that we build our competitive advantage.

In particular, innovation will continue to be a very important part of our culture, combined with a clear focus on risk management.

Having made considerable progress in the past year, we believe now is an appropriate time to re-establish targets. We aim to achieve a return on equity of 12% over the cycle. This target reflects the lower yield environment and the shift in Swiss Re's asset portfolio towards lower-risk and shorter duration assets. There is still work to be done in 2010, including the continuing optimisation of the investment portfolio and the further unwinding of the remaining Legacy positions. We expect this process to be largely completed in the course of the year.

Acknowledgements

Effective 1 May 2009, the Board of Directors appointed Agostino Galvagni as Chief Operating Officer and Member of the Executive Committee to support our efforts in building a leaner and more efficient organisation. Agostino's focus on delivering results has already proven instrumental in improving our cost efficiency and in reshaping our global office network to further improve our client servicing capabilities.

The fact that we were able to reinforce our strong reputation in the market in such a short period is thanks to the dedication, the skills and the expertise of our employees. The past year has required an enormous amount of flexibility and stamina on their part. They have met this challenge, applying their talent to position Swiss Re as an innovation leader. We truly appreciate their efforts.

We also thank our clients, who have remained loyal to us. We are confident that innovation and increased client focus will not only create value for them but also drive the earnings power in the current year and achieve attractive returns for you, our shareholders.

Zurich, 18 February 2010

Walter B. Kielholz
Chairman of the
Board of Directors

Stefan Lippe
Chief Executive Officer

Staying on course
Offshore construction projects require huge investments. Financing increasingly depends on guaranteed future earnings used to repay loans. Investors seek (re)insurance protection against material damage and its financial consequences, enabling revenues to be generated on schedule.

Safe arrival
A comprehensive view of the stakeholders involved in offshore projects is key to efficient transportation and logistics. Our marine reinsurance experts analyse the suitability of transport routes, methods and schedules, focusing on safety and loss prevention.

New technologies in renewable energy projects create special challenges for reinsurers. The complexity of offshore wind power technology requires extensive risk assessment. We are able to provide comprehensive reinsurance solutions that are tailored to individual project needs.

Weather windows
High waves and winds create changing risk scenarios for offshore environments. We have the expertise to evaluate engineering, marine and natural catastrophe risks to deliver solutions that protect the viability of complex projects.

Pandemic preparedness
Sophisticated epidemiological modelling lets us assess the capital our clients and we need to withstand the mortality shock of a pandemic.

Focusing on mortality, longevity and selected health reinsurance programmes, we share in the risks undertaken by writers of individual and group insurance cover in all major life insurance markets to help manage their exposures and capital efficiently.

Rising life expectancies
We recently extended our service to help clients manage their longevity exposure, concluding several longevity swap transactions in the UK and Australia.

Measuring risk
Our medical experts and actuaries gauge the health risks from rising obesity rates. Their analyses guide our medical underwriting practice, available to clients in *LifeGuide,* Swiss Re's Life and Health Underwriting Manual.

Changing weather patterns
Low yields from adverse weather can be mitigated through index insurance products that pay farmers directly after they are hit.

Farmers face financial risks from weather, pests, diseases and commodity prices. Reinsurance gives them the back-up to cope with agriculture's many uncertainties – and prepare for a new harvest.

Building robust communities
Any nation, developed or developing, needs to take a holistic view of the risks facing its agriculture sector. Public-private partnerships covering multiple perils, from floods to epidemics, can help make rural communities more resilient.

Volatile yields, volatile prices
No matter how plentiful the crop, farmers can never be sure of market prices. We back farmers' insurers with crop shortfall and commodity-price covers to cushion the impact of volatility.

The reinsurance model

Reinsurance creates stability. By managing risks and covering losses, reinsurers protect investments and enable economic growth. As a leading global reinsurer, Swiss Re has the diversification and capacity to provide companies with innovative (re)insurance and capital market solutions.

What makes (re)insurance unique

Creates incentives for risk-adequate behaviour
By selecting and putting a price tag on risks, (re)insurers act as an early warning system and create incentives for risk-adequate behaviour.

Fosters economic progress
By sharing risks, (re)insurers protect investments and stabilise balance sheets, enabling companies to grow.

Simplified business model

Swiss Re's expertise

We provide tailor-made solutions through traditional reinsurance or insurance-based capital market instruments. At the core of our expertise is the costing, pricing and diversification of non-life and life risks.

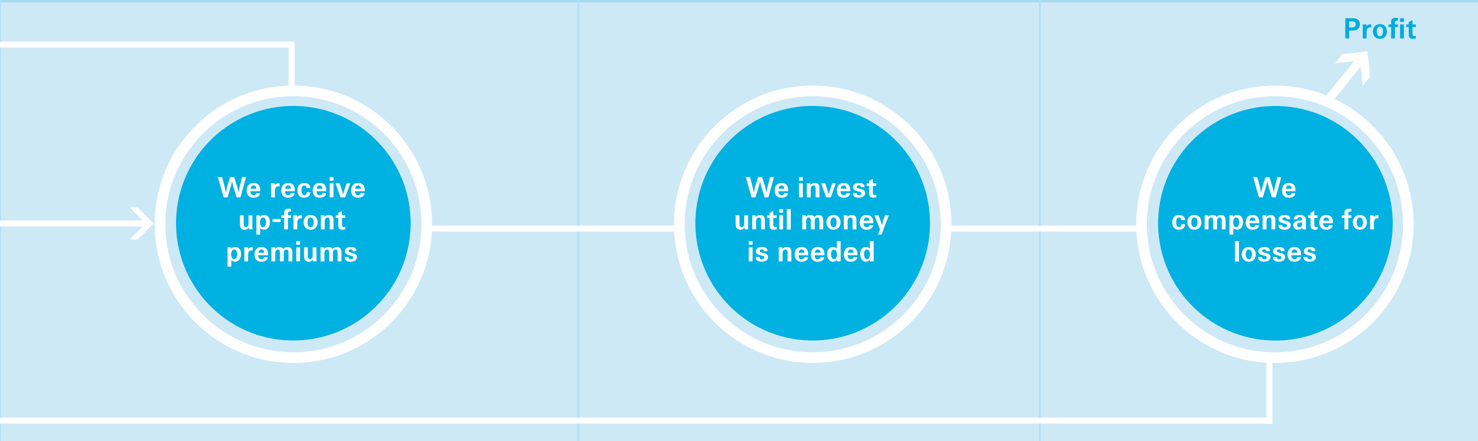
We enable our clients to:

- reduce peak risks
- reduce earnings volatility
- free up capital and finance growth
- achieve capital management targets for solvency and ratings

Based on resilient funding model
(Re)insurers' business activities are funded by up-front premium payments, and therefore do not rely on short-term funding.

Invests long-term
(Re)insurers can hold assets until maturity and are less affected by short-term market fluctuations.

Diversifies risks
Claims payouts are triggered by hazardous events, which are typically uncorrelated with each other and financial market events.



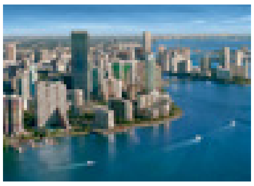
We constantly monitor the risk landscape to develop innovative solutions that address our clients' needs.

We apply asset-liability matching techniques to align the duration and currency of invested assets to the duration and currency of our insurance liabilities, ensuring that we deliver on our promises to our clients.

We have effective claims management procedures in place that are based on industry best practice, providing speed of payment when clients need us most.

Our business

Swiss Re has a strong reputation in innovative (re)insurance and risk management solutions. We provide wholesale (re)insurance products, insurance-based capital market instruments, and supplementary risk management services to Property & Casualty and Life & Health clients and brokers around the globe.

	Segment	Activities
	Property & Casualty	We provide traditional reinsurance as well as insurance for corporate clients. Combining global expertise and local knowledge, we provide clients with financially sound risk transfer solutions in all lines of business.
	Life & Health	We are the leading provider of reinsurance to life insurance companies worldwide. With specialist knowledge of mortality and morbidity trends, we support clients with sustainable, pragmatic solutions. We also acquire closed life and health books of business which we administer through Admin Re®.
	Asset Management	We manage the assets Swiss Re generates through its business activities. Our Asset Management division sets the Group's investment strategy, ensuring that assets match our reinsurance liabilities while generating optimal investment returns.
	Swiss Re total (including Legacy)	

Net premiums earned and fee income CHF millions	Assets under management CHF millions	Performance	Further information
13 885 (2008: CHF 14 379 million)		88.3 % Combined ratio (2008: 97.9%)	50 See **Financial year** 203 See **Financial statements**
11 595 (2008: CHF 11 898 million)		82.4 % Benefit ratio (2008: 85.5%)	56 See **Financial year** 204 See **Financial statements**
	154 080 (2008: CHF 150 618 million)	1.8 % Return on investments (2008: 4.7%)	61 See **Financial year** 206 See **Financial statements**
25 522 (2008: CHF 25 501 million)	159 288 (2008: CHF 160 244 million)		46 See **Financial year** 202 See **Financial statements**

Our priorities in 2009

To serve our clients and create shareholder value in a competitive market, we focus on our core business, while ensuring capital strength and making sure the company is fit to compete. In other words: we are building on our strengths.

Priorities	Objectives for 2009 – 2010	Progress made in 2009
Focus on the core	Free up capital from business which does not meet our profitability target, and re-deploy for the highest returns Manage assets within a strong asset-liability-management framework Generate capital saving of CHF 1 billion by the end of the first quarter of 2010	▪ reduced exposure in Credit & Surety, Casualty, and Directors' & Officers' (D & O) liability insurance ▪ exited variable annuity business ▪ repriced US regulation "XXX" life business ▪ discontinued third-party asset management activities
Ensure capital strength	Generate sufficient organic capital to avoid the potential dilution of our existing shareholders' capital De-risk our assets in Asset Management and Legacy	▪ substantially reduced risk in our balance sheet by selling selected assets, particularly in private equity, hedge funds and securitised products ▪ terminated almost all of our Financial Guarantee Re insurance exposures and substantially reduced other Legacy risks
Fit to compete	Create a lean and efficient organisation through worldwide office consolidation and streamlined processes Net reduction in expenses of CHF 100 million in 2009 (after restructuring charges); and total reduction in expenses run-rate of CHF 400 million by 2010 (relative to 2008)	▪ optimised Client Service Offices that are focused on servicing markets and relocated support functions ▪ concentrated expertise and support functions in Global Offices, regional Hubs and low cost Global Shared Service Centres

Performance in 2009

- expanded our Property business, in particular natural catastrophe reinsurance
- closed several longevity risk transactions in the UK and Australia which hedge our exposure to mortality risk

>1

Capital saving
in CHF billions

- generated retained earnings of CHF 1 billion
- sold our third-party asset management subsidiary Conning & Company

>9

Estimated excess capital at AA level
in CHF billions

- outsourced management of our credit and non-agency securitised products portfolio
- closed 14 offices and reduced staff by 4% year-on-year (9% including sale of subsidiaries)

205

Net reduction in expenses
in CHF millions
(additional CHF 100 million on full year basis including sale of subsidiaries)

We have delivered on our promises: Our capital strength is restored, exposures in Legacy have been significantly reduced, and our cost efficiency programme is ahead of plan

Market dynamics

Natural catastrophe losses*

In USD billions:
- 13.5 Storms
- 4.2 Hail
- 1.7 Flood
- 3.0 Other

*Source: Swiss Re, sigma 1/2010

Man-made disasters*

In USD billions:
- 1.6 Fire, explosion
- 0.8 Aviation
- 1.4 Maritime
- 0.1 Other

Though the insurance industry suffered sharp declines in asset values in 2008 and the first half of 2009, it recouped large parts of its unrealised losses by the end of 2009

Despite the scale of the financial crisis, the insurance and reinsurance industries performed as expected, meeting claims obligations fully and without delay.

Reinsurance offered an alternative source of capital when primary insurers could no longer raise funding through the capital markets. Large quota share treaties became a cost effective option for insurers to improve their capital situation rapidly.

Recession and low interest rates challenge profitability

During the first quarter of 2009, insurance companies continued to suffer declines in asset values, causing an additional drain on shareholders' capital. As financial markets recovered through the remainder of the year, companies were able to recoup large parts of the unrealised asset and capital losses by the end of 2009.

This market environment posed a twofold challenge to industry profitability. The severe recession in the first half of 2009 reduced demand for insurance, while the historically low interest rate environment prevented making up for lower premium income with higher investment returns.

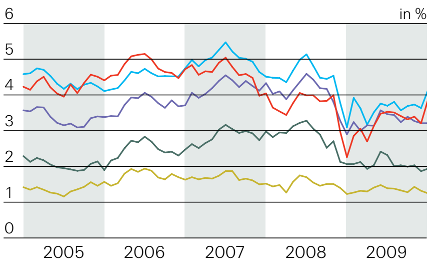
Competition remained strong, and primary insurers struggled to enforce rate increases while their clients were battling recessionary market conditions.

Although insurers bolstered their capital base, optimistic reserving practices and releasing of reserves to shore up profits in recent years could produce adverse results in the near future, reducing profitability and weakening balance sheets.

Reinsurers grow moderately and benefit from benign hurricane season

The fall in premiums was not as marked for reinsurers because several primary insurers under pressure for capital sought reinsurance relief. Life reinsurance premiums also continued to grow, despite the drop in demand for primary life products. This is because reinsurance primarily covers mortality and disability risks, which are less sensitive to capital market returns than the savings products offered by primary insurers.

Interest rates for ten-year government bonds 2005–2009
Source: Datastream



- United States
- United Kingdom
- Eurozone
- Japan
- Switzerland

Non-life reinsurance profited from a benign hurricane season, despite costly winter storms in the US, France, and Spain, summer hailstorms in Switzerland and Austria, as well as devastating typhoons in South East Asia. These storms generated total industry losses of more than USD 9 billion.

Regulatory responses to the crisis
The financial crisis prompted calls for regulatory reforms in Europe and the US. The EU introduced a new supervisory system that establishes "macro-prudential" supervision through the European Systemic Risk Board (ESRB). Proposals for a similar system and the creation of a national insurance office are being discussed in the US Congress. These reforms are designed to make the financial system more resilient by identifying risks to financial stability and making recommendations on potential sources of systemic risk.

In May 2009, the European Parliament adopted the Solvency II framework Directive. The Directive will improve risk management in the insurance industry, since it is based on economic principles that more accurately reflect the risks borne by insurers and reinsurers than did the old, statutory framework. Solvency II is expected to become fully operational by October 2012.

40 See **Financial year**

Global GDP growth 2009
Source: World Economic Outlook 2009, IMF

–0.8%

Advanced economies: –3.2%
Emerging and developing economies: 2.1%

Estimated global real insurance premium growth 2009
Source: Swiss Re Economic Research & Consulting

Non-life:

0%

Life:

–3%

Expected growth drivers in 2010

Emerging markets likely to expand non-life premiums	Increased government spending on infrastructure projects, particularly in Asia, should support property and engineering reinsurance demand.
Traditional life reinsurance demand to remain elevated	Life insurers' recapitalisation efforts will continue in 2010. Given that little alternative capacity is still available, demand for capital relief remains strong.
Insurance-linked securities (ILS) activity to gain momentum	Demand for transfer of longevity risk to reinsurers holds strong potential for securitisation solutions. Natural catastrophe ILS is likely to grow steadily.

Segmental performance

Property & Casualty
Underwriting discipline and below average natural catastrophe claims led to exceptional results, despite declining investment income and slightly lower premium volume.

Business development

Active cycle management and portfolio steering remained pivotal elements of our strategy in 2009. We continued to shift capacity to those segments where we expect the most attractive returns on capital. We reduced our exposure in Credit and Casualty, and redeployed the capital released in Property and Specialty. We allowed Casualty premium to shrink while maintaining our ability to support clients when markets improve.

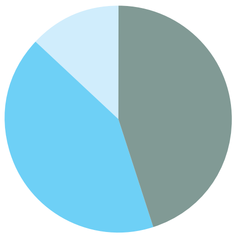
Property premium volume rose in 2009 thanks to successful renewals and strong client demand for capital relief. In Casualty, Marine, and Engineering, the recession resulted in reduced revenues, lower shipments and less investment in large infrastructure projects.

Growth resumed in the insurance-linked securities (ILS) market, as new collateral solutions with minimal investment risk attracted new investors and sponsors.

The 2009 hurricane season was unusually benign, with favourable claims experience. Winter storm Klaus in France and Spain, wildfires in Australia, the crash of an Air France passenger airplane and severe hailstorms over Central and Eastern Europe were the most significant Property and Specialty claims events in 2009 for Swiss Re. Casualty claims related to the financial crisis evolved in line with expectations.

During the January 2010 renewals, terms for Property and Specialty lines experienced only a modest weakening, mainly from US natural catastrophe. Casualty terms, particularly underlying primary market prices, continued to weaken in some segments, and we therefore reduced parts of our portfolio in line with our cycle management approach.

P&C net premiums earned by region
Total: CHF 13885 million



- 45% Europe (including Middle East and Africa)
- 42% Americas
- 13% Asia-Pacific

Market opportunity: public-private partnership with the World Bank
Swiss Re supported the World Bank in developing their MultiCat Program – a platform that simplifies the issuance of catastrophe bonds to protect against the risk of natural disasters. The programme gives governments from developing and emerging countries, where insurance penetration is usually low, access to funding for relief and reconstruction in the event of natural catastrophes. For the World Bank, this programme broadens its range of funding instruments, such as emergency loans and development aid, helping countries particularly exposed to natural disasters to reduce their vulnerability.

Mexico led the way in using the new World Bank platform, transferring USD 290 million of earthquake and hurricane risk to the capital markets in October 2009. This insurance-linked securitisation, for which Swiss Re acted as co-lead manager, is the first to combine earthquake and hurricane risk based on parametric triggers. If the strength of an earthquake on the Richter scale, or the atmospheric pressure in a hurricane reaches pre-determined levels – the parametric triggers – the insured sum is compensated immediately.

The MultiCat transaction is proof of our commitment to working with governments and development banks to help them manage their risks using reinsurance and the capital markets.

Operational performance
Our Property & Casualty operating income rose 39% to CHF 3.8 billion year-on-year. The main drivers were the excellent underwriting performance, supported by a lower cost base as a result of our cost efficiency programme, which more than compensated for the lower investment income. 2009 results also benefited from a benign natural catastrophe season which contributed to an exceptionally good underwriting result and a combined ratio of 88.3%.

Life & Health
Life and Health delivered a strong underwriting result on the base of good mortality experience and improvements in the financial markets.

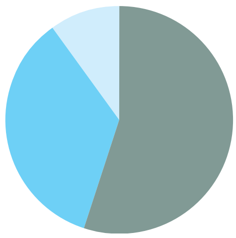
Business development
Demand for capital relief remained strong throughout 2009. We concluded several large transactions, predominantly in the US and the UK, providing solutions both through traditional quota share treaties and through structured non-proportional covers.

Providing longevity risk protection to life insurers and corporate clients is a strategic priority in Life & Health. Swiss Re is well positioned for this growing market thanks to its leading position in mortality risk reinsurance and its well diversified balance sheet.

We also responded to clients' needs by launching a major update of Magnum, our point of sale underwriting system that helps insurers make their products easier for the consumer by automating and accelerating the underwriting process (see Magnum text box on page 23).

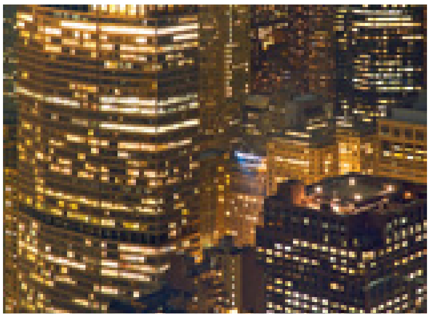
Operational performance
Our Life & Health segment posted operating income of CHF 746 million in 2009 – an increase of 7% from the prior year. The benefit ratio improved 3 percentage points to 82.4%. These solid results benefited from the financial markets rally in the second half of the year, a one-time gain from an arbitration award, and favourable mortality experience, partly offset by a shortfall from the discontinued variable annuity business.

L & H net premiums earned by region
Total: CHF 10 679 million



- 55% Americas
- 35% Europe (including Middle East and Africa)
- 10% Asia-Pacific

Segmental performance



Asset Management

Reduction in exposures:
- Asset exposures CHF 20.9 billion

Legacy

Reduction in exposures:
- Asset exposures CHF 3.3 billion
- Notional liability exposures CHF 22.3 billion

5.7

Increase in shareholders' equity
in CHF billions
(Total: CHF 26.2 billion)

Asset Management
We focused on managing our core business assets and reducing portfolio risk.

Business development
We sharpened the focus of our Asset Management function on its primary mandate of managing the assets generated through our (re)insurance activities. Other activities have been curtailed or integrated into Property & Casualty and Life & Health product development units.

We reduced our exposure to selected markets and financial instruments with a view to economic value preservation. In particular, we materially reduced our exposure to credit and securitised products, as well as to alternative investments. Accordingly, we adopted a cautious investment policy, gearing our asset allocation towards asset classes with a lower risk profile, re-investing, for the time being, primarily in government bonds.

Operational performance
Return on investments was 1.8% compared to 4.7% in the prior year. This decrease results from the hedging of the corporate bond portfolio, although more than offset by gains in shareholders' equity reflected in the balance sheet, and foreign exchange movements. The lower return on investments was also due to lower net investment income as proceeds from net sales and principal repayments in the credit portfolio were primarily allocated to lower yielding bonds, shorter term investments and cash equivalents.

Legacy
We succeeded in significantly reducing risk in Legacy in 2009. We substantially terminated all of the exposures in the Portfolio CDS, and liquidated several positions from the former Structured CDS

Magnum – Real time, real data, real results
Swiss Re's life and health underwriting tool is used by our clients to assess new applications for life, critical illness and disability insurance. With Magnum, several of the steps involved in reaching underwriting decisions are automated, which means clients can take advantage of high-volume processing, improved turnaround times, consistent underwriting standards and lower underwriting costs. In the UK, Magnum clients have increased the proportion of cases where the system takes the decision to 70% from a market norm of about 40%. Used by more than 30 insurers across 16 countries and translated into 10 languages, Magnum processes more than a million applications every year.

Swiss Re has now further enhanced Magnum, providing clients with additional benefits. These include the new end-to-end business processing capacity and access to greater data insights from the Swiss Re Magnum team. The system can be fully customised to clients' own underwriting philosophy, distribution needs and product range.

Magnum provides the facts needed for real-time analysis, allowing clients to maximise the value of their underwriting data. Combined with access to Swiss Re's expertise, this enables clients to benefit from insights into their risk profile and steer their portfolio as it is being written.

at a gain of CHF 221 million. Financial Guarantee Re exposure was significantly reduced by the commutation of CHF 9.2 billion notional protection. We expect a further significant reduction in the remaining Legacy exposures by the end of 2010.

Legacy generated operating income of CHF 139 million in 2009, compared to a net operating loss of 5.9 billion in 2008.

Outlook
We expect market conditions to remain differentiated for the various lines of business. While Property and Specialty will be stable or slightly softer, natural catastrophe capacity is likely to remain well priced. Casualty, on the other hand, will generally continue not to meet our profitability targets, except for some improvements in individual markets.

We see continued demand for capital relief through reinsurance in 2010, particularly in Europe, as a means of fulfilling Solvency I capital requirements. With the introduction of Solvency II in 2012, we expect this demand to further increase.

We also expect the longevity market in the UK to remain active, eventually spreading to other major markets and creating opportunities for more longevity transactions in 2010. The sale of life insurance policies will depend on the strength of the economic recovery in the current year. In the longer term, sales of pension and protection products are likely to increase in mature markets, as government-sponsored benefits decrease in view of the public debt.

Monetary tightening in the second half of 2010 could mean that volatility returns to the financial markets. We will closely monitor market development and seize opportunities as they arise to further optimise our asset allocation.

Our core business continued to deliver strong underwriting results and we significantly de-risked both our assets and liabilities

46 See **Financial year**

Our people and expertise

>80

10 552 employees from more than 80 nations

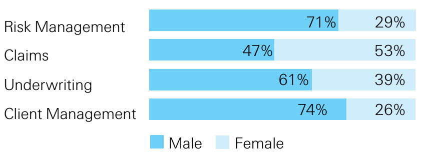
We cultivate a working environment that attracts truly outstanding individuals, promotes talent and inspires excellence at all levels

Average length of service

in years, as of 31 December 2009

Gender by job function

as of 31 December 2009



Swiss Re's most important asset is its expertise: the unequalled knowledge, skills, and experience of its people. In a challenging global business environment, we strive to maintain and support that expertise, providing our staff with continuous opportunities to learn in a diverse enterprise that offers a wide range of experiences and challenges.

Diversity

Fresh ideas depend critically on a diverse workforce. Swiss Re brings together dedicated people from many countries, with a wide range of cultural and educational backgrounds.

Our clients rely on our experience: they expect to be served by a team that has personal, in-depth knowledge of their changing needs, the business throughout its cycle, and the dynamics of the financial markets. A long view is particularly essential in the current business environment given the volatility in the capital markets. The high average length of service of our employees in core functions demonstrates that our employees can contribute both the necessary skills and the experience to the benefit of our clients.

Investing in our people

Swiss Re has a long tradition of investing in its people through development programmes, training, as well as networking. In 2009, we intensified mentoring and job rotations to create additional learning opportunities. We continued to review our talent development to ensure that it remains aligned with the company's strategic goals and that it gives staff all the tools they need to take on bigger and broader responsibilities (see "Talent development programmes" box on page 25). A regular review process identifies and assesses our employees' potential.

The Graduates Programme

We continue to hire outstanding graduates from top universities, training them in the technical skills of our industry and offering them an opportunity to gain extensive experience to build up their expertise. The Graduates Programme gives a unique opportunity to discover the world from Swiss Re's perspective and learn what it is like to work in a market-leading global company.

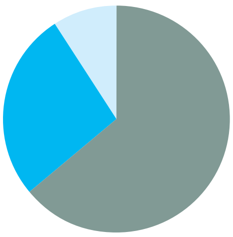
Over 150 graduates attended the programme in 2009, averaging 35 days of class-based technical training. A 16 – 20-week job rotation forms an integral part of the programme, giving graduates a chance to expand their knowledge in different areas, complementary to their usual responsibilities, thus gaining a broader understanding of Swiss Re as a Group.

Swiss Re Academy

Swiss Re Academy, the training arm of Human Resources and Client Markets, expanded further into e-learning – allowing us to provide employees and clients around the globe with new training opportunities. In 2009, 95% of our employees benefited from some form of digital training. In the past, employees generally used e-learning for mandatory compliance training, but this year saw a growing number turning to it for technical training in our core business lines. Moreover, we are developing hybrid programmes to assure the optimum balance between digital and classroom training.

We understand the importance of assessment for high-quality training. We have therefore included follow-ups and manager surveys to increase the effectiveness of training sessions. These gauge the longer-term value of our programmes to employees, ensuring that our training investment continues to pay dividends.

Employees by region
as of 31 December 2009



- 64% Europe (including Middle East and Africa)
- 27% America
- 9% Asia-Pacific

Talent development programmes

Top responsibilities at Swiss Re naturally require proven leadership skills as well as strong technical knowledge and effective working habits. We have created tightly focused 3-year programmes to develop candidates for such positions at Director and Managing Director levels. Every year we select about 70 employees around the globe into these programmes and prepare them with structured and accelerated development offerings for more senior roles within Swiss Re. These top talent receive formal training, are challenged by both tough assignments and job rotations and have the opportunity to be exposed to and engaged in active dialogue with Swiss Re's top management.

"The development programme enabled me to meet colleagues from all functional areas within Swiss Re, expanding my network and broadening my understanding of the organisation. Since graduating from the programme, I have reduced my working time to 80% to allow me to focus on my two young children. My career, however, has continued and I now have a job at a higher level, with a broader role and more responsibilities."
Elisabeth Auclair, Zurich

"Having completed two of the three development programme modules, I have gained invaluable experience of global team leadership, problem solving and project management. In addition, the opportunity to expand my Swiss Re network through interaction with other programme participants continues to be beneficial. Overall, the experience has been extremely positive and I look forward to further utilising the skills I have developed in my career with Swiss Re."
Mark Hallam, London

Executive Committee

From top left:

Stefan Lippe
Chief Executive Officer
Michel M. Liès
Chief Marketing Officer
Brian Gray
Chief Underwriting Officer
David J. Blumer
Chief Investment Officer
George Quinn
Chief Financial Officer
Raj Singh
Chief Risk Officer
Agostino Galvagni
Chief Operating Officer

Group Management Board

Stefan Lippe
Chief Executive Officer

Key:
EC = Member of the Executive Committee

Client Markets

Michel M. Liès /EC
Chief Marketing Officer

Martin Albers
Europe

Pierre L. Ozendo
Americas

Martyn Parker
Asia

Rudolf Flunger
Insurance & Specialty

Thierry Léger
Client Executives

W. Weldon Wilson
(until 31 December 2009)
Michel M. Liès a.i.
(as of 1 January 2010)
Global Admin Re®

Products Underwriting

Brian Gray /EC
Chief Underwriting Officer

Matthias Weber
Property & Specialty

Martin Oesterreicher
Casualty

Christian Mumenthaler
Life & Health

Asset Management

David J. Blumer /EC
Chief Investment Officer

Guido Fuerer
Chief Investment Office

Finance

George Quinn /EC
Chief Financial Officer

Risk Management

Raj Singh /EC
Chief Risk Officer

Special Assignments

Charlotte A. Gubler
(until 28 February 2010)

Operations

Agostino Galvagni /EC
Chief Operating Officer

Jonathan Isherwood
Claims & Liabilities

Christoph Bitzer
Human Resources

Markus Schmid
Information Technology

Hermann Geiger
Legal

Board of Directors

Board structure
Swiss Re maintains a dual board structure. It thus distinguishes clearly between the Board of Directors as the supervisory body and executive management (Executive Committee).

Based on Swiss Re's independence criteria, in 2009 all directors of Swiss Re qualified as independent.

The Board of Directors met 14 times during 2009 and consisted of:
- one Chairman
- one Vice Chairman
- seven other Board members

Changes
As of 1 May 2009, Walter B. Kielholz, former Vice Chairman, succeeded Peter Forstmoser as Chairman of the Board of Directors. Mathis Cabiallavetta was appointed Vice Chairman at Swiss Re's 2009 Annual General Meeting.

On the same occasion, Kaspar Villiger resigned as member of Swiss Re's Board of Directors, and Thomas W. Bechtler's and Benedict G.F. Hentsch's terms expired. Thomas W. Bechtler and Benedict G.F. Hentsch did not seek re-election.

Board committees

Meetings in	2008	**2009**
Chairman's and Governance[1]	–	4
Governance[1]	5	3
Audit	8	9
Compensation	4	9
Finance & Risk	6	6
Investment	1	8

[1] The Chairman's and Governance Committee was established with effect from 8 June 2009 and the Governance Committee was dissolved at the same time.

From left:

John R. Coomber
John R. Coomber was elected to Swiss Re's Board of Directors in 2006. He also serves as Chief Executive Officer of Pension Insurance Corporation Limited, and is a director of MH (GB) Limited, Parhelion Capital Ltd, telent Ltd, and Qatar Insurance Services.

Robert A. Scott
Robert A. Scott joined Swiss Re's Board of Directors in 2002. He is also a director of Pension Insurance Corporation Limited and an advisor to Duke Street Capital.

Rajna Gibson Brandon
Rajna Gibson Brandon was elected to Swiss Re's Board of Directors in 2000. She is professor of finance at the University of Geneva, Director of the Geneva Finance Research Institute and a Director of Research of the Swiss Finance Institute.

Hans Ulrich Maerki
Hans Ulrich Maerki was elected to Swiss Re's Board of Directors in 2007. He is also a member of the Boards of ABB Ltd, Mettler-Toledo International and the Menuhin Festival AG Gstaad.

Walter B. Kielholz
Chairman
Walter B. Kielholz joined Swiss Re in 1989. He was Swiss Re's Chief Executive Officer from 1997 – 2002 and has been a Board member since 1998. He was nominated Chairman as of 1 May 2009. He has also been a member of the Board of Directors of Credit Suisse Group since 1999 and served as Chairman of the bank's Board of Directors from 2003 to 2009.

Mathis Cabiallavetta
Vice Chairman
Mathis Cabiallavetta was elected to Swiss Re's Board of Directors in 2008. He was nominated Vice Chairman as of 13 March 2009. He is also a member of the Board of Philip Morris International and BlackRock, Inc., a member of the Executive Advisory Board of General Atlantic Partners (GAP) in New York and a Senior Advisor of Marsh McLennan Companies, Inc. (MMC).

Raymond K. F. Ch'ien
Raymond K. F. Ch'ien was elected to Swiss Re's Board of Directors in 2008. He is Chairman of CDC Corporation and also serves as Chairman of the Boards of Directors of MTR Corporation Limited, Hang Seng Bank Limited and HSBC Private Equity (Asia) Limited. He is also a member of the Boards of Directors of the Hong Kong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, The Wharf (Holdings) Limited and the Hong Kong Mercantile Exchange.

Raymund Breu
Raymund Breu was elected to Swiss Re's Board of Directors in 2003. He was Chief Financial Officer of the Novartis Group and a member of that company's Executive Committee until January 2010. He also serves on the Swiss Takeover Board.

Jakob Baer
Jakob Baer was elected to Swiss Re's Board of Directors in 2005. He also serves on the Boards of Directors of Adecco S.A., Rieter Holding AG, Allreal Holding AG, Stäubli Holding AG, and two small-sized companies.

83 See **Corporate governance**

Sustainability in our business

40 – 68%

Impact of climate change adaptation
In relation to expected GDP loss by 2030

A seminal study – Shaping climate-resilient development: a framework for decision-making – co-authored by Swiss Re found that between 40 and 68% of the currently projected GDP loss from climate change between now and 2030 could be averted through cost-efficient adaptation measures.

Integrating sustainability is a key element in our business. Apart from reducing our own environmental footprint and promoting dialogue, we focus on developing product solutions to address sustainability issues, and on incorporating sustainability in our risk management.

Product solutions
We develop custom insurance and capital market solutions addressing climate change and a lack of insurance cover in emerging markets. A key challenge will be to improve emerging markets' ability to adapt to more frequent and severe natural catastrophes expected as a result of climate change.

In 2009, Swiss Re was chosen as co-lead manager and joint bookrunner of the USD 290 million MultiCat Mexico transaction, a catastrophe bond that provides the Mexican government with insurance cover from the capital markets for both hurricane and earthquake risks. It was the first transaction within the MultiCat Program developed by the World Bank's International Bank of Reconstruction and Development (IBRD) and the largest of several transactions we have recently completed in partnership with the World Bank. These solutions allow governments to establish effective disaster risk management.

In China, we entered into an agreement with the Beijing Municipal Government to reinsure its liabilities under a multi-peril crop insurance cover it provides to direct insurers operating in the Beijing area. In case of a severe drop in crop production, Swiss Re directly compensates the individual direct insurers.

Extensive discussions with the Inter-American Development Bank (IADB) led to the launch of an innovative facility to manage natural catastrophe risks for several countries in Central America. The design of the facility includes so-called sovereign captives and a partial transfer of risk to the capital markets. In 2009, we received a mandate from the IADB to structure and implement this innovative solution to cover earthquake and hurricane risks in two Central American pilot countries.

Global sector leader 2009/2010
We retained the position of insurance sector leader in the Dow Jones Sustainability Indexes. This achievement reflects Swiss Re's ongoing efforts to achieve excellence in all three dimensions of sustainability: economic, environmental, and social.

Asset management
We continued to manage a portfolio of sustainability and infrastructure investments, identifying growth opportunities in alternative energy, resource efficiency as well as sustainable agriculture and forestry. The total value of the sustainability portfolio was CHF 487 million at the end of 2009.

Risk management
We integrate sustainability principles and ethical criteria in our risk management using tailor-made analytical instruments. Our Sensitive Business Risks (SBR) process, introduced in 2002, offers underwriters and client managers independent recommendations from internal experts on potentially sensitive business transactions.

Building on the insights we gained through this SBR process, we introduced a comprehensive, formal framework in 2009 for assessing sustainability and ethical risks. It includes a number of sector- and issue-specific policies with clear, pre-defined criteria and qualitative standards; if any of these criteria are met, a mandatory SBR review is triggered. We will also continue to exclude certain countries or businesses, where circumstances warrant it.

Reducing our environmental footprint
We take care to minimize the environmental impact of our own operations. A main focus of this effort has been the reduction of greenhouse gas emissions. Since launching our Greenhouse Neutral Programme in 2003, we have continuously reduced our per-capita CO_2 emissions, mainly by switching to renewable energy at many of our largest locations. In total, our per-capita emissions from power consumption decreased by 59% in total from 2003.

The strong fall in overall CO_2 emissions in 2009 mainly came from the decrease in business travel as a result of the difficult economic conditions that prevailed in the fist half of the year.

Our CO_2 Reduce and Gain Programme, launched three years ago to encourage our employees to reduce emissions themselves, had another successful year. We awarded a further 792 grants to employees for emission-reducing private investments, bringing the total number of grants since 2007 to 2023.

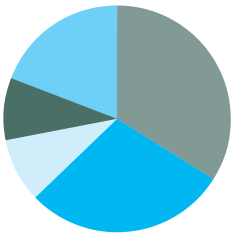
Dialogue
We regularly share our understanding of key sustainability risks with the wider public. In the climate change debate, in particular, Swiss Re has become an influential and trusted voice. In 2009, Swiss Re represented the Swiss Insurance Association as an official member of the Swiss delegation at the Copenhagen Climate Summit in December (COP 15).

In the run-up to the COP 15 UN Climate Change Conference, Swiss Re senior management members signed the Copenhagen Communiqué and a statement of 181 institutional investors around the world. Both documents called on world leaders to develop a robust climate change agreement to build and succeed on the Kyoto Protocol.

– 59%

Reduction in Swiss Re Group CO_2 emissions from power consumption
Change since base year 2003 per employee

Sensitive Business Risks referrals
By industry (2009)



- 34% Defence
- 29% Extractive industries
- 9% Dams and infrastructure
- 9% Medicine and health
- 19% Other

Swiss Re Group CO_2 emissions per employee (FTE)[1]

	2003 kg/FTE	2008 kg/FTE	**2009** kg/FTE	Change from base year 2003 in %
Power	3 794	1 637	1 556	–59.0
Heating	705	513	497	–29.5
Business travel	2 123	2 355	1 363	–35.8
Total	6 622	4 505	**3 416**	–48.4

[1] Figures are calculated on the basis of full-time equivalents (FTE)

Engaging with the world

Swiss Re shares its expertise to help society create effective responses to the perils we face

Risk landscapes change constantly. But we always need to provide effective cover to our clients. In order to absorb risks on their behalf, we have to anticipate, identify and understand the developments that shape the world in which we operate. We rely not just on our knowledge to achieve this, but on continuous dialogue with clients, outside experts, and opinion leaders worldwide.

We exchange ideas and insights through strategic partnerships, memberships in international organisations, and links to academia. Our Centre for Global Dialogue acts as a forum for such conversations, encouraging Swiss Re experts and their guests to share expertise.

By engaging in dialogue with the world we learn more about the risks that we and our clients face as well as the most appropriate ways to confront them. In addressing selected issues, we aim to capture business opportunities as well as to pre-empt and even influence potential future sources of losses.

We continually monitor the risk landscape and scan the horizon for emerging threats, focusing on those issues and trends that we believe have the greatest potential to affect our business or that of our clients. Our systematic approach to identifying and analysing risk forms the basis of our research and publishing activities, making us a recognised thought leader in our industry.

Engaging with the world allows us to find more robust solutions to common perils. There are limits to what the insurance industry can achieve alone; some risks will require a broader approach involving international and public institutions. We share our expertise to help society create effective responses.

Developing new risk-transfer solutions with international financial institutions
We are working together with international financial institutions such as the World Bank, the Inter-American Development Bank, and the International Monetary Fund to develop new solutions for transferring large risks. By collaborating with institutions such as these, we jointly work on approaches to make societies more resilient to the negative impacts of global climate change, and encourage governments in emerging markets to assess their total climate risk exposure.

We are a pioneer in developing new approaches for disaster risk financing, such as public-private partnership-based solutions, or in promoting the concept of country risk management to assess a country's overall risk exposure.

We are a leading consortium partner in the recently renewed Caribbean Catastrophe Risk Insurance Facility. This innovative risk-transfer initiative involving 17 Caribbean states was launched in 2007 on behalf of the Caribbean Community (CARICOM)

Walter Bell, Chairman of Swiss Re America Holding, speaks about micro-insurance in Ethiopia at the Clinton Global Initiative meeting in September 2009

Sheana Tambourgi, World Economic Forum Head of the Global Risk Network, speaks at the Centre for Global Dialogue in March 2009

Global risks: a World Bank perspective
The developing world needs more than charity, said Ambassador Michel Mordasini, Executive Director at the World Bank, speaking at Swiss Re's Centre for Global Dialogue in June 2009. Problems like unsustainable public debt, costs of pandemics, climate change, corruption, and natural and man-made disasters all require a globally coordinated approach, calling on multilateral institutions like the World Bank.

He praised Swiss Re for its role in promoting economically feasible, market-based approaches to these problems and helping make sustainable solutions possible. Swiss Re's approach has been on alleviating poverty in developing and transition economies but always with solutions linked to the market and with a clear focus on business. He noted that charity plays its role, but consistent and transparent business solutions are also needed to solve the many problems facing the developing world.

heads of government, under the guidance of the World Bank and with financial support from international donors. Similarly, in October 2009, Swiss Re joined with the World Bank and Mexico to develop a single risk-transfer solution for earthquake and hurricane risks. This marks the first transaction in the World Bank's MultiCat Program, linking governments with capital markets.

Global partnerships
Swiss Re is a strategic partner of the World Economic Forum (WEF), participating in its Global Risk Network to exchange views with experts from the political, economic, and scientific community. We regularly contribute to the WEF's Global Risk Report and attend its Annual Meeting in Davos to discuss risk issues with top political and corporate figures.

Since 2006, Swiss Re has participated in the Clinton Global Initiative (CGI), making concrete annual commitments in the area of sustainability. Founded in 2005 by former US President Bill Clinton, CGI brings together a broad range of participants from charitable foundations, governments and corporations – all determined to meet global challenges through concrete commitments and projects. In 2009, Swiss Re joined forces with Oxfam America, the Rockefeller Foundation, and Columbia University's International Research Institute to expand its successful 2008 commitment to protect small-holding farmers in a drought-prone area of Ethiopia against weather risk. Weather risk micro-insurance programmes, such as this, may serve as a model for other poor communities affected by climate change in how to increase household food security and make them more resilient to the effects of climate change.

In December 2009, Swiss Re took part in the COP 15 Climate Change Conference in Copenhagen. As no legally binding agreement was reached on cutting global CO_2 emissions, awareness has been growing that effective adaptation to the consequences of climate change will become even more important, especially in developing countries. At the conference, developed countries made a promise to mobilise a total of USD 30 billion between 2010 and 2012 to fund various climate-related activities in developing countries, to be raised to USD 100 billion per year by 2020. The "Economics of Climate Adaptation" study, which we recently conducted with several partner organisations, presents a methodology that allows policy makers to quantify local climate risks and develop effective adaptation strategies.

2009 WORLD'S MOST ETHICAL COMPANIES
WWW.ETHISPHERE.ORG

Swiss Re was listed for the first time as one of the World's Most Ethical Companies for 2009 by Ethisphere, a leading international think tank.

Engaging with the world

Water management project in Afghanistan wins 2009 ReSource Award
Heavy rain causes the erosion of mountain slopes, which are barren of forests after several decades of war, in the Bamiyan province causing destruction of arable land and villages.

Through this award, Swiss Re supports a project by Swiss NGO Helvetas, whose goal it is to protect scarce water resources in cooperation with the rural population through a combination of measures including headwater retention, reforestation, as well as improved pasture management.

Living up to our responsibilities
Swiss Re occupies a unique position as a socially responsible company: our daily business is to manage the risks that societies around the world face – but we are also, as individuals, members of local communities, neighbours and friends. We are aware of social needs and our skills give us the ability to make meaningful contributions, whether as financial partners or volunteers.

Disaster preparedness
The changing climate makes disaster preparedness ever more critical in developing nations. In 2009, we continued

Swiss Re's ReSource Award for Sustainable Watershed Management

Year	Country, Region	Award project
2002	Guatemala, Sierra de las Minas	Water users as biosphere conserves
2002	Brazil, São Paulo region	Financing mechanism for water resources
2002	Nepal, Galaundo Pokhare watershed	Community-based resources enhancement
2003	Vietnam, Quang Nam Province	Reforms in the A'Voung watershed
2003	People's Republic of China, Anhui Province	A native grass for the Dabie Mountains
2004	Ecuador, Tomebamba watershed	Improving water quality
2004	People's Republic of China, Yunnan Province	Eco Sanitation
2005	Bolivia, Camacho Province	Reintroducing of Andean practices
2005	Philippines, Peñablanca Municipality	Compensating local people
2005	Cameroon, Northwest Province	Protecting a fragile water area
2007	Jamaica, Rio Grande watershed	Eliminating river poisoning
2007	Ethiopia, Borana Zone	Rainwater harvesting
2008	Solomon Islands, Chivoko Community	Watershed forest preservation
2008	People's Republic of China, Yunnan Province	Implement participatory community watershed management
2009	Afghanistan, Bamiyan Province	Management of degraded watersheds to prevent downstream flood damage

our support for disaster prevention projects in Guatemala (with Foundation Vivamos Mejor) and Honduras (with the Swiss Red Cross). The aim of both projects is to increase the risk awareness of local communities and authorities, and to help protect the local environment through educational programmes and preventive measures. The more we can inform the potential victims of a natural disaster about its mitigation, the better they can cope with its potential devastation.

ReSource Award

Launched in 2002, Swiss Re's ReSource Award for Sustainable Watershed Management aims to raise awareness of the ecological, social, and economic importance of water management in developing and emerging countries. The award is worth USD 150 000 and is granted to one or several projects that raise awareness of water issues and generate or exchange relevant know-how, extending best practices in water management.

This year's ReSource Award went to a project in the Bamiyan province, Afghanistan, for the improved management of degraded watersheds to prevent downstream flood damage (see box on page 34).

Swiss-South African Cooperation Initiative

Since 2001, the Swiss-South African Cooperation Initiative (SSACI) has provided financial and technical support to a wide range of vocational training projects for unskilled, unemployed young South Africans from disadvantaged backgrounds. Official statistics put unemployment for people aged 16–35 at over 50%. The main aim of these projects is to prepare out-of-school youths for skilled employment in commerce and industry.

Swiss Re Singapore employees volunteer to build houses for a community in Batam, Indonesia

As of July 2009, almost 5 000 youths had been enrolled for training in 50 projects, with a pass rate of over 90% and a long-term employment rate after training of over 70% – in real jobs, paying a decent wage. The programme also assisted 358 new enterprises and provided business development services for 458 existing enterprises, helping create 1 120 new jobs.

Community involvement

Swiss Re employees regularly volunteer their services and raise funds for good causes. In Overland Park, Kansas, a Swiss Re office in the US, we supported a range of projects with the City Union Mission – a non-profit organisation that serves the city's most vulnerable people; the Front Porch Alliance – a community group dedicated to revitalising blighted neighbourhoods in the inner city; and the Kansas City Zoo, which relies on donated funds and labour for facility maintenance and operations.

In the UK, employees organised fundraising events for Macmillan Cancer Support. Volunteers from Swiss Re Canada worked for the Daily Bread Food Bank – a charitable organisation combating hunger in the Greater Toronto Area. A team of 100 Swiss Re employees in Armonk, New York, raised money for Maria Fareri Children's Hospital in a charity walk.

In Indonesia, the frequency of natural catastrophes increases the urgency to build houses for a fast growing population. Employees from our Asian offices joined Habitat for Humanity to work alongside members of the host community in building much needed, affordable housing in Batam, Indonesia.

Key events

Completed new carrier structure in Europe

Established dedicated Retakaful operation in Kuala Lumpur

Provided longevity risk cover to UK local government pension fund

2009

5 February

Warren Buffett to invest CHF 3 billion in Swiss Re via Berkshire Hathaway Inc.

Swiss Re announced that it intends to raise CHF 3 billion of capital from Berkshire Hathaway Inc. The Group has also agreed to enter into an adverse development cover with Berkshire Hathaway on the Group's total Property & Casualty reserves.

12 February

Stefan Lippe appointed new Chief Executive Officer

Swiss Re's Board of Directors accepted the resignation of Jacques Aigrain as Chief Executive Officer, and appointed Stefan Lippe, up to that point Deputy Chief Executive Officer and Chief Operating Officer, as his successor.

19 February

Net loss reported for 2008

Swiss Re reported a net loss for 2008 of CHF 864 million and a return on equity of –3.4%.

9 March

Walter B. Kielholz appointed Chairman

Peter Forstmoser announced his resignation from the Board of Directors as of 1 May 2009. The Board of Directors nominated Walter B. Kielholz as new Chairman, and Mathis Cabiallavetta as new Vice Chairman.

13 March

145th Annual General Meeting

Shareholders approved the creation of conditional capital to secure the necessary underlying shares for the convertible perpetual capital instrument to be issued to Berkshire Hathaway Inc. Jakob Baer and John R. Coomber were re-elected to the Board for a three-year term.

7 May

Net profit for first quarter 2009

Swiss Re reported a net profit of CHF 150 million for the first quarter of 2009. Shareholders' equity increased 15% to CHF 23.6 billion, compared to year end 2008.

9 June

Swiss Re enters Lead Umbrella marketplace in US, offering net capacity for large corporate accounts

Swiss Re now offers Lead Umbrella coverage to retail brokers and risk managers in the US. Lead Umbrella coverage from Swiss Re's Industrial Risk Insurer (IRI) is available on an admitted basis in 46 states.

12 June

Swiss Re transfers USD 100 million natural catastrophe risk for ACE with World Bank collateral investment

Swiss Reinsurance America Corporation obtained USD 100 million protection against US hurricane and earthquake risks in the US from Calabash Re III Ltd, financed through the offering of insurance-linked securities. Swiss Reinsurance America Corporation will use the reinsurance as a source of capacity for a reinsurance agreement that provides ACE American Insurance Company and its affiliates with USD 100 million of coverage over three years.

16 June

Swiss Re sells third-party asset manager Conning

In line with Swiss Re's strategy to focus on core business, the Group reached an agreement to sell its third-party asset manager Conning & Company and its affiliates. The transaction was closed on 9 October 2009.

14 July

Swiss Re in Europe – completion of new carrier structure

Swiss Re Europe S.A. and Swiss Re International SE replace more than 20 former Swiss Re risk carriers or branches in the European Union.

29 July

Swiss Re transfers USD 200 million hurricane risk through Parkton Re Program

Swiss Re closed a USD 200 million insurance-linked securities offering of hurricane risk in North Carolina through Parkton Re Ltd.

5 August

Swiss Re further improves capital strength in the second quarter of 2009

Swiss Re estimated that its excess capital at the AA level improved to CHF 4.5 billion. The Group also made significant progress in de-risking in Legacy. Solid underlying earnings in the core business were offset by mark-to-market losses on hedges and impairments, resulting in a net loss of CHF 381 million for the second quarter of 2009.

25 September

Swiss Re, Oxfam America, Rockefeller Foundation and Columbia's IRI expand joint initiative in Tigray, Ethiopia

This collaboration expands on the joint 2008 commitment which focused on using risk reduction and risk transfer skills to improve financial and food security for farmers within the drought-prone village of Adi Ha, Tigray Regional State, Ethiopia.

8 October

Swiss Re acquires Retakaful licence and sets up Retakaful operation in Kuala Lumpur

Swiss Re received a composite licence from Bank Negara Malaysia to write Retakaful business. The licence allows Swiss Re to offer Family and General Retakaful solutions worldwide.

3 November

Swiss Re reports net income of CHF 334 million for the third quarter of 2009

During the third quarter of 2009, Swiss Re continued to improve its financial flexibility through a combination of strong underlying performance in its core business and continued de-risking in Legacy. During the first nine months of 2009, Swiss Re's excess capital at the AA level improved to over CHF 6 billion.

24 November

Swiss Re obtains USD 75 million of extreme mortality risk protection through new Vita Capital programme

Swiss Re announced the transfer of USD 75 million of extreme mortality risk in the US and UK through a new VITA securitisation programme. The agreement covers a five-year risk period starting in the issuance year and ending in 2014.

15 December

Swiss Re announces first public-private longevity transaction, providing longevity risk cover to UK local government pension fund

With this transaction, Swiss Re will provide the UK's Royal County of Berkshire Pension Fund with protection against the uncertainty associated with longevity risk on CHF 1.7 billion of pension liabilities.

2010

5 January

Swiss Re obtains USD 150 million of natural catastrophe protection through the issuance of catastrophe bonds by Redwood Capital XI Ltd.

Swiss Re entered into a transaction with Redwood Capital XI Ltd to receive up to USD 150 million in payments in the event of a California earthquake in the covered area that meets specific criteria. The transaction covers a one-year risk period ending 31 December 2010.

18 January

Swiss Re transfers risk from closed block of US individual life reinsurance business to Berkshire Hathaway

The transaction builds on Swiss Re's tradition of portfolio steering and reinsurance risk transformation and will improve its capital efficiency.

18 February

Swiss Re reports net income of CHF 506 million for 2009

Excess capital was estimated at CHF 9 billion above AA capital requirements as of year end. The Board of Directors will propose a dividend of CHF 1.00 per share. The Group also announced that it intends to change its reporting currency from CHF to USD as of the first quarter of 2010.

10 March

Swiss Re announces anticipated losses of USD 600 million from natural catastrophes in the first quarter of 2010.

Swiss Re provisionally estimated its loss arising from the earthquake in Chile to be approximately USD 500 million and the loss from the European winter storm Xynthia to be approximately USD 100 million.

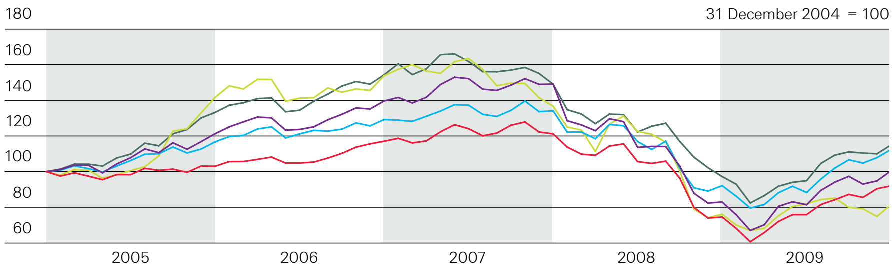
Financial year

In 2009, we focused on our core business and took measures to de-risk our investment portfolio and reduce our cost base. Very strong technical results, along with the market rally in the second half of the year, resulted in a significant improvement in the results we reported for the year.

Market environment

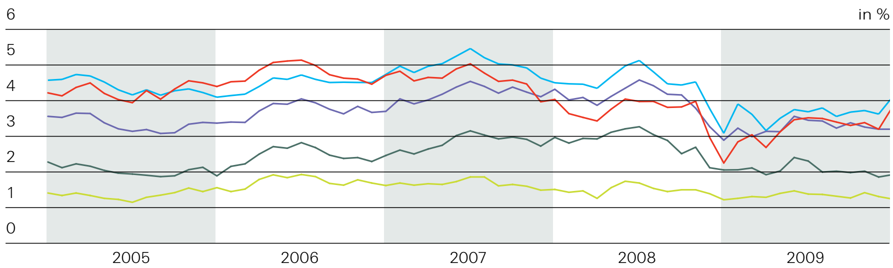
The difficult capital situation faced by many primary insurers at the beginning of 2009 created additional reinsurance demand as a means to relieve pressure on balance sheets

Stock markets 2005–2009



Source: Datastream

Interest rates for ten-year government bonds 2005–2009



Source: Datastream

Economy and financial markets

Severe global recession in early 2009

The first half of 2009 saw most advanced economies adversely impacted by a sharp contraction in global trade and production following the near collapse of the global banking system in late 2008. Central banks reacted to the downturn by slashing interest rates to near-zero levels as well as resorting to "quantitative easing" policies involving purchases of government and structured bonds on an unprecedented scale. Governments also launched various stimulus programmes aimed at boosting consumer and investment spending, vastly increasing fiscal deficits.

Risky assets rallied after first quarter

Stock markets recovered sharply as the banking system stabilised and it became clear that the world economy had avoided a 1930s-style Great Depression. By the end of 2009, the world's major stock markets had risen between 7% and 23% from the end of 2008.

Government bond yields rose gradually during 2009, reflecting the improved economic outlook, after plunging in the last few months of 2008. Credit spreads, which had remained volatile in the first few months of 2009, narrowed sharply during the remainder of the year as risk appetite returned to the markets.

The US dollar had strengthened in the second half of 2008 due to its status as a safe haven currency. It weakened slightly during 2009, however, dropping 1% against the Euro. It also lost value against the Swiss franc (–3%) and the British pound (–10%), but strengthened slightly versus the Japanese yen (+2%).

Recession ended in second half of 2009

After contracting sharply in the first half of 2009, growth in most developed economies returned to positive territory in the second half of the year. Inflation was low or even negative in nearly all developed economies for most of 2009 due to general economic weakness and comparatively low oil prices.

Primary and reinsurance industry

The insurance industry did not emerge unscathed from the financial crisis and the subsequent sharp recession, but it proved remarkably resilient. The majority of companies that entered the crisis with healthy balance sheets withstood the downward pressure that extended into the first quarter of 2009, absorbing a contraction of up to 20% in their capital base.

The strong market recovery from spring 2009 eased pressure on balance sheets, improving companies' financial flexibility. Much of the previous drop in capital base during 2008 was regained by the end of 2009.

Property and casualty insurance

Primary non-life premium growth in 2009 was sluggish, with an estimated worldwide inflation-adjusted rate of 0%. Commercial lines suffered a double impact from the economic crisis: demand decreased significantly, yet competition remained strong. Insurers found it difficult to enforce necessary rate adjustments while their commercial clients were suffering from a severe recession. Trade contraction and a drop in large infrastructure projects particularly affected the specialty insurance segments. The negative impact was not universal, however, as some markets, such as Germany and France, saw increasing demand for accident and health insurance, which compensated for declines in property, liability and motor premiums.

The difficult economic environment also affected emerging markets. Premium growth, which had been 12% in 2007 and 7% in 2008, was only 2% in 2009 – and this was almost entirely due to China, where premiums rose by an estimated 20%. Developments elsewhere were mixed: South East Asia and Latin America rose, but Eastern Europe declined.

Industry profitability was low in 2009, although it showed signs of improvement in the second half of the year. Two factors contributed to lower profits: reduced investment income due to historically low interest rates; and declining premium income, which drove down profitability because of fixed expenses and rising claims costs.

Natural catastrophe claims were, fortunately, comparatively low, mainly due to a calm US hurricane season. The costliest event was winter storm Klaus, which struck France and Spain in January and caused USD 3.5 billion in insured losses. A July hailstorm in Switzerland and Austria cost insurers another USD 1.25 billion. In the US, a winter storm and two tornadoes produced total insured losses of approximately USD 3.5 billion; in South East Asia, three devastating typhoons cost about 1 800 lives and caused an aggregated insured loss of approximately USD 1 billion.

Underwriting results deteriorated in many markets, despite apparently satisfactory combined ratios. This was particularly the case for US calendar year combined ratios: thanks to large reserve releases, unusually low hurricane losses and a significant decline in losses from financial and mortgage guaranty business, the industry expects a combined ratio of 100% for the financial year 2009, compared with 105% in 2008. Without these extraordinary contributions, however, it is clear that continued softening of casualty rates is leading to increased claims ratios on an accident-year basis.

Economic indicators 2008 – 2009

	USA		Eurozone		UK		Japan		China	
	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
Real GDP growth[1]	0.4	–2.4	0.5	–3.9	0.5	–4.8	–1.2	–5.1	9.6	8.7
Inflation[1]	3.8	–0.3	3.3	0.3	3.6	2.2	1.4	–1.3	5.9	–0.7
Long-term interest rate[2]	2.3	3.8	2.9	3.4	3.1	4.1	1.2	1.3	4.6	3.1

Per 100 units of foreign currency, as of 31 December 2009										
USD	–	–	142	143	146	162	1.10	1.08	14.7	14.6
CHF	107	104	152	148	156	167	1.18	1.11	15.7	14.7

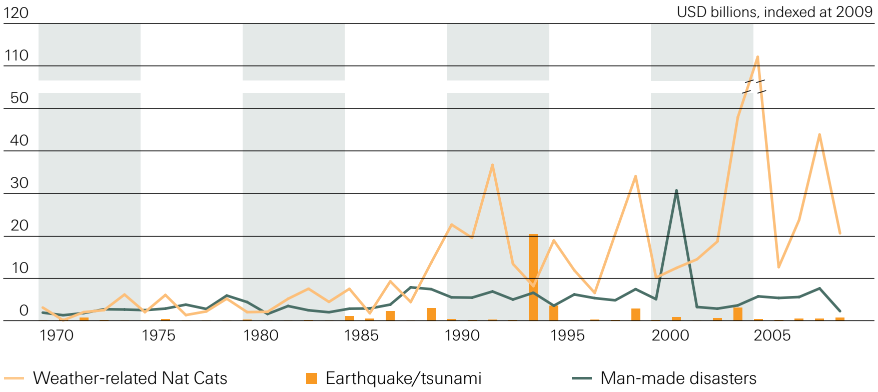
[1] Yearly average
[2] Year-end
Source: Swiss Re Economic Research & Consulting, Datastream

Market environment

The largest European markets all showed a drop in underwriting profitability, with motor insurance producing the most significant declines. The German Insurance Association (GDV) expects a combined ratio of 97.0%, compared to 94.6% in 2008. Preliminary results for the United Kingdom, France, and Italy also point to higher combined ratios for 2009 than for 2008. In France, winter storm Klaus was the most important single factor driving down underwriting results for non-life insurance.

Investment performance in 2009 of non-life insurers was subdued, with assets significantly affected by write-downs. However, as capital markets rebounded, insurance companies were able to recover part of the huge unrealised losses they had registered at the end of 2008. Overall profitability of major markets improved, with return on equities of between 5% and 10% – an improvement against very low levels in 2008, but not at 2003 – 2007 levels.

Insured losses 1970 – 2009



Source: Swiss Re

Property and casualty reinsurance

The reinsurance industry faced many of the same challenges as primary insurers, including low profitability from low-yielding investments and reduced premium income. Higher asset leverage ratios, however, meant that reinsurers experienced greater volatility in their capitalisation as asset values fluctuated. Although average capitalisation declined 20% during 2008, reinsurers benefited strongly from resurgent financial markets in 2009.

Reinsurers also enjoyed more stable premium income than primary insurance, avoiding some of its negative price trends and benefiting from increased reinsurance demand.

The 2009 reinsurance renewals produced a moderate hardening of rates, with average increases of 2–3% on the renewed books. Standard property and casualty lines remained stable, while specialty lines like marine, aviation, and trade credit showed some improvement. There were also signs of firming in segments requiring large capacities, such as US national property, US natural catastrophe, and Europe multi-territory catastrophe.

Reinsurers' combined ratios benefited from below-average claims from natural catastrophes (see left), but otherwise showed an erosion of underwriting profitability similar to that of primary insurers. The industry average combined ratio for the nine months through September 2009 was 88%, down from 93% in 2008, and approximately at par with 2006 and 2007. Calendar year combined ratios, however, include significant releases from prior years' loss reserves which artificially boost reported profitability. When adjusted for fluctuations in catastrophe losses and reserves releases, underwriting profitability declined.

Investment returns, although gaining from the resurgence of capital markets, remained depressed by a low interest rate environment and unusually high impairments. Overall, the industry's average return on equity recovered to 2007 levels, with an estimated average return on equity of 13%: a good result for 2009.

Life insurance

Premiums for in-force life insurance fell in 2009 by an estimated 3% in real terms, marking an unprecedented second consecutive year of negative growth. Sales of products with equity-linked returns, such as unit-linked savings products, were most affected, due to poor returns and continuing high stock market volatility. This was especially true in countries where single premium business prevails. In many markets, there has been a marked shift to fixed benefit savings products, which were less affected by the economic downturn. In Italy, France and Germany premiums rose because guaranteed return savings products provided attractive returns for policyholders.

Sales of traditional protection products remained steady: in Europe, term sales were at the same level as in 2008. In the UK, the decline in mortgage-related policies was mostly offset by a rise in non-mortgage-related business. In the US, term sales were down only slightly, while group business continued to be held back by high and rising unemployment and a lack of salary growth.

A sharp drop in sales of investment-linked (or unit-linked) products contributed to the weakness in emerging Asia's life insurance sector in 2008 and early 2009. This loss of business was partly made up by increased sales of protection products. New business, however, recovered quickly in the second half of 2009, in the wake of accelerated economic growth. Premium growth slowed in the Middle East but remained robust in Latin America.

Life reinsurance

Life reinsurance performance correlates most closely with sales of protection-related products and is therefore less exposed to the wide swings in demand for savings-related products that affected primary life insurers. Life reinsurance premiums continued to grow through the crisis despite the drop in demand for primary life products. Moreover, the difficult capital situation faced by many primary insurers at the beginning of 2009 created additional reinsurance demand as a means to relieve pressure on balance sheets. Reinsurers completed more than a dozen large in-force deals in North America, the UK, Germany, and Asia with a combined premium income of about USD 3 billion.

The market for several types of non-traditional life reinsurance solutions is essentially suspended. This is particularly true for embedded value (EV) securitisations, and "XXX" and "AXXX" securitisations. EV life securitisations are likely to regain their attraction only when credit markets fully recover, probably in late 2010 or 2011. Block deals involving asset transfers, such as Admin Re®, annuity block transactions, and pension buyouts became less attractive during the crisis because they require financing and involve a transfer of assets to the reinsurer.

Reinsurers enjoyed more stable premium income than primary insurance, avoiding some of its negative price trends and benefiting from increased reinsurance demand

Market environment

Impact of collective redress

Swiss Re's Focus report, "The globalisation of collective redress: Consequences for the insurance industry", published in May 2009, examines the global trend towards the introduction of mechanisms that allow groups to seek redress as an alternative to individual pursuits. The report assesses both the risks and the opportunities that this development carries, with an emphasis on implications for insurers. Its publication coincides with increased activity at the European Commission level, as two Directorates General – Competition and Consumer Affairs – are moving toward the introduction of collective redress mechanisms across the 27 EU member states.

Collective action (or class action as it is known in the US) is widely seen as an instrument to make access to legal redress easier and economically viable for individuals in situations where pursuing an individual claim might not be efficient. Experience has demonstrated, however, that without safeguards against potential abuse, collective redress systems can give rise to claims without merit and may result in increasing litigation costs for society as a whole. For the insurance industry and insurance consumers, disproportionate litigation can also have negative repercussions for insurance costs and availability.

The broad trend towards the spread of collective action also presents opportunities for insurers, however. Economic sectors likely to be at risk of litigation from collective redress are customer segments with potential for increased demand. This presents opportunities to the insurance industry to provide products and services for liability coverage, such as directors' and officers' liability, competition abuse claims or professional liability.

Swiss Re actively engages in dialogue with key stakeholders at national and European level. As a member of the European Justice Forum, Swiss Re works towards the introduction of balanced systems of collective redress with built-in safeguards against claims without merit.

This Focus report can be downloaded or ordered as a print copy in English from www.swissre.com

Regulatory developments

The financial crisis has accelerated some existing regulatory initiatives while introducing proposals for further reforms to make the financial system more resilient to future crises. Both the EU and the US have been considering "macro-prudential" supervision that identifies risks to financial stability and makes recommendations on potential sources of systemic risk. These reforms mainly apply to the banking sector, but also to insurance. Our industry could be affected if banking criteria are extended to the insurance industry.

Given the insurance industry's demonstration of its resilience during the financial market crisis, Swiss Re believes that the imposition of the reforms needed in the banking sector is not only inappropriate but unwarranted for the insurance industry. The reforms could mean increased levels of required capital and broader regulatory disclosure.

Proposed systemic risk regulators in the EU and the US

The EU has introduced a new supervisory framework by establishing the European Systemic Risk Board (ESRB). Members will include the president of the European Central Bank and the central bank governors of the 27 member states. The ESRB will monitor potential threats to financial stability and will issue early risk warnings. This "macro-prudential" supervision will be complemented by a "micro-prudential" element, the European Supervisory Authorities (ESA), which comprises three separate sector-specific supervisory authorities. The EU insurance industry will be represented by a new European Insurance and Occupational Pensions Authority (EIOPA). The ESA aims to facilitate harmonisation of prudential rules, and is empowered, if necessary, to resolve conflicts among member states' supervisory authorities.

The US Treasury has published a plan for financial regulatory reform, addressing – among many other issues – systemic risk regulation. The details of the new regulatory regime are subject to ongoing debate in the US Congress and it is likely to affect not only the banking, but also the (re)insurance industry. The plan advocates the creation of an Office of National Insurance (ONI), with a mandate to promote national and international coordination of insurance supervision. The ONI would manage US government international agreements on the insurance sector and report systemically risky insurers to the Federal Reserve Board. Insurance supervision itself, however, is likely to remain the responsibility of regulators in the individual states.

Regulation affecting the US reinsurance market

Independently of the financial crisis, the National Association of Insurance Commissioners (NAIC) adopted the Reinsurance Regulatory Modernization Framework, designed to modernise US state-based reinsurance regulation and address collateral requirements for non-US reinsurers. The new framework, which would need to be passed by the US Congress, could benefit non-US reinsurance groups by reducing or eliminating required collateral for intra-group retrocessions, but might require collateral for obligations to US domestic ceding insurers.

Adoption of Solvency II in the EU

The adoption of the Solvency II framework Directive in May 2009 was a major milestone for the insurance industry. A risk-based regime structured on economic principles, Solvency II more accurately reflects the risks borne by insurers and reinsurers and marks a significant improvement over the previous supervisory framework. It is designed to encourage sound risk management practices and proper governance structures. Implementation measures are being developed and the insurance industry has raised concerns about a risk of potential over-calibration of requirements. Solvency II is expected to become operational by October 2012.

Group results

Swiss Re reported annual net income of CHF 506 million in 2009, up CHF 1.4 billion from a net loss of CHF 864 million in the previous year. Earnings per share were CHF 1.49, CHF 4.10 higher than in 2008.

Property & Casualty continued to deliver an excellent underwriting result. Life & Health reported a solid performance, impacted by unfavourable results from the discontinued variable annuity business. A lower return on investments reflected increased allocation to lower risk assets as well as impairments and mark-to-market losses on corporate bond hedges. These losses were more than offset by the increased market value of the underlying credit portfolio, reported directly in shareholders' equity.

As a result, shareholders' equity increased to CHF 26.2 billion. The Group's de-risking strategy made significant progress in 2009 with a substantial reduction in Legacy exposure.

Basic book value per share was CHF 67.72 at the end of December 2009, compared to CHF 67.63 at the end of September 2009. Book value per share is based on total shareholders' equity, excluding the convertible perpetual capital instrument (CPCI), divided by the closing number of common shares outstanding.

Return on equity increased to 2.3% from –3.4% in 2008, resulting from improved performance compared to the net loss in 2008.

Full-year 2009 group results

In 2009, premiums earned decreased 4% to CHF 24.6 billion. Excluding foreign currency movements, Property & Casualty premiums declined 1% to CHF 13.9 billion, reflecting the quota share arrangement with Berkshire Hathaway and disciplined underwriting, partially offset by a selective increase in business volume. In the Life & Health segment, premiums and fee income from policyholders increased 3% to CHF 11.6 billion at constant foreign exchange rates.

The Group's net investment income and net realised gains include the investment result from assets backing unit-linked and with-profit policies. These returns are credited to policyholders' accounts and are therefore excluded from the following comments on the investment performance of the Group.

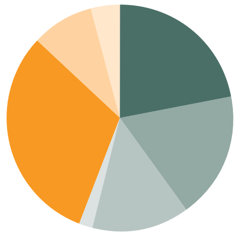
Net investment income was CHF 6.2 billion, a 10% decrease from the previous year, reflecting the repositioning of the investment portfolio by lowering the allocation to corporate bonds and securitised products.

Net realised investment losses decreased to CHF 3.0 billion from CHF 4.7 billion in the prior year. Asset Management was impacted by mark-to-market losses on derivatives hedging the Group's credit exposure, as well as by impairments mainly in the securitised products portfolio, partly offset by realised gains on the sale of investments. 2008 was impacted by losses reported in Legacy. Foreign exchange remeasurement reported in realised gains had a significant unfavourable impact in 2009 compared to 2008. The losses are mainly attributable to the depreciation of the US dollar against the Euro and the British pound during 2009.

In 2009, the Group progressed significantly in de-risking its asset exposures. Within Legacy, substantially all exposures in Structured and Portfolio CDS were terminated. Financial Guarantee Re exposure was significantly reduced by the commutation of CHF 9.2 billion notional protection during the year.

Other revenues were CHF 193 million, a decrease of 29% compared to the prior year.

Net premiums earned in 2009 by product line



- 22% Property
- 18% Casualty
- 14% Specialty
- 2% P&C non-traditional
- 31% Life
- 9% Health
- 4% Admin Re®

Property & Casualty claims and claim adjustment expenses decreased 12% to CHF 8.7 billion, or 10% at constant foreign exchange rates, reflecting the low impact of natural catastrophes, absence of adverse prior year development in casualty lines, and lower volumes following selective underwriting and higher retrocession.

Life & Health benefits increased 3% to CHF 9.3 billion, or 7% at constant foreign exchange rates, mostly attributable to the impact of the improved financial markets on the underlying funds in Admin Re® with-profit business, partially offset by the effects of a favourable outcome of an arbitration panel ruling in the health line of business.

Return credited to policyholders reflects the investment performance on the underlying assets, mainly backing unit-linked and with-profit policies, which is passed through to contract holders. In 2009, policyholders benefited from investment gains of CHF 4.8 billion, mainly driven by the recovery of equity markets, compared to a loss of CHF 2.8 billion in the prior year.

Acquisition costs decreased 9% to CHF 4.9 billion. The acquisition cost ratio was 19.8% in 2009 compared to 21.0% in 2008.

The decrease in administrative expenses includes the savings achieved in 2009 through the Group's cost efficiency programme. Other expenses increased driven by restructuring charges and other non-recurring items including non-income related taxes.

Interest expense was CHF 1.1 billion, a decrease of 27% from the prior year period. The decrease reflects generally lower interest rates and a reduced level of borrowing in 2009.

For 2009, we reported a tax expense of CHF 231 million. This represents a tax rate of 24.2%, compared to an effective tax rate benefit of 36% in the prior year. The decrease in the tax rate in 2009 was primarily due to the allocation of income between different jurisdictions, an increase in provision for uncertain tax positions, and a change in tax basis of subsidiaries.

Changes in shareholders' equity
Shareholders' equity increased 28% to CHF 26.2 billion. The increase was partially due to the CPCI issued to National Indemnity Company, a subsidiary of Berkshire Hathaway, in March 2009. Net unrealised gains increased by CHF 1.0 billion, mainly driven by mark-to-market gains in the credit portfolio attributable to credit spread tightening, as well as gains on securitised products.

Fourth-quarter 2009 results
In the fourth quarter of 2009, net income was CHF 0.4 billion, compared to a loss of CHF 1.7 billion in the prior year period. Natural catastrophe experience remained benign, and Property & Casualty contributed a strong operating result to the Group performance. Life & Health was impacted by unfavourable results in the variable annuity business, mainly related to further tightening of Swiss Re's credit spread in the fourth quarter. Fourth quarter results were partially offset by lower investment returns following the allocation to high-quality assets and short-term investments, as well as impairment losses of CHF 269 million. Earnings per share for the quarter were CHF 1.18. Annualised return on equity in the fourth quarter of 2009 was 7.0%.

Income reconciliation
The income reconciliation table reconciles the income from Swiss Re's segments and the operations of the company's Corporate Centre with the Group's consolidated net income/loss before tax. Net realised gains or losses on certain financial instruments, certain currency exchange gains and losses and other income and expenses – such as indirect taxes, capital taxes and interest charges – have been excluded from the assessment of each segment's performance.

Income reconciliation

CHF millions	2008	2009	Change in %
Operating income			
Property & Casualty	2 746	**3 820**	39
Life & Health	697	**746**	7
Asset Management	5 912	**3 898**	–34
Legacy	–5 890	**139**	–
Allocation	–4 670	**–4 401**	–6
Total operating income/loss	–1 205	**4 202**	–
Corporate Centre expenses	–295	**–235**	–20
Items excluded from the segments:			
Net investment income	575	**316**	–45
Net realised investment gains/losses	–136	**–433**	–
Foreign exchange gains/losses	1 338	**–1 316**	–
Financing costs	–1 501	**–1 094**	–27
Other income/expenses	–126	**–486**	–
Income/loss before tax	–1 350	**954**	–

Summary of financial statements

Income statement

CHF millions	2008	**2009**	Change in %
Revenues			
Premiums earned	25 501	**24 606**	–4
Fee income from policyholders	808	**916**	13
Proprietary net investment income	6 865	**6 168**	–10
Net investment income from unit-linked and with-profit business	1 016	**767**	–25
Proprietary net realised investment gains/losses	–4 689	**–3 021**	36
Net realised investment gains/losses from unit-linked and with-profit business	–4 793	**3 754**	–
Other revenues	270	**193**	–29
Total revenues	24 978	**33 383**	34
Expenses			
Claims and claim adjustment expenses	–10 007	**–9 083**	–9
Life and health benefits	–9 065	**–9 348**	3
Return credited to policyholders	2 822	**–4 823**	–
Acquisition costs	–5 366	**–4 883**	–9
Administrative expenses	–2 832	**–2 511**	–11
Other expenses	–379	**–687**	81
Interest expenses	–1 501	**–1 094**	–27
Total expenses	–26 328	**–32 429**	23
Income/loss before income tax expense	–1 350	**954**	–
Income tax expense/benefit	486	**–231**	–
Net income/loss	–864	**723**	–
Interest on convertible perpetual capital instrument		**–217**	–
Net income/loss attributable to common shareholders	–864	**506**	–

Changes in shareholders' equity

CHF millions	2008	**2009**	Change in %
Balance as of 1 January	31 867	**20 453**	–36
Net income/loss	–864	**723**	–
Change in unrealised gains/losses on securities, net	–5 493	**1 386**	–
Change in foreign currency translation	–2 300	**255**	–
Dividends	–1 331	**–34**	–97
Convertible perpetual capital instrument		**3 000**	–
Purchase/sale of treasury shares and shares issued under employee plans	–533	**446**	–
Other changes in equity	–893	**–28**	–97
Balance as of 31 December	20 453	**26 201**	28

Summary balance sheet

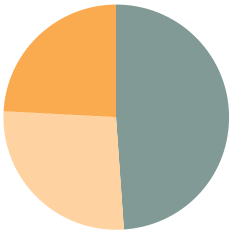
CHF millions	2008	2009	Change in %
Assets			
Investments			
Fixed income securities	117 399	**102 076**	–13
Equity securities	16 188	**20 825**	29
Policy loans, mortgages and other loans	6 611	**5 795**	–12
Investment real estate	2 143	**2 122**	–1
Short-term investments, at amortised cost which approximates fair value	5 802	**10 487**	81
Other invested assets	15 822	**15 144**	–4
Total investments	163 965	**156 449**	–5
Cash and cash equivalents	17 268	**28 749**	66
Reinsurance assets	35 610	**33 730**	–5
Deferred acquisition costs and other intangible assets	10 450	**10 284**	–2
Goodwill	4 265	**4 274**	0
Other assets	8 319	**7 118**	–14
Total assets	239 877	**240 604**	0
Liabilities			
Unpaid claims and claim adjustment expenses	75 510	**70 721**	–6
Liabilities for life and health policy benefits	39 911	**41 292**	3
Policyholder account balances	34 518	**37 931**	10
Unearned premiums	7 802	**6 748**	–14
Funds held under reinsurance treaties	5 872	**4 165**	–29
Reinsurance balances payable	5 493	**4 916**	–11
Income taxes payable	769	**629**	–18
Deferred and other non-current taxes	1 329	**959**	–28
Short-term debt	8 862	**8 378**	–5
Accrued expenses and other liabilities	21 245	**18 833**	–11
Long-term debt	18 113	**19 831**	9
Total liabilities	219 424	**214 403**	–2
Total shareholders' equity	20 453	**26 201**	28
Total liabilities and shareholders' equity	239 877	**240 604**	0

Summary of cash flow statement

CHF millions	2008	2009	Change in %
Cash flow from operating activities	–6 089	**–8 166**	–34
Cash flow from investing activities	18 819	**15 546**	–17
Cash flow from financing activities	–6 910	**4 775**	–
Effect of foreign currency translation	–83	**–674**	–
Change in cash and cash equivalents	5 737	**11 481**	100
Cash and cash equivalents as of 1 January	11 531	**17 268**	50
Cash and cash equivalents as of 31 December	17 268	**28 749**	66

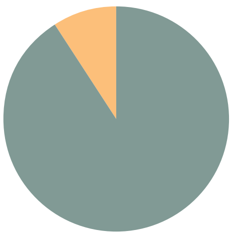
Property & Casualty

P&C gross premiums earned by type of business



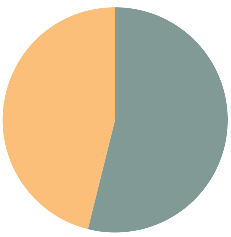
- 49% Proportional
- 27% Non-proportional
- 24% Facultative/direct

P&C gross premiums earned in 2009 by type of insurance



- 91% Reinsurance
- 9% Direct insurance

P&C gross premiums earned in 2009 by distribution channel



- 54% Direct
- 46% Broker

Market environment

The impact of the financial crisis on market conditions continued during the first half of 2009. For many companies, lower asset values and weaker balance sheets shrank their capacity and available risk capital. Lower investment returns with near-zero interest rates drove a moderate price increase in many markets and segments. In this low-return environment, Swiss Re saw increased demand for solvency-type quota share transactions.

In the second half of the year, the trend in rate hardening eased as financial markets and asset values recovered, restoring industry capital. On the liability side of the balance sheet, we saw below-average natural catastrophe claims in 2009, with an exceptionally benign Atlantic hurricane season, further bolstering industry results and risk capital.

In Property, premium volume for 2009 rose, thanks to good reinsurance renewal terms and strong client demand for capital relief solutions. In Casualty, though, reinsurance conditions remained difficult which led us to further limit our participation in the segment. Some lines of business have shown the impact of the global recession: reduced payrolls and revenues resulted in lower aggregate premium volumes, marine cargo suffered from the drop in shipments of goods, and Engineering was affected by lack of investment in large-scale infrastructure projects.

Insurance-linked securities (ILS) continue to be an important element in our client offering as well as a component of our own hedging strategy. The ILS market largely absorbed the impact of the financial crisis: collateral solutions with minimal investment risk have attracted new investors and sponsors, and growth has resumed.

Property claims activity, both for natural catastrophe and man-made events, was favourable. Significant large claim events in 2009 included winter storm Klaus in Spain and France (January), wildfires in Australia (January), the crash of an Air France passenger aircraft in the Atlantic (June), and severe hailstorms over Central and Eastern Europe (July). Casualty claims for current underwriting years provided few surprises. Claims related to the economic crisis are emerging in line with expectations.

Strategy and priorities

Our essential priorities remain cycle management and portfolio steering: shifting capacity to those segments where we expect to achieve the most attractive returns on our capital. We have therefore reduced our exposures in areas like Credit

Market opportunity: public-private partnership in China
In July 2009, Swiss Re entered into an agricultural reinsurance agreement with the Beijing Municipal Government. Under the agreement, the Beijing Municipal Government will pool all agricultural insurance business within Beijing, and provide funding for purchasing reinsurance cover directly from reinsurers. Thereby, the government is able to transfer substantial agricultural risks to the private sector. The beneficiaries will be the insurance companies under the government-subsidised agricultural insurance scheme in Beijing. In the event of a catastrophe loss, Swiss Re, as lead reinsurer, will settle with the insurance companies directly. This public-private partnership facilitates the sustainable development of agricultural insurance, stimulating agricultural productivity in China amid global concern over food security.

This transaction is a further example of how partnerships between the public and private sectors can increase local and regional food security. Swiss Re concluded a number of agriculture-related, public-private business transactions including the provision of weather insurance, based on satellite data, to purchase animal feed to maintain livestock in Mexico, and weather derivatives, based on a rainfall index, to cover extreme drought risks affecting maize production in Malawi.

and Casualty to redeploy the capital released into more profitable markets and segments, including shorter-tailed Property and Specialty lines. In Casualty, we have chosen to allow premiums to shrink while sustaining acceptable margins on the business we accept, thus avoiding potential future reserving deficits while maintaining our ability to support clients when markets improve.

We have continued to reduce our exposure to Directors' and Officers' (D&O) liability and other lines of business potentially exposed to the financial crisis. Given the usual time lag between economic events and related claims emergence, we will continue to be cautious in this area for the near future.

With pressure on their balance sheets and low margins on current business, many insurance companies are looking to free up the capital they have tied up in historical casualty exposures – often seen as a non-core activity that puts a strain on financial and managerial resources. In response, we are helping our clients to structure appropriate run-off solutions. Given our underwriting expertise, capital strength, and track record on claims management, we are well positioned to address these needs.

Renewals 2010
Terms for Property and Specialty lines of business, including natural catastrophe covers, remained firm or experienced a slight weakening. As a result, overall renewal success for this segment was similar to 2009. In Casualty, terms in some segments continued to weaken further from a level that we already considered as insufficient overall. In line with our consistent cycle management approach, we reduced parts of our portfolio, in some markets sizeably.

Our essential priorities remain cycle management and portfolio steering: shifting capacity to those segments where we expect to achieve the most attractive returns on our capital

Property & Casualty

Performance
Operating income increased 39% to CHF 3.8 billion in 2009 from CHF 2.7 billion in 2008. The main drivers for this strong improvement were excellent underwriting results and a lower cost base following our cost efficiency programme. Net investment income decreased 6% to CHF 2.5 billion in 2009 compared to 2008, due to the development in the underlying reserve base and the low interest rate environment, largely offset by the absence of realised investment losses.

2009 results benefited from benign natural catastrophes, with the full-year impact 4 percentage points lower than expectations, but also from continued disciplined underwriting. The underwriting result before investment income increased by CHF 1.1 billion year-on-year.

Net premiums earned
Net premiums earned declined 3%, reflecting selective underwriting and increased ceded premiums under the quota share agreement with Berkshire Hathaway. At constant foreign exchange rates, net premiums earned decreased 1% in 2009 compared to 2008.

Premiums earned for non-traditional business were slightly higher at CHF 562 million compared to CHF 493 million in 2008.

The balance between proportional and non-proportional business experienced a modest change in 2009. The share of proportional business in the overall book was 44% in 2009, compared to 41% in 2008, due to an increase in quota share business written for clients looking for solvency relief.

2009 premiums earned by region were similar to 2008, with a slight increase in the Americas and Asia driven by large transactions.

Combined ratio
The combined ratio for traditional business improved to 88.3% in 2009 from 97.9% in 2008.

The discount of Property & Casualty reserves, applied following the acquisition of GE Insurance Solutions in 2006, was further amortised in 2009, increasing the combined ratio by 1.8 percentage points in 2009. Excluding this unwind, the combined ratio of traditional business was 86.5%.

Lines of business
Active cycle management, the focus on profitability, favourable natural catastrophe experience and the absence of adverse prior year development in Casualty contributed to very strong underwriting results in 2009.

Property
Net premiums earned increased by 9% in 2009, reflecting successful 2009 renewals, partly offset by higher retroceded premium.

The combined ratio improved to 70.1% in 2009, mainly due to the low level of natural catastrophes, from 76.6% in 2008.

Innovation and major transactions in 2009

MultiCat ILS for Mexico	■ issued ILS covering both earthquake and hurricane risks, under the MultiCat Program by the World Bank in partnership with the Mexican government and Swiss Re
Agricultural catastrophe reinsurance in China	■ entered into agreement to provide catastrophe reinsurance coverage for Beijing's government-subsidised agricultural insurance scheme
Retakaful in Asia	■ received a licence from Bank Negara Malaysia to write Retakaful (Islamic cooperative risk-bearing) business, and opened a dedicated Retakaful operation in Kuala Lumpur
North Sea wind farm	■ provided a comprehensive reinsurance package for a North Sea offshore wind farm
UK First Party Bodily Injury	■ concluded the first UK First Party Bodily Injury treaty covering injuries sustained by insureds themselves

88.3%

Combined ratio, traditional business
(2008: 97.9%)

Casualty

Net premiums earned decreased 14% in 2009, reflecting the effect of our commitment to active cycle management and increased retroceded volume.

The Liability combined ratio in 2009 was 111.4% compared to 126.9% in 2008, a result of the absence of net reserve movements.

The Motor combined ratio increased to 98.2% in 2009 from 92.0% in 2008, which benefited from favourable prior year claims development.

The absence of adverse prior year development improved the Accident combined ratio to 113.6% in 2009 from 161.8% in 2008.

Specialty lines

Net premiums earned for the Specialty lines of business decreased 8% to CHF 3.5 billion, largely due to higher retroceded premium and selective underwriting in Credit.

The combined ratio for Specialty business improved to 92.1% in 2009 from 94.7% in 2008.

Credit reinsurance business continued to be impacted by difficult economic conditions. Nevertheless, the combined ratio improved to 100.9% in 2009 from 119.7% in 2008, largely due to the absence of reserve strengthening, and favourable premium updates for prior years.

Property & Casualty results

CHF millions	2008	**2009**	Change in %
Revenues			
Premiums earned	14 379	13 885	–3
Net investment income	2 607	2 454	–6
Net realised investment gains/losses	–145	28	–
Other revenues	54	38	–30
Total revenues	16 895	**16 405**	–3
Expenses			
Claims and claim adjustment expenses	–9 857	–8 686	–12
Acquisition costs	–2 730	–2 394	–12
Other expenses	–1 562	–1 505	–4
Total expenses	–14 149	**–12 585**	–11
Operating income	2 746	**3 820**	39
Claims ratio in %, including unwind of discount	68.9	60.5	
Expense ratio in %	29.0	27.8	
Combined ratio in %, including unwind of discount	97.9	88.3	
Combined ratio in %, excluding unwind of discount	96.1	86.5	

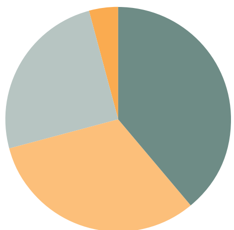
The other specialty combined ratio increased to 87.7% in 2009 from 83.2% in 2008. This increase was mainly due to higher claims in Aviation & Space in the first half of 2009, partly offset by continued good experience in the other lines, including the low level of natural catastrophes.

The expense ratio before acquisition costs for 2009 remained stable at 10.4%. The ratio was impacted by reductions in the cost base and the net premiums earned decrease in 2009 compared to 2008.

Non-traditional business

Operating income in non-traditional business decreased to CHF 41 million in 2009 from CHF 123 million in 2008. 2008 benefited from a favourable prior-year loss experience, including favourable commutation effects.

P&C net premiums earned in 2009 by line of business



- 39% Property
- 32% Casualty
- 25% Specialty
- 4% Non-traditional

Property & Casualty

Property & Casualty results by line of business

2008 CHF millions	Property traditional	Liability traditional	Motor traditional	Accident traditional	Credit	Other lines traditional	Total traditional	Non-traditional	Total
Revenues									
Premiums earned	4884	2828	1663	696	1206	2609	13886	493	14379
Net investment income	345	1027	348	283	50	384	2437	170	2607
Net realised investment gains/losses	–153			15	22		–116	–29	–145
Other revenues						15	15	39	54
Total revenues	5076	3855	2011	994	1278	3008	16222	673	16895
Expenses									
Claims and claim adjustment expenses	–2654	–2510	–1148	–887	–872	–1495	–9566	–291	–9857
Acquisition costs	–623	–609	–265	–136	–484	–488	–2605	–125	–2730
Other expenses	–463	–471	–117	–103	–87	–187	–1428	–134	–1562
Total expenses	–3740	–3590	–1530	–1126	–1443	–2170	–13599	–550	–14149
Operating income/loss	1336	265	481	–132	–165	838	2623	123	2746
Claims ratio in %	54.4	88.7	69.0	127.4	72.4	57.3	68.9		
Expense ratio in %	22.2	38.2	23.0	34.4	47.3	25.9	29.0		
Combined ratio in %	76.6	126.9	92.0	161.8	119.7	83.2	97.9		

2009 CHF millions	Property traditional	Liability traditional	Motor traditional	Accident traditional	Credit	Other lines traditional	Total traditional	Non-traditional	Total
Revenues									
Premiums earned	5329	2279	1639	566	1165	2345	13323	562	13885
Net investment income	210	997	310	283	82	255	2137	317	2454
Net realised investment gains/losses	45	32					77	–49	28
Other revenues								38	38
Total revenues	**5584**	**3308**	**1949**	**849**	**1247**	**2600**	**15537**	**868**	**16405**
Expenses									
Claims and claim adjustment expenses	–2524	–1690	–1256	–410	–763	–1416	–8059	–627	–8686
Acquisition costs	–807	–392	–242	–131	–338	–408	–2318	–76	–2394
Other expenses	–403	–457	–111	–102	–75	–233	–1381	–124	–1505
Total expenses	**–3734**	**–2539**	**–1609**	**–643**	**–1176**	**–2057**	**–11758**	**–827**	**–12585**
Operating income/loss	**1850**	**769**	**340**	**206**	**71**	**543**	**3779**	**41**	**3820**
Claims ratio in %	47.4	74.1	76.7	72.4	65.4	60.4	60.5		
Expense ratio in %	22.7	37.3	21.5	41.2	35.5	27.3	27.8		
Combined ratio in %	70.1	111.4	98.2	113.6	100.9	87.7	88.3		

Outlook

The outcome of the January 2010 renewals confirms our provisional outlook. In the absence of large claims, we expect that market conditions for the Property and Specialty lines of business will be stable or slightly softer. Capacity for peak natural catastrophes is likely to remain scarce and well priced. In other segments, such as Commercial Risks, prices will reflect reduced demand. Marine and Engineering business is likely to suffer from the delayed effects of the depressed world economy. The Major Airline segment should experience continued price hardening, following above-average loss activity in 2009.

Current prices in many Casualty segments do not meet our profitability targets. Though there is little sign of general improvement yet, there are individual markets where the industry has been forced to react with improved terms, including several European Motor markets. Nonetheless the pressures for a broader global improvement are building, and may be accelerated if some industry participants' prior-year reserve releases are no longer sufficient to support current profits.

We aspire to outperform the market frequently, based on our cycle management and portfolio steering capabilities. Our ability to deliver strong client-specific solutions allows us to create value for our clients, while our continued focus on sound underwriting is key to creating economic profit for shareholders.

We will continue to drive the ILS market as a sponsor, underwriter and innovation leader. We expect that our strong client franchise, our expertise in structuring innovative products, and our ability to assume large risks will allow us to benefit from the expected growth in this segment. We are working with PERILS AG, the catastrophe insurance market data specialist, to create a European windstorm index to greatly facilitate risk trading and broaden the scope of new ILS products.

The main drivers for the strong performance in 2009 were excellent underwriting results as well as a lower cost base following our cost efficiency programme

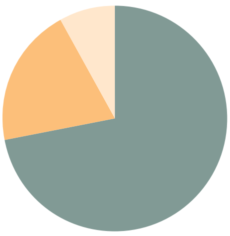
Life & Health

Market opportunity: Longevity risk cover
One of the biggest issues facing many societies today is longevity risk. Life expectancy is increasing, putting a strain on organisations obliged to pay retirement benefits. Pension fund managers are increasingly aware of the financial consequences of longevity risk and are looking to the private sector for solutions to reduce the risk of cash shortfalls. Demand from pension funds and life insurers for reinsurance has grown as a result, but private sector supply for longevity risk cover remains scarce.

In December 2009, Swiss Re completed its first pure longevity transaction with the UK's Royal County of Berkshire Pension Fund (RBPF). This marks the first transaction worldwide written for a public sector pension fund. Under the agreement, RBPF pays an agreed premium to Swiss Re. In practice, if the value of the pensions paid out by RBPF each year are lower than the agreed premium, the pension fund pays the difference to Swiss Re. Conversely, if the value is higher, Swiss Re covers the financial impact. Both premiums and claims are inflation-linked.

Swiss Re has been writing longevity risk since 2007. Longevity risk diversifies Swiss Re's large book of mortality reinsurance, which is recognised by our regulators and rating agencies.

L&H gross premiums earned and fee income in 2009 by line of business



- 72% Life
- 20% Health
- 8% Admin Re®

Market environment
The economic downturn has seen sales of new life insurance policies fall in most North American and European markets. This is particularly true in countries like the UK, where life cover is sold in combination with mortgage loans. Asian and Australian life insurance markets have proved more resilient, although not immune from the recession. The volume of business ceded to reinsurers reflected the sales drop in the primary market. Nevertheless, as primary insurers face rising pressure on their capital positions from investment losses, many have turned to reinsurance for capital relief by increasing cession rates or reinsuring existing portfolios.

The H1N1 influenza pandemic had a very modest impact on mortality, but it highlighted the exposure of primary life insurers to mortality shock events. We conducted extensive research on this topic in recent years and published an in-depth report in 2007. The H1N1 outbreak spurred increased interest in pandemic cover. While we have been reluctant to write short-term covers for this risk, we are talking with our clients about more sustainable long-term solutions.

Strategy and priorities
2009 saw continued strong demand for capital relief through reinsurance. We concluded several large transactions, predominantly in the US and the UK, providing solutions both through traditional quota share treaties and through tailored non-proportional covers (see Innovation and major transactions in 2009 table on page 57).

Changing economic conditions, in particular low interest rates, and the increased cost of funding collateral for regulatory reserves have prompted us to adjust our approach to "Regulation XXX" term coinsurance. We were among the first to raise rates and reprice existing treaties, which led to an expected reduction in new "XXX"

The H1N1 influenza pandemic has highlighted the exposure of primary life insurers to mortality shock events and spurred increased interest in pandemic cover

Innovation and major transactions in 2009

Longevity swap transactions	■ longevity swap transactions in Australia and the UK, including the first UK longevity swap for a local authority pension fund, via our Windsor Life subsidiary
US individual life retrocession	■ transfer of a closed book of business to Berkshire Hathaway in order to increase capital efficiency
Medical underwriting outsourcing in Ireland	■ an innovative long-term agreement, combining reinsurance with the outsourcing of the medical underwriting process to Swiss Re
Medical reinsurance in Asia	■ further expanded a portfolio of medical reinsurance business, with significant new transactions across a number of markets, most notably China

business. Our primary focus is now on Yearly Renewable Term reinsurance; we will consider new "XXX" term coinsurance on a case-by-case basis, while also supporting clients with product redesign and actively participating in industry efforts at regulatory reform.

One of our key strategic priorities is to provide longevity risk protection for life companies and corporate clients. This is a very active market in the UK and attracts growing interest elsewhere. We are well positioned to participate in this market, thanks to our leading position in mortality risk reinsurance and our diversified balance sheet. We are also participating actively in industry efforts to create capital market products to cover longevity and mortality risk.

Our clients in mature markets are increasingly focusing on making their products easier for the consumer to purchase by streamlining their processes. We are closely involved in these efforts to speed up the underwriting process through Magnum, our point of sale underwriting system.

In India and China, we continue to expand our medical insurance portfolio, and we are exploring opportunities to support government-sponsored micro-insurance schemes.

Our Admin Re® business continued to seek out attractive opportunities, primarily in the US and the UK. Despite difficult market conditions, we closed a small transaction in the US during 2009.

To further improve our client services, Life Guide – our global underwriting manual – was launched in Portuguese and is now available in ten languages.

Risk transformation plays a central role within our portfolio steering and we utilise several tools to enhance capital efficiency in Life & Health, including embedded value securitisations and third-party retrocessions.

We recently closed a retrocession transaction with Berkshire Hathaway on a block of pre-2004 US individual life business that will allow us to free up approximately CHF 300 million in capital to invest in more attractively priced business. The transaction is effective 1 October 2009 and will be reported in 2010, as the regulatory approvals were received in January 2010.

82.4%

Benefit ratio

(2008: 85.5%)

Life & Health

One of our key strategic priorities is to provide longevity risk protection for life companies and corporate clients

Life & Health results

CHF millions	2008	**2009**	Change in %
Revenues			
Premiums earned	11 090	10 679	–4
Fee income from policyholders	808	916	13
Net investment income	3 648	3 445	–6
Net realised investment gains/losses	–5 022	3 209	–
Other revenues			–
Total revenues	10 524	**18 249**	73
Expenses			
Claims and claim adjustment expenses; life and health benefits	–9 065	–9 348	3
Return credited to policyholders	2 822	–4 823	–
Acquisition costs	–2 626	–2 488	–5
Other expenses	–958	–844	–12
Total expenses	–9 827	**–17 503**	78
Operating income/loss	697	**746**	7
Operating result, excluding non-participating net realised investment gains/losses	926	**1 291**	39
Net investment income – unit-linked	767	601	–22
Net investment income – with-profit business	249	166	–33
Net investment income – non-participating	2 632	2 678	2
Net realised investment gains/losses – unit-linked	–4 052	3 457	–
Net realised investment gains/losses – with-profit business	–741	297	–
Net realised investment gains/losses – non-participating	–229	–545	–
Operating revenues[1]	14 530	**14 273**	–2
Management expense ratio in %	6.6	5.9	
Benefit ratio[2] in %	85.5	82.4	

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Performance
Life & Health operating income increased to CHF 746 million in 2009 from CHF 697 million in 2008. Improvement in the financial markets, a one-time gain recorded related to an arbitration award which rescinded a 2001 disability income reinsurance treaty with Lincoln National Reinsurance Company (Barbados) Ltd, as well as good mortality experience were partially offset by unfavourable results from the discontinued variable annuity business.

Premiums earned and fee income
Premiums and fees decreased to CHF 11.6 billion from CHF 11.9 billion in 2008. At constant foreign exchange rates, premiums and fee income increased 2.7%.

Traditional life premiums and fees were CHF 7.7 billion, compared to CHF 7.8 billion in 2008. At constant foreign exchange rates, premiums and fees increased 1.6%, reflecting new business written in all regions.

Traditional health premiums fell to CHF 2.1 billion from CHF 2.4 billion in 2008, largely due to foreign exchange movements, changes in cedents' reporting data and commutations.

Admin Re® premiums and fees increased to CHF 1.8 billion from CHF 1.6 billion in 2008, primarily due to the full year inclusion of the Barclay's Life business, acquired during the fourth quarter of 2008.

The geographical distribution of premiums and fees earned remained stable during 2009.

Net investment income for 2009 was CHF 3.4 billion, down 5.6% from 2008. Excluding foreign exchange movements, net investment income increased 6.8%. Investment income generated on unit-linked contracts are passed straight through to contract holders as returns credited to policyholders, and therefore do not directly impact the operating result. However, as the market value of assets underlying the unit-linked contracts change, the fee income generated will vary.

Acquisition costs decreased 5.3% to CHF 2.5 billion from CHF 2.6 billion in 2008. At constant foreign exchange rates, acquisition costs increased 0.9%, primarily driven by new business within the traditional life segment, partially offset by lower amortisation of the present value of future profits (PVFP) within the Admin Re® segment, due to improvements in equity markets in 2009.

Benefit and expense ratios
The Life & Health benefit ratio improved 3.1 percentage points to 82.4%, reflecting the effects of the favourable outcome of the arbitration panel ruling related to a disability income reinsurance treaty, and the positive impact of a change in the benefit reserves underlying certain guaranteed minimum death benefits (GMDB) products, driven by lapse of pre-2000 GMDB contracts. Traditional mortality experience was in line with the favourable results recorded in the prior year.

The management expense ratio declined 0.7 percentage points to 5.9%, reflecting lower incurred expenses primarily as a result of the Group's efficiency programme.

Lines of business
A diversified geographical business mix and a continued disciplined pricing approach provided for a stable business result.

Life & Health results by line of business

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Operating revenues[1]	8 662	2 846	3 022	14 530
Operating income/loss	136	293	268	697
Operating result, excluding non-participating net realised investment gains/losses	335	543	48	926
Benefit ratio[2] in %				85.5

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Operating revenues[1]	8 464	2 529	3 280	**14 273**
Operating income/loss	40	852	–146	**746**
Operating result, excluding non-participating net realised investment gains/losses	611	640	40	**1 291**
Benefit ratio[2] in %				**82.4**

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Life & Health

Traditional life
Operating income for traditional life business declined CHF 96 million, or 71%, to CHF 40 million. The decrease was primarily attributable to an unfavourable result from the discontinued variable annuity business of CHF 574 million, primarily due to modified estimated future cash flows, driven by current and expected lapse experience. Our hedging for expected variable annuity cash flows performed within expected parameters.

This was partially offset by an increase in the fair value of embedded derivatives associated with certain funds-withheld life reinsurance treaties of CHF 171 million, which was driven by narrowing credit spreads on the underlying cedent investment portfolios. Mortality experience was favourable in the period, predominantly within the US segment, and, overall, slightly less favourable than the results experienced in the prior year. Lapse experience was higher than expected as economic conditions remained uncertain. In addition, higher lapses are expected on certain US term life insurance products as they reach the end of the fixed premium-paying period resulting in lower operating income.

Traditional health
Operating income from the traditional health business rose CHF 559 million, or 191% to CHF 852 million. This was mainly due to the recording of a one-time gain of CHF 342 million related to the arbitration award which rescinded a 2001 disability income reinsurance agreement, together with proceeds from the commutation of certain personal accident treaties.

In addition, unrealised gains of CHF 57 million were reported from an increase in the fair value of embedded derivatives associated with certain funds-withheld health treaties, which were driven by narrowing credit spreads on the underlying cedent investment portfolios. Morbidity experience was moderately favourable as compared to expectations for the year, compared to better than expected experience and termination rates reported in 2008.

Admin Re®
Admin Re® operating income fell CHF 414 million to a loss of CHF 146 million. The 2009 operating income includes unrealised losses of CHF 196 million related to a decline in the fair value of embedded derivatives associated with certain treaties that are ceded by Swiss Re on a funds-withheld basis. The Admin Re® segment benefited from the full year inclusion of the Barclay's Life transaction as well as higher fee income and lower amortisation of the present value of future profits (PVFP) related to the improvement in the equity markets. US mortality was in line with expectations for the year, compared to better than expected experience reported in 2008.

Outlook
In mature markets, sales of life insurance policies will depend on the strength of the economic recovery. In the longer term, pressure on public sector finances is likely to lead to a reduction in government-sponsored benefits, increasing the need for individuals to buy risk and pension protection for themselves and their families.

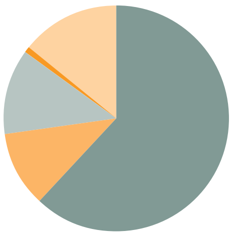
In developing markets, we expect continued solid sales growth in primary business, particularly for health insurance products, as the emerging middle classes demand a higher level of protection and service than provided by public health systems.

We see continued demand for capital relief through reinsurance in 2010, particularly in Europe, where companies are using structured reinsurance as a way to relieve some of their Solvency I capital requirements. We expect the demand for capital relief driven reinsurance to change with the introduction of Solvency II in 2012, as higher levels of risk transfer will be required to obtain regulatory capital relief.

We expect to see more longevity transactions with life insurers and pension funds in the course of 2010. Most of these opportunities will likely arise in the UK, but we are also focused on several other markets.

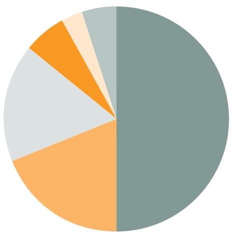
Asset Management

Investment portfolio as of 31 December 2009
Total CHF 154 080 million



- 61% Cash, government bonds and short-term investment
- 12% Structured products
- 12% Corporate bonds
- 1% Equity
- 14% Other

Investments by currency as of 31 December 2009



- 50% USD
- 19% EUR
- 17% GBP
- 6% CAD
- 3% CHF
- 5% Other

Market environment
During 2009, financial markets recovered from the wide credit spreads, depressed and volatile equity values, and very low government bond yields that marked the end of 2008. For asset managers, it was a challenging year of deciding when and by how much to divest or acquire assets with greater risk.

Many higher-risk asset values rallied after the first quarter of 2009; stock markets recovered sharply as the banking system stabilised and global depression seemed averted. Government bond yields rose gradually through the year, reflecting the improved economic outlook. Credit spreads, which had remained volatile in the first few months of 2009, narrowed sharply during the remainder of the year as markets regained their risk appetite.

Our emphasis was to concentrate on core activities while working to establish a more robust and transparent business platform. We significantly de-risked our portfolio, improved operational efficiency and strengthened our infrastructure.

Against the background of unprecedented market conditions and the perceptions they created, we moved to re-establish stakeholder confidence to be able to meet client needs and reinforce shareholder value.

Strategy and priorities
To maintain our competitive position in a time of market turbulence, we re-focused our Asset Management function on its primary mandate: managing the assets that Swiss Re generates through its core business using a clear, robust asset-liability management framework. Other activities have been curtailed or, as in the case of insurance-linked securitisations, integrated into product development. We also sold our Conning Asset Management division as a non-core operation.

In mid-2009, we decided to outsource CHF 22 billion in credit and securitised portfolios to BlackRock, a global asset management company. BlackRock's mandate took effect on 1 December 2009; it covers asset management services such as security selection, and research and analytics based on granular investment guidelines provided by Swiss Re. The Chief Investment Officer (CIO) continues to set the investment strategy, retains responsibility for overall portfolio steering and for compliance with regulatory requirements. We expect this step will increase operational efficiency by releasing resources to concentrate on our core asset management function as well as improve access to world-leading asset management expertise.

Reduced exposure
We have reduced our exposure to selected markets and financial instruments with a focus on economic value preservation. We have made a determined effort to de-risk and strengthen the balance sheet, re-investing proceeds, for the time being, primarily in government bonds.

Asset Management

1.8 %

Return on investments
(2008: 4.7%)

Asset management priorities in 2009

De-risking	■ Removed a total of CHF 20.9 billion in risk from the balance sheet, reducing exposure to selected markets and financial instruments while focusing on maintaining economic value.
Safeguarding capital	■ Maintained an active hedging programme, managing credit spreads and equity exposure. Its ultimate purpose was to protect capital, but it retained some potential for gain. This asymmetrical arrangement proved favourable as equity markets rebounded.
Progress in asset optimisation	■ Started to optimise the risk-return profile of Swiss Re's asset allocation, taking advantage of market opportunities and within a robust asset-liability framework.

Our asset-liability matching function makes it essential that we have a dedicated, expert in-house rates team. This team manages almost CHF 80 billion of Swiss Re's investment portfolio, in 19 currencies. Working closely with the CIO office, it ensures that we match our reinsurance liabilities effectively while generating an attractive investment return.

Credit and securitised products have suffered significant stress during the prolonged market turmoil. In our effort to de-risk our investment portfolio, we materially reduced our exposure to these asset classes when we saw prudent opportunities to do so, and outsourced the management of the remainder to BlackRock.

We also reduced our exposure to alternative investments, specifically to private equity and hedge funds. We will continue to manage our existing portfolio in these areas, but will seek further opportunities to adjust our portfolios when the market environment allows. During the fourth quarter of 2009, we realised a mark-to-market gain on Atradius N.V., a leading credit insurer.

Improved operational efficiency

2009 saw substantial change in Asset Management's organisation, processes, and systems, cutting direct costs significantly.

We materially improved our performance analytics with our new Risk Budgeting framework, which allows us to match the shape of our insurance liabilities with optimised asset performance on a very granular level. Risk Budgeting also improves the control of our many detailed investment mandates. This process will govern all our investment activities in the future – balancing investment, risk, and legal entity requirements and restrictions.

We also strengthened our oversight and valuation analytics in conjunction with our Finance and Risk Management functions.

We simplified our operating platform, having consigned a wide range of activities to Legacy. At the same time we significantly upgraded our systems for investment management analytics and straight-through processing, and are moving to a more stable, more reliable platform.

Investment result

For 2009, return on investments was 1.8%, compared to 4.7% in the prior year. The losses from the hedging of the corporate bond portfolio, although more than offset by gains in shareholders' equity reflected in the balance sheet, contributed to a decrease in return, as did the impact of foreign exchange movements, which were only partially offset by realised gains. The lower return on investments was also due to lower net investment income as proceeds from net sales and principal repayments in the credit portfolio were primarily allocated to lower yielding bonds, shorter term investments and cash equivalents.

Asset Management's investment portfolio increased to CHF 154.1 billion at the end of 2009, compared to CHF 150.6 billion at the end of 2008, excluding unit-linked and with-profit businesses. The increase in the portfolio was mainly due to net mark-to-market gains and foreign exchange movements.

Investment and operating expenses decreased by CHF 256 million, or more than 35%, mainly due to a reduction in variable expenses.

Credit and rates

Swiss Re's Credit & Rates investment portfolio decreased to CHF 93.8 billion in 2009 from CHF 108.7 billion in 2008 as a result of net sales and maturities in the credit portfolio, partially offset by foreign exchange movements and net mark-to-market gains. Net investment income declined to CHF 4.6 billion from CHF 6.3 billion in 2008. The decrease was mainly due to reducing the risk profile through an increased allocation to higher quality issuers, short-term investments, and cash equivalents. The net realised loss on credit and rates investments was CHF 639 million in 2009, compared to a net realised gain of CHF 807 million in 2008. The net realised loss in 2009 related mainly to losses on hedges of CHF 1.7 billion and impairments of CHF 1.3 billion, offset by realised and unrealised gains of CHF 2.4 billion.

The net change in shareholders' equity of CHF 0.8 billion was a result of the net mark-to-market gains in the credit portfolio attributable to credit spread tightening, partially offset by losses in the rates portfolio as interest rates increased. Net unrealised loss in shareholders' equity decreased by CHF 0.8 billion to CHF 1.6 billion at the end of 2009 from a net unrealised loss of CHF 2.4 billion at the end of 2008.

Equities and alternative investments

We reduced Swiss Re's gross exposure to CHF 7.5 billion at the end of 2009, mainly by reducing our exposure in hedge funds and private equity funds. During 2009, there were net redemptions of CHF 0.6 billion of hedge funds. Operating loss decreased to CHF 0.1 billion in 2009, compared to CHF 1.3 billion in 2008.

We rededicated our Asset Management function to its primary mandate: managing the assets that Swiss Re generates through its core business using a clear, robust asset-liability management framework

Asset Management

Outlook

After the global recession, economic growth turned generally positive in 2009, following unprecedented monetary and fiscal stimulus in many countries. The global economy appeared to have embarked on the road to recovery in the third quarter of the year. Financial markets were impacted by central bank efforts at reflation, which drove down liquidity risk premiums and thus supported asset values.

We do not expect the extraordinary global stimulus to disappear in the short term, despite signs of recovery, most importantly in the US. We believe that global policymakers, in particular the Federal Reserve Bank, will err on the side of caution in raising interest rates; most share the International Monetary Fund's view that the cost of moving too early would be greater, in terms of lost output growth and increased market volatility, than the cost of moving too late. In our view, this stance will thus remain conducive for markets in 2010. That said, markets are likely to anticipate tighter monetary policy conditions well ahead of their actual appearance. This could mean renewed volatility and greater differentiation among companies in their credit and equity values, making winners of companies with healthy balance sheets.

In summary, we see reasons to be cautiously optimistic about financial markets in 2010 from a "top-down" perspective. Nevertheless, anticipated monetary tightening, likely to occur in the second half of 2010, will mean that reflation is slowly but surely coming to an end. Thus, in our view the biggest risk in 2010 is to be too complacent about the financial market outlook.

Asset Management results

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Net investment income	6 297	–937	5 360
Net realised investment gains/losses	807	–327	480
Fees, commissions and other revenues	80	–8	72
Total revenues	7 184	–1 272	5 912
Total operating income/loss	7 184	–1 272	5 912
Return on investments in %[1]			4.7%

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Net investment income	4 583	39	4 622
Net realised investment gains/losses	–639	–162	–801
Fees, commissions and other revenues	74	3	77
Total revenues	**4 018**	**–120**	**3 898**
Total operating income/loss	**4 018**	**–120**	**3 898**
Return on investments in %[1]			1.8%

[1] The return on investments includes currency exchange rate remeasurements and designated trading portfolios. The designated trading portfolios comprise trading fixed income securities denominated in foreign currencies, which back certain liabilities denominated in foreign currencies. The overall impact of the currency exchange remeasurements was CHF 1 338 million in 2008 and CHF –1 316 million in 2009.

Legacy

Legacy manages specified products that Swiss Re no longer offers and which are separately reported. Legacy consists of Structured CDS, Portfolio CDS, Financial Guarantee Re (FG Re) and former trading activities, including credit correlation, collateralised fund obligations, bonds trading, swaps in trust, total return swaps relating to insurance-linked securities, natural gas and other non-core activities.

Performance

Legacy generated net operating income of CHF 139 million in 2009 compared to a net operating loss of CHF 5.9 billion in 2008. Operating income was primarily driven by gains from the unwind of substantially all of the Portfolio CDS and the liquidation of several positions from the former Structured CDS, as well as from sales of investments included in former trading activities. These gains were offset by losses in FG Re, where there was a significant reduction in exposure due to commutations.

FG Re reported an operating loss of CHF 353 million in 2009, compared to an operating loss of CHF 128 million in 2008. The loss in 2009 was mainly driven by commutation expenses and additions to technical reserves. During 2009, CHF 9.2 billion of notional exposure was commuted. From year-end 2008, total notional exposure was reduced by 68% and exposure to structured finance by 92%.

Former trading activities, which includes the Structured CDS and Portfolio CDS, reported operating income of CHF 492 million in 2009 compared to an operating loss of CHF 5.8 billion in 2008. The 2009 operating income was primarily driven by realised gains from the unwind of several transactions in the former Portfolio CDS and gains on the liquidation and auction of investments related to one of the former Structured CDS portfolios. These gains were partially offset by impairments of CHF 447 million, primarily in Legacy securitised products. During 2009, corporate bond and securitised product positions in Legacy were reduced by CHF 3.3 billion net, mainly as a result of net sales and maturities.

Expenses

Investment and operating expenses decreased by 9% to CHF 84 million in 2009 from CHF 92 million in 2008.

Share performance

Swiss Re shares
Swiss Re had a market capitalisation of CHF 18.5 billion on 31 December 2009, with 370.7 million shares outstanding. Swiss Re shares are listed on the main board of the Swiss Exchange (SIX) and are traded under the ticker symbol RUKN. The shares are also traded over-the-counter in the form of an American Depositary Receipt (ADR) level I programme (OTC symbol SWCEY).

Share price performance
The downward pressure on share prices seen in 2008 continued in early 2009 and particularly affected Swiss Re. Investors were concerned about the impact turbulent financial markets would have on Swiss Re's investment portfolio, its capital position and whether the underwriting franchise would be affected. Swiss Re shares, which had opened the year at CHF 50.30, hit an intra-day low for the year of CHF 11.88 on 9 March 2009. These concerns eased over the following months as spreads continued to tighten, the Group's capital position strengthened and Swiss Re reported successful renewals of its (re)insurance business. Swiss Re shares recovered during the course of the year, reaching CHF 49.91 as of 31 December 2009.

In 2009, Swiss Re's share price was more volatile than the index of European insurers, particularly during the first five months of the year. Swiss Re's share price decreased by 0.8% during 2009, while the Dow Jones STOXX 600 Insurance index rose by 12.6% and the broader index of Swiss blue chips (SMI) increased by 18.3%. Swiss Re shares have increased by 71% since the publication of its first quarter results in May 2009.

Share trading
The average daily trading volume for 2009 was 2.9 million shares on-exchange and 0.1 million shares off-exchange. Trading volume peaked at 20.1 million shares on 5 February 2009 when Swiss Re announced it expected a loss for financial year 2008. Early May 2009 also saw a significant volume of shares change hands as the market reacted positively to Swiss Re's first quarter results and the communication of clear priorities. Daily volumes from June to December were lower than in the first five months of 2009 as stability returned to Swiss Re's news flow.

Dividends
The Board of Directors will propose a dividend of CHF 1.00 per share for 2009. Swiss Re pays its dividend annually, three working days after the Annual General Meeting; as of that day, the share price is ex-dividend.

Share custody
Swiss Re offers its shareholders the opportunity to deposit shares in their own names with the Share Register in Zurich. Share custody is free of charge. Shareholders can download the application form from Swiss Re's website.

Index representation
In addition to its relevant industry indices, Swiss Re is also represented in various global, European and Swiss indices – including the SMI, FTSEurofirst 300 Insurance and the Dow Jones STOXX 600 Insurance. The composition of these indices is usually based on free-float market capitalisation. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability and FTSE4 Good index families.

Shareholder structure
For more information on Swiss Re's shareholder structure, see Corporate governance, page 87.

Information for investors
More information on Swiss Re's shares is available in the Investor Relations section on Swiss Re's website.

General information on Swiss Re shares

Identification numbers	Share	ADR level I[1]
Swiss Security Number (Valorennummer)	1233237	–
ISIN (International Securities Identification Number)	CH0012332372	US8708872051

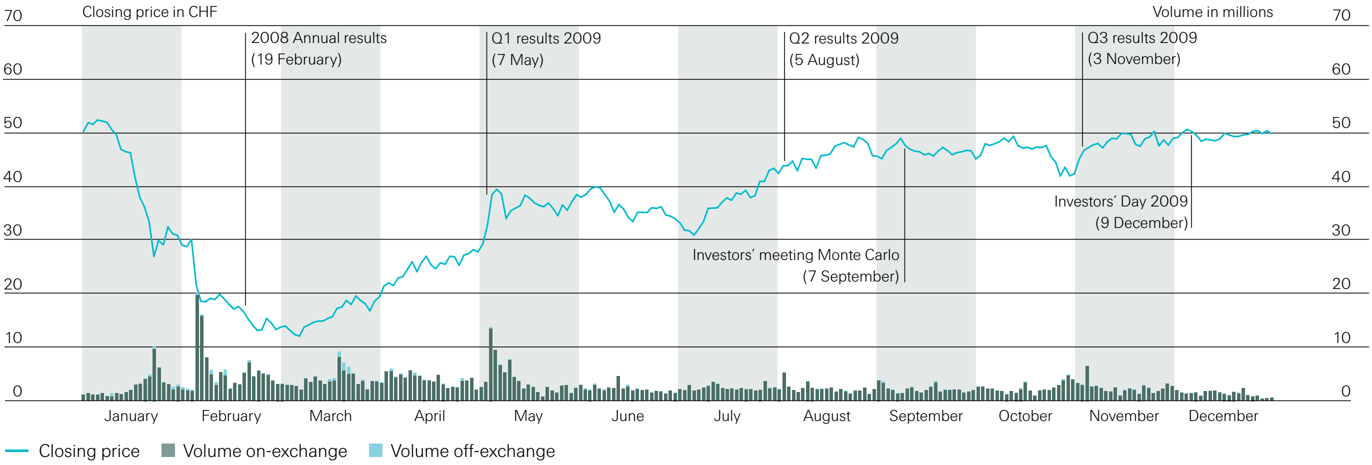
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	RUKN VX	RUKN	RUKN.VX
ADR level I[1]	SWCEY US	SWCEY	SWCEY.US

[1] Swiss Re's ADR are not listed but traded over-the-counter; one ADR corresponds to one Swiss Re share.

Weighting in indices

As of 31 December 2009	Index weight (in %)
Swiss/blue chip indices	
SMI	2.18
SPI	1.86
Insurance indices	
Dow Jones STOXX 600 Insurance	4.07
Bloomberg Europe 500 Insurance	4.30
FTSEurofirst 300 Insurance	4.35
Sustainability indices	
Dow Jones Sustainability World	0.19
Dow Jones Stoxx Sustainability	0.44
FTSE4Good Global	0.15
KLD Global Climate 100	1.00

Swiss Re share price and trading volume in 2009



Key share statistics 2005 – 2009

As of 31 December	2005	2006	2007	2008	2009
Shares outstanding[1]	322 092 742	374 440 378	370 386 755	363 516 036	**370 701 168**
of which Treasury shares and shares reserved for corporate purposes	11 678 802	16 184 149	23 720 789	27 850 261	**27 994 167**
Shares entitled to dividend	310 413 940	358 256 229	346 665 966	335 665 775	**342 707 001**

CHF unless otherwise stated	2005	2006	2007	2008	2009
Dividend paid per share	1.60	2.50	3.40	4.00	**0.10**
Dividend yield[2] (in %)	1.7	2.4	4.2	8.0	**0.2**
Earnings per share[3]	4.68	13.49	11.95	–2.61	**1.49**
Book value per share[4]	73.87	86.21	92.00	60.96	**67.72**
Price per share year-end	96.20	103.60	80.45	50.30	**49.91**
Price per share year high (intraday)	103.40	108.50	119.40	93.95	**53.10**
Price per share year low (intraday)	75.10	79.60	78.70	35.38	**11.88**
Daily trading volume (in CHF millions)	126	153	253	214	**98**
Market capitalisation[5] (in CHF millions)	30 985	38 792	29 798	18 285	**18 502**
ADR price at year-end (in USD)	73.25	85.25	71.00	47.80	**48.19**

[1] Nominal value of CHF 0.10 per share.
[2] Dividend divided by year-end share price of corresponding year.
[3] Calculated by dividing net income by the weighted average number of common shares outstanding.
[4] Based on shareholders' equity (excluding convertible perpetual capital instrument) divided by the number of external common shares entitled to dividend.
[5] Based on shares outstanding.

Risk and capital management

In 2009, we restored our capital strength by increasing available capital and mitigating the impact of higher market volatility. We de-risked our asset portfolio and reduced both insurance and credit risk.

Introduction

Our integrated risk and capital management ensures the reliability of Swiss Re as a partner for our clients and enables us to benefit from attractive business opportunities

We manage our capital, liquidity and risk through an integrated approach that ensures the reliability of Swiss Re as a business partner for our clients and optimises our flexibility to benefit from attractive business opportunities. In order to assure the financial strength of Swiss Re, we maintain capital levels that we believe are sufficient to absorb unexpectedly high levels of loss. At the same time, we seek to maintain access to liquid assets so that payments can be made when they are due, even under stressed conditions.

In 2009, we restored our capital strength, comfortably exceeding both internal targets and external requirements. This was achieved by increasing our available capital, by de-risking our asset portfolio to mitigate the impact of recent market volatility and by reducing our insurance and credit risk. We also significantly improved our liquidity position. In addition, we further strengthened our executive-level oversight of asset-liability and balance sheet management across Swiss Re by establishing the Group Asset-Liability Committee.

The Risk Management function continued to be fully embedded in all steps of our business process, from strategic planning through to performance measurement. In 2009, we further strengthened the risk management role in business decisions by refining the approval process for large transactions.

In addition, we have taken an active part in industry discussions to support developments in insurance risk management and regulation. This encompassed a broad range of efforts, from raising awareness of emerging risks such as climate change to contributing expertise in consultations on the new Solvency II regulatory regime in Europe.

Capital management

In 2009, we successfully restored our capital strength. All major capital adequacy ratios comfortably exceed both internal targets and the requirements of regulators and rating agencies. This is a result of effective financing, de-risking our balance sheet and improved financial market conditions.

We actively manage our capital to ensure that the Group and all its subsidiaries are adequately capitalised at all times. The level of capitalisation and the capital structure are determined by regulatory capital requirements (both for the Group and individual legal entities), rating agency requirements, as well as management's view of risks and opportunities arising from our business operations. The management of these different capital constraints has become an even more important task given the challenging financial market and economic environment.

External group capital adequacy
As of 31 December 2009

Standard & Poor's	Solvency I	Swiss Solvency Test (SST)
> CHF 9 bn excess of AA requirement	> 200 %	> 200 %[1]

[1] The SST is based on a projection for mid-2009 to mid-2010 and is subject to approval by FINMA

Swiss Re's external capital adequacy
Swiss Re comfortably exceeds regulatory capital requirements and holds substantial capital in excess of the Standard & Poor's AA rating requirement.

Regulatory capital requirements

Swiss Re is supervised by the Swiss Financial Market Supervisory Authority (FINMA), both at Group level and for its legal entities domiciled in Switzerland. The supervision comprises minimum solvency levels, a wide range of qualitative assessments and governance requirements.

At Group level and for legal entities domiciled in Switzerland, Swiss Re provides regulatory solvency reporting to FINMA under the rules of Solvency I and the Swiss Solvency Test (SST). Solvency I is based on the accounting balance sheet of the firm and applies linear factors to profit and loss and balance sheet figures. The SST is based on an economic view. We calculate available and required capital under SST with our internal capital adequacy model. The ratio, however, differs from our internal view (described on page 72) due to differences in the definition of required and available capital. The minimum ratio for Solvency I and SST is 100%; the SST minimum ratio will become legally binding in 2011. Swiss Re comfortably exceeds both ratios.

In addition, our subsidiaries are subject to local regulatory constraints. Our EU subsidiaries Swiss Re Europe SA, Swiss Re International SE and Windsor Life Assurance Company Ltd will be required to comply with Solvency II, the forthcoming risk-based solvency regime in Europe. Similar to the SST, Solvency II is based on an economic view.

We actively manage our capital to ensure that the Group and all its subsidiaries are adequately capitalised at all times

We continue to play a key role in shaping Solvency II via technical discussions with expert groups from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and also contribute to the consultation process through industry bodies such as the CRO Forum, the CFO Forum and the European insurance and reinsurance federation (CEA).

We have largely completed the simplification of our legal entity structure in Europe, the US, Canada and Asia, resulting in increased capital efficiency through optimised local capital levels. We will continue these efforts to further enhance our efficiency, and respond to regulatory developments and client needs.

Capital management

Rating agency capital requirements
Rating agencies assign credit ratings to the obligations of Swiss Reinsurance Company Ltd and its rated subsidiaries. The agencies evaluate Swiss Re based on a set of criteria, which include an assessment of our capital adequacy. Each rating agency uses a different methodology for this assessment; for example, Standard & Poor's (S&P) and A. M. Best base their evaluation on their own proprietary capital models.

A. M. Best, Moody's and S&P rate Swiss Re's financial strength based upon interactive relationships. The insurance financial strength ratings shown in the table reflect our excellent franchise and prudent risk management.

Swiss Re's internal capital adequacy
Swiss Re's capital management aims to ensure our ability to continue operations following an extremely adverse year of losses from insurance or financial market events; our internal target is to have an economic capital adequacy ratio (available capital divided by required capital) in the range of at least 175–200%. As of 31 December 2009, available capital is estimated to be CHF 37.8 billion, and required capital is estimated to be CHF 16 billion, resulting in an internal capital adequacy of 236%.

Swiss Re's financial strength ratings

As of 12 February 2010	Financial strength rating	Outlook	Last rating action
Standard & Poor's	A+	Stable	18 February 2009
Moody's	A1	Negative	23 February 2009
A. M. Best	A	Stable	27 February 2009

Available capital is based on our economic net worth – as determined by our proprietary Economic Value Management (EVM) methodology – adjusted for additional risk-bearing items. Required capital is calculated by our internal risk model, based on 99% Tail VaR (see page 80).

Capital management actions
The restoration of our capital strength in 2009 mainly stems from increasing available capital through the following actions:
- Capital raising: We issued a CHF 3 billion convertible perpetual capital instrument to Berkshire Hathaway in March 2009. This is generally eligible as risk-bearing capital under all relevant capital adequacy views and therefore significantly increased all regulatory, rating agency and internal ratios.
- Increase in retained earnings of approximately CHF 1 billion to CHF 20.1 billion. Information on Swiss Re's annual profit for 2009 is provided in the financial year section of this annual report.
- Reduced dividend payment in 2009.

In addition, we managed capital requirements through:
- De-risking: In 2008, we placed specific discontinued business, such as Structured CDS and Financial Guarantee Re, into Legacy. In 2009, we significantly de-risked Legacy and Asset Management exposures through sales and commutations with only a modest impact on the profit and loss account.
- Hedging: We maintained a reduced level of hedges on corporate bonds in 2009. While the mark-to-market of the hedges was slightly negative over the year due to credit spread tightening, the hedges reduced required capital for economic based ratios and ensured protection in still uncertain credit markets.
- Reserve protection: We purchased an adverse development cover, protecting against deterioration in property and casualty claims reserves relating to accident years 2008 and prior.

We also continue to actively manage the interest rate exposure in our asset-liability position considering the potential impact of future rate changes on various capital adequacy measures, including the divergent effect on our US GAAP and economic balance sheets. In 2009, this led us to take a short position against economic liabilities, increasing our economic-based capital requirement but protecting our US GAAP balance sheet and Solvency I position against the risk of rising interest rates.

Liquidity management

In 2009, we successfully increased funds in the central liquidity pool and established a Group Asset-Liability Committee to oversee the management of Swiss Re's balance sheet.

We prudently manage liquidity to ensure that Swiss Re is able to meet its financial obligations efficiently when they fall due. As a reinsurance company, our core business generates liquidity primarily through premium income. Swiss Re's exposure to liquidity risk stems mainly from the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group. To manage these risks, we have a range of liquidity policies and measures in place. In particular, we aim to ensure that:

- sufficient excess liquidity, mainly in the form of unencumbered liquid assets, is held centrally to meet Group liquidity requirements that could result from a range of potential stress events;
- funding is charged at an appropriate market rate through our internal transfer pricing;
- diversified sources are used to meet Swiss Re's residual funding needs; and
- Swiss Re's long-term liquidity needs are taken into account as part of our asset-liability management approach used to control financial market risk.

Liquidity management actions
In 2009, we implemented a range of measures to manage and support Swiss Re's liquidity position:

- We established a Group Asset-Liability Committee (ALCO). The responsibilities of the ALCO include proposing funding plans, deciding funds transfer pricing and reviewing contingency funding plans.
- We issued CHF 5.8 billion of senior debt. See note 6 on pages 174 – 177 of the Group financial statements. We also issued a USD 1.0 billion long-term Letter of Credit facility to support our US life business.
- We increased the amount of funds held centrally.
- We actively reduced Legacy exposures through sales and commutations. See Financial Year, page 65.

Liquidity position of Swiss Reinsurance Company Ltd
We monitor Swiss Re's liquidity position based on liquidity stress tests, as well as expected funding gaps over three-month and one-year intervals. Identification of potential funding requirements under stressed conditions enables appropriate management actions to ensure that the Group can withstand such events and meet payment obligations. Our core liquidity policy is to pre-fund the potential funding requirements arising from various stress events. This is achieved by maintaining excess liquidity in the form of unencumbered liquid assets and cash within a central pool of entities. This pool comprises the Group's parent company – Swiss Reinsurance Company Ltd – as well as subsidiaries whose funds are freely transferable to the parent company. This excess liquidity, referred to as "spot liquidity", is intended to allow Swiss Re to meet its funding obligations in a liquidity crisis, assuming a drop in funding from new reinsurance business, without having to rely on other asset sales or unsecured external funding.

We prudently manage our liquidity risk to ensure that Swiss Re is able to meet its financial obligations efficiently

Liquidity management

The amount of spot liquidity held is largely determined by internal liquidity stress tests, which estimate the potential short-term cash and collateral requirements stemming from an extreme insurance event or a financial market crisis. These cash and collateral requirements under stress would include:

- cash and collateral outflows, as well as potential capital and funding support required by subsidiaries as a result of the insurance or financial market event;
- repayment or loss of all maturing unsecured debt and credit facilities; in the event of a financial market crisis, it is assumed that funding is only available against high-quality collateral, eg government and agency bonds;
- additional collateral requirements associated with a potential ratings downgrade of Swiss Re Group;
- further contingent funding requirements related to asset downgrades; and
- other large committed payments, such as expenses, commissions and tax.

Swiss Re's liquidity stress tests are reviewed on a regular basis and their main assumptions are approved by the Group Risk and Capital Committee.

The market value of spot liquidity within the central liquidity pool was CHF 22.6 billion as of 31 December 2009, compared to CHF 17.3 billion on the same date in 2008.

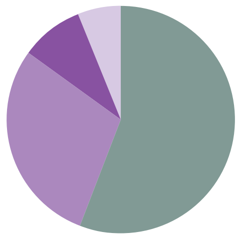
Based on these internal liquidity stress tests, we estimate Swiss Re held surplus spot liquidity on 31 December 2009.

In addition to spot liquidity, a sizeable portfolio of other unencumbered assets is held within the central liquidity pool. The estimated total liquidity sources available over a one-year horizon within the central liquidity pool amounted to CHF 29.2 billion as of 31 December 2009, compared to CHF 25.6 billion on the same date in 2008.

We target holding unencumbered assets (including spot liquidity) that can be pledged or sold, at a sufficient level to fund the liquidity requirements stemming from an aggregate extreme loss event corresponding to 99% Tail VaR (see page 77). In addition to the cash and collateral requirements resulting from such a loss, the scenarios assume a two-notch ratings downgrade within 90 days and a four-notch downgrade within one year. The stress tests also assume that funding from assets is subject to conservative haircuts (discounts), that intra-Group funding is not available if it is subject to regulatory approval, that no new unsecured funding is available, and that funding from new reinsurance business is reduced. There is a risk that Swiss Re's liquidity position could be impaired if the Group were unable to access the capital markets over a one-year time horizon following the occurrence of such an extreme loss event.

Swiss Re also maintains a variety of other committed facilities not reflected in these liquidity stress tests. As of 31 December 2009, Swiss Re had a total of CHF 2.2 billion of unutilised credit facilities and a further CHF 1.9 billion of unutilised committed repurchase agreement facilities.

Composition of spot liquidity in the central liquidity pool as of 31 December 2009
Total CHF 22.6 billion



- 56% G7 government bonds, Swiss government bonds and reverse repurchase agreements
- 29% Cash and bank deposits
- 9% Other developed market government and supranational bonds
- 6% Agencies and municipal bonds

Risk management

Our risk management is based on controlled risk-taking, clear accountability, independent risk controlling and an open risk culture

We have further strengthened the role of risk management in business processes and decisions. Our Risk Management function is involved throughout the business cycle from strategic planning, via capital allocation and target setting, through to large transaction approval, portfolio monitoring and performance measurement.

Our risk management aims to ensure controlled risk-taking. This requires a strong and independent risk management organisation and comprehensive risk management processes to identify, assess and control the Group's risk exposures. We base our risk management on four guiding principles which we strive to apply consistently across all risk categories throughout the Group:

- Controlled risk-taking: Financial strength and sustainable value creation are central to Swiss Re's value proposition. As a result, we operate within a clearly defined risk policy and risk control framework.
- Clear accountability: Our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- Independent risk controlling: Dedicated specialised units within Risk Management monitor our risk-taking activities.
- Open risk culture: Risk transparency, knowledge-sharing and responsiveness to change are integral to our risk control process.

Risk governance

The Board of Directors is ultimately responsible for the Group's governance principles and policies, including approval for our overall risk tolerance. The Board mainly deals with risk management through two committees:

- The Finance and Risk Committee is responsible for reviewing the Group Risk Policy and capacity limits, as well as monitoring risk tolerance, and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Executive Committee (EC) is responsible for implementing the risk management framework through four further committees:

- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, for approving investment risk limits, and for determining changes to the internal risk and capital methodology.

Key risk management bodies and functions

Board of Directors				**Group Internal Audit**
Finance and Risk Committee		Audit Committee		
Executive Committee				
Group Risk and Capital Committee	Group Asset-Liability Committee	Group Products and Limits Committee	Group Regulatory Committee	
Chief Risk Officer				
Risk Management Function Identification, assessment, control and reporting of insurance, financial market, credit, operational, liquidity and other risks				

Risk management

- The Group Asset-Liability Committee oversees the management of Swiss Re's balance sheet, in particular its liquidity, capital and funding positions and related policies. This committee was newly established in 2009.
- The Group Products and Limits Committee determines Swiss Re's product policy and standards, sets reinsurance and counterparty credit risk limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters. It ensures a consistent approach to external communication on regulatory issues.

The Chief Risk Officer (CRO), who is a member of the EC, participates in the four committees described above and chairs both the Group Risk and Capital Committee and the Group Regulatory Committee. In addition, the CRO leads the global Risk Management function, which is responsible for risk oversight and control across the Group.

The global Risk Management function operates via dedicated units for property and casualty risk, life and health risk, and financial market and credit risk. Each unit is entrusted with Group-wide responsibility for the identification, assessment, and controlling of their allocated risks and for risk governance at the risk category level. The units also work closely with each other where necessary on transaction reviews and other cross-category issues. Actuarial management is part of the insurance risk units, ensuring reserving adequacy.

Categorisation of Swiss Re's risk landscape

Core risks	Operational risks	Other risks
Insurance ▪ Property and casualty ▪ Life and health	**People**	**Liquidity**
	Processes	**Reputation**
Financial market ▪ Credit spread ▪ Equity market ▪ Foreign exchange ▪ Interest rate ▪ Real estate	**Systems**	
	External	
Credit ▪ Credit default ▪ Credit migration		

Senior managers of business and corporate units are responsible for managing operational risks in their area of activity, based on a centrally coordinated methodology. The self-assessments are reviewed and challenged by operational risk specialists in each of the dedicated risk management units. In addition, risk management experts review our underwriting decision processes.

Liquidity risk, capital adequacy and emerging risks are managed at the Group level. In addition, various risk management activities are performed globally, across all risk categories. These include risk governance at group level, risk modelling, risk reporting and the steering of our regulatory activities.

Our Group Internal Audit department carries out independent, objective assessments of the adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.

Swiss Re's risk landscape

Our risk landscape comprises core quantified risks as well as operational and other risks that arise as a result of doing business. We provide definitions of these various risk categories in the following sections and discuss risk management related to liquidity on pages 73 – 74.

Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials.

Risk assessment

We mitigated the impact of higher market volatility by de-risking our asset portfolio and also reduced our insurance and credit risk

In 2009, Swiss Re's overall risk increased by 7%, as higher financial market risk was partly offset by reducing property and casualty and credit risk.

Swiss Re uses 99% Tail VaR (see box on page 80) to measure the Group's capital requirement, as well as for defining insurance limits and liquidity stress tests. According to the Group's internal risk model, Swiss Re's overall risk exposure based on 99% Tail VaR increased by 7% over the past year from CHF 14.9 billion to CHF 16.0 billion. Alternative risk measures are 99% and 99.5% VaR based on which our risk increased by 10% to CHF 12.3 billion and CHF 14.2 billion, respectively.

The table below shows 99% Tail VaR for each of Swiss Re's core risk categories on a standalone basis:

- Property and casualty risk decreased by 11% to CHF 7.0 billion, mainly as a result of the adverse development cover provided by Berkshire Hathaway.
- Life and health risk increased by 6% to CHF 5.5 billion due to exchange rate effects and increases in the portfolio. The risk-reducing impact of the transfer to Berkshire Hathaway of a closed block of US individual life business, announced on 18 January 2010, is not taken into account.
- Financial market risk increased by 31% to CHF 10.5 billion, mainly due to a significant increase in the market volatility of asset-backed securities. We partly mitigated this effect by actively de-risking our asset portfolio throughout the year. Interest rate exposure also increased, as we took a short position against economic liabilities to protect our US GAAP balance sheet and Solvency I position against the risk of rising interest rates.
- Credit risk decreased marginally to CHF 2.9 billion due to reductions in Legacy and in Credit and Surety exposure.

Our internal model takes correlation and diversification between individual risks into account. The effect of diversification at the category level is demonstrated in the table below, which shows that the capital requirement for the Group's overall portfolio is lower than the sum of the capital requirements for individual sub-portfolios. The extent of diversification depends on the level at which it is measured.

We use the Group's 99% Tail VaR in the definition of our risk tolerance, which is the maximum amount of risk we are willing to accept within the constraints imposed by our capital resources, as well as by the regulatory and rating agency environment

Group capital requirement based on one-year 99% Tail VaR

CHF billions, as of 31 December	2008	**2009**	Change in %
Property and casualty	7.9	7.0	–11
Life and health	5.2	5.5	6
Financial market	8.0	10.5	31
Credit[1]	3.0	2.9	–3
Simple sum	24.1	**25.9**	7
Diversification effect	–9.2	**–9.9**	
Swiss Re Group	14.9	**16.0**	7

[1] Credit comprises credit default and credit migration risk.

Risk assessment

within which we operate. Both risk tolerance and risk appetite (ie the amount of risk we seek to take) are clearly defined and are translated into a consistent limit framework across all risk categories, which is approved at Executive Committee level through the Group Risk and Capital Committee. The individual limits are established through an iterative process to ensure that the overall framework complies with our Group-wide policies on capital adequacy and risk accumulation.

Insurance risk

Insurance risk management includes overseeing risk-taking activities as well as ensuring that an appropriate risk governance framework is defined and operated.

The risk management role is embedded in the business process. Prior to business being transacted, Risk Management is involved in the annual planning process and reviews underwriting guidelines, costing parameters and large individual transactions. Total risk exposure is monitored against the agreed exposure limits.

Setting and monitoring of reserving levels is a key component of the insurance risk and actuarial management function, including the communication of trends back to the risk-taking functions to ensure appropriate costing. Regular and actionable internal risk and issue reporting ensures transparency at all levels. Underwriting systems across the Group provide timely information on assumed risks and committed capacity.

Property and casualty insurance risk

Property and casualty insurance risk arises predominantly from coverage that Swiss Re provides for Property, Liability, Motor and Accident risks, as well as for specialty risks such as Engineering, Aviation and Marine.

Risk developments

The table below shows Swiss Re's exposure to a set of major natural catastrophe events net of retrocession and securitisation. The risk measures take account of the fact that such an event triggers claims in various lines of business. For example, European windstorm includes, among others, claims from Motor business, while Californian earthquake also reflects – but is not limited to – additional claims arising from Workers' Compensation and General Liability.

In 2009, exposure to each of these events was affected mainly by changes in retrocession and securitisation in line with our risk appetite (increases in coverage for Californian earthquake and decreases in coverage for European windstorm and Japanese earthquake). In the case of Californian earthquake, we also actively reduced business written.

Management

Swiss Re writes property and casualty business using assigned authority levels and following the "four-eyes" principle. The limit framework for the property and casualty business includes an aggregate Group limit governing the acceptance of all risks within this category. Each underwriter is assigned an individual underwriting authority; any business exceeding this authority triggers an escalation process that extends up to the Group Products and Limits Committee. Any large individual transaction that could materially affect Swiss Re Group's risk exposure requires independent review and sign-off by Risk Management before it can be authorised. This is now part of a new three-signature sign-off process, introduced in 2009, that reinforces the accountability of each of the functions (Client Markets, Products Underwriting and Risk Management) for significant transactions. In addition, we monitor accumulated exposure to single risks or to an underlying risk factor (eg Californian earthquake) on a Group-wide basis.

Insurance risk stress tests

Single events with a 200-year return period

CHF billions, as of 31 December	2008	**2009**	Change in %
Natural catastrophes			
Atlantic hurricane	–3.5	**–3.2**	–9
Californian earthquake	–3.9	**–3.2**	–18
European windstorm	–2.1	**–2.7**	29
Japanese earthquake	–1.7	**–1.9**	12
Life insurance			
Lethal pandemic	–3.5	**–3.6**	3

Life and health insurance risk

Life and health insurance risk arises from business that Swiss Re takes on by providing mortality (death), longevity (annuity) and morbidity (illness and disability) covers as well as by acquiring run-off business (Admin Re®).

Risk developments

The table on page 78 shows that Swiss Re's exposure to a severe lethal pandemic increased slightly in 2009.

Management

The limit framework for life and health business includes an aggregate Group limit governing the acceptance of all life and health risks. There are also separate individual limits for mortality and longevity exposures. Local business units can write reinsurance within their allocated capacity and within clearly defined boundaries, such as per life retention limits for individual business. Market exposure limits are in place for catastrophe and stop loss business. We pay particular attention to accumulation risk in areas of high population density and apply limits based on expected maximum loss for individual buildings. All large, complex or unusual transactions are reviewed and require approval from each of the Client Markets, the Products Underwriting and the Risk Management functions.

In addition, we use insurance-linked securities as a means to reduce peak exposures. The Vita bonds, for example, were issued to provide protection against extreme mortality events.

Financial market and credit risk

The management of financial market and credit risk comprises the Group-wide identification, assessment and controlling of risks inherent in the financial and credit markets and includes monitoring of compliance with risk management standards.

Market scenarios

CHF billions, as of 31 December	2008	**2009**	Change in %
100bp increase in credit spreads	–3.4	**–2.9**	–15
30% fall in global equity markets	–2.5	**–2.5**	–
15% fall in global real estate markets	–0.6	**–0.6**	–
100bp parallel increase in global yield curves	0.1	**1.0**	900

Financial market risk

Financial market risk is the risk that Swiss Re's assets or liabilities may be impaired by movements in financial market prices or rates such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. Credit spreads have been an important driver of financial market risk in 2009. Swiss Re's financial market risk originates from two main sources: our investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations.

Risk developments

The table above shows the pre-tax impact of various market scenarios on available economic capital. Unlike the Tail VaR figures shown on page 77, these scenarios show Swiss Re's sensitivity to specific market movements regardless of the current market environment.

The reduction in sensitivity to credit spread widening in 2009 was mainly due to de-risking in Legacy. As is the case for real estate, equity market sensitivity is unchanged; the equity scenario includes traded equities, equity derivatives, alternative investments, guaranteed minimum death benefit products (including variable annuities) and funding obligations arising from equity holdings in Swiss Re pension funds. The substantial increase in interest rate sensitivity is due to the decision to take a short position against economic liabilities to protect our US GAAP balance sheet and Solvency I position against the risk of rising interest rates.

Management

The Group Risk and Capital Committee defines Group-wide risk limits. All activities involving financial market risk are subject to a first limit by risk factor and a second limit by business area. Individual limits are expressed in terms of 10-day VaR, stress testing and sensitivity analysis. The asset management function determines a more detailed set of risk limits for its businesses.

Risk Management defines risks using a regularly updated classification of risk factors. The Risk Management function is also responsible for monitoring aggregations of financial market risk in accordance with our risk management standards; the results are stored in a single system, which is also used for risk modelling and risk reporting.

Weekly Group-level reports are provided on risks and investment limits monitored. These reports track exposures and document limit usage, which is independently monitored by Risk Management. The business unit heads receive limits and seek to optimise their portfolios within those limits, using cash and derivative instruments to do so if necessary.

Risk assessment

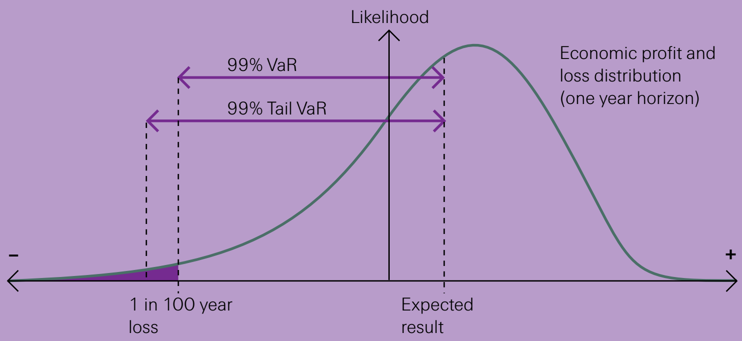
Risk modelling and risk measures
We use a proprietary integrated risk model to determine the capital required to support the risks on Swiss Re books, as well as to allocate risk-taking capacity to the different lines of business. This internal model is based on two important principles. First, it applies an asset-liability management (ALM) approach, which measures the net impact of risk on the economic value of both assets and liabilities. Second, it adopts an integrated perspective, recognising that a single risk factor can affect different sub-portfolios and that different risk factors can have mutual dependencies.

The model generates a probability distribution for the Group's annual economic profit and loss, specifying the likelihood that the outcome will fall within a given range. From this distribution, we derive a base capital requirement that captures the potential for severe, but rare, aggregate losses over a one-year time horizon.

Swiss Re's risk model assesses the potential economic loss at a specific confidence level. There is thus a possibility that actual losses may exceed the selected threshold. In addition, the reliability of the model may be limited when future conditions are difficult to predict, for example in an extremely volatile market environment. For this reason, we continuously review and update our model and its parameters to reflect changes in the risk environment as well as current best practice.

We are confident that our model is an important tool for managing our business as well as providing a meaningful assessment of the risks to which Swiss Re is exposed. At the same time, market developments have confirmed that risk models must be supported by a clear understanding of those risks – and complemented by robust internal controls.

The risk measures derived from the model are expressed as economic loss severities taken from the total economic profit and loss distribution. Swiss Re measures its total capital requirement at 99% Tail VaR (expected shortfall). This represents an estimate of the average annual loss likely to occur with a frequency of less than once in one hundred years. A less conservative measure is the 99% value at risk (VaR), which measures the loss likely to be exceeded in only one year out of one hundred.



Credit risk
Credit risk is primarily the risk of incurring a financial loss from the default of Swiss Re's counterparties or of third parties. In addition, we take account of the increase in risk represented by any negative migration of credit ratings. Credit risk arises directly from our investment activities as well as from liabilities underwritten by our business units.

We distinguish between three types of credit exposure: the risk of issuer default from instruments in which Swiss Re invests or trades, such as through corporate bonds; counterparty exposure in a direct contractual relationship, such as retrocession or over-the-counter (OTC) derivatives; and risk assumed by Swiss Re through reinsurance contracts, such as trade Credit and Surety reinsurance business. Credit risk is viewed separately from credit spread risk, which is included under financial market risk.

Risk developments
The table on page 81 shows Swiss Re's exposure to a defined credit default stress situation. This is based on historical corporate default data from Moody's and assumes that a combination of the worst default frequencies observed over a 12-month period for all credit rating categories occur in a single year. The lower exposure is primarily due to reducing the Credit and Surety portfolio.

Management
Our risk management standards require the assignment of aggregate credit limits by business unit, by corporate counterparty and, for emerging markets, by country. These limits are based on a variety of factors, including the prevailing economic environment, the nature of the underlying credit exposures and, in the case of corporate counterparties, a detailed internal

Credit stress test

CHF billions, as of 31 December	2008	**2009**	Change in %
Credit default stress test	–3.0	**–2.5**	–17

assessment of the counterparty's financial strength, industry position and other qualitative factors. We regularly monitor counterparty credit quality and exposures, and compile watch lists of cases that merit close attention.

Risk Management monitors and reports credit exposure and limits weekly. The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including counterparty details, ratings, credit risk exposures, credit limits and watch lists. All key credit practitioners in the Group have access to this system, thus providing the necessary transparency to implement specific exposure management strategies for individual counterparties, industry sectors and geographic regions.

Operational risk

Operational risk, defined according to the Basel II causal categories, includes potential losses or reputational damage arising from inadequate or failed internal processes, people or systems, or from external events. Exposure to external events only takes account of the potential consequences for Swiss Re's own operations or infrastructure.

Our dedicated risk management units are responsible for overseeing the management of operational risks which arise in their area of control. We apply a centrally co-ordinated methodology to identify and assess risks. Appropriate controls and contingency plans are in place to reduce the Group's exposures to an acceptable level, taking into account the cost-benefit considerations of risk mitigation.

Our operational risk management is based on controlling key processes. Risk and control self-assessments by risk owners go through a formal challenge process by operational risk management experts at Group level, and areas with significant risks are subject to independent testing by Group Internal Audit.

Reputation

Swiss Re's continued business success depends on maintaining our reputation with clients, investors, employees and other stakeholders. Environmental, social and ethical reputation risks may arise from individual business transactions and our reputation could also be damaged by operational failures.

We have a long-standing commitment to sustainable business practices, responsible corporate citizenship and good governance. We mitigate potential damage to our reputation through clear corporate values, robust internal controls and active dialogue with external stakeholders. All our employees are required to commit to and comply with the values and rules of behaviour defined in the Group's Code of Conduct. We support these values with processes that enable us to identify potential problems early. Transactions that could potentially compromise our values or impair Swiss Re's reputation are subject to the Sensitive Business Risks process (for more information, see the Sustainability in our business chapter, page 30–31). In addition, potential reputational impact is a key factor in assessing and controlling operational issues within our operational risk management framework.

In 2009, Swiss Re was once again rated as the insurance sector leader in the Dow Jones Sustainability Index. Swiss Re was also listed as one of the world's most ethical companies by Ethisphere, a leading international think-tank.

Emerging risks

Pre-emptive identification of emerging threats and opportunities for Swiss Re is an important element of our integrated approach to risk management. We have an established Group-wide process to capture and monitor emerging risks in our business environment, such as risks related to developments in climate change, future energy provision and nanotechnology.

Climate change, for example, is a core issue for Swiss Re, as it might strongly affect the number and severity of natural catastrophes in different locations, hence affecting the entire insurance industry. In the context of our thought leadership activities in 2009, we made an important contribution to the report on "Shaping Climate-Resilient Development", which was published by the Economics of Climate Adaptation Working Group.

Corporate governance

The quality of corporate governance is measured by the effectiveness of its implementation: good governance means good results, not just good rules.

Overview

Swiss Reinsurance Company Ltd, the parent company of Swiss Re Group, is listed in the main segment of the SIX Swiss Exchange. Its corporate governance is therefore assessed under the Swiss Code of Best Practice for Corporate Governance (Swiss Code), issued by economiesuisse in July 2002, and its 2007 appendix concerning recommendations on the process for setting compensation. Swiss Re fully adheres to the principles set out in the Swiss Code and is also compliant with the SIX Directive on Information relating to Corporate Governance (including its annex), issued by the SIX Swiss Exchange, effective since 1 July 2002 and most recently amended with effect from 1 July 2009 (SIX Directive). Moreover, Swiss Re conforms with the provisions on corporate governance, risk management and internal control systems, issued by the Swiss Financial Market Supervisory Authority (FINMA) on 1 January 2009. Finally, Swiss Re's corporate governance complies with the applicable local rules and regulations of all the jurisdictions in which it conducts business.

The information provided in this chapter of the Annual Report 2009 follows, in principle, the structure of the SIX Directive. Information on compensation, shareholdings and loans, as required by the Directive, can be found in the compensation chapter on pages 117 – 133.

The Board of Directors assesses the Group's corporate governance on an annual basis against relevant best practice. It receives updates on developments affecting corporate governance from selected jurisdictions and considers the relevant studies and surveys on corporate governance such as the Walker Report, a review of corporate governance in the financial services industry in the UK, for its assessment.

Corporate governance framework at Swiss Re

Good corporate governance requires an effective system of mutual checks and balances among the top corporate bodies. Swiss Re maintains a dual Board structure, with the Board of Directors responsible for oversight and the Executive Committee responsible for managing operations. Our corporate governance principles and procedures are defined in a series of documents governing the organisation and management of the company. They include:

- Code of Conduct, setting the framework and defining the basic legal and ethical compliance principles and policies we apply globally;
- Articles of Association, defining the purpose of the business and the basic organisational framework;
- Corporate Bylaws, defining the governance structure within Swiss Re Group, the responsibilities of the Board of Directors, Board committees and executive management, as well as the relevant reporting procedures;
- Board committee charters, outlining the duties and responsibilities of the Board committees;
- Group committee charters, outlining the duties and responsibilities of the committees on executive management level; and
- working instructions and road maps, describing work methods, governance processes and time schedules of the Board and Board committees.

2009 Focus areas

Asset management and balance sheet

One of the focus areas in 2009 was asset management. The Investment Committee, established at the Board level at the end of 2008 to oversee the Group's asset management activities, became fully operational in 2009.

On the managerial side, we established an Asset and Liability Committee consisting of members representing such key disciplines as risk management and finance whose responsibility is to supervise Swiss Re's balance sheet, particularly its liquidity, capital, and funding positions. The committee also supervises the Group's legal entity structure.

Organisation and process

In 2009, the Board of Directors reviewed the allocation of tasks at the Board and executive management level, as well as the Group's governance framework. The review yielded a revised set of Corporate Bylaws, charters of duties of the Board and executive management committees, and working instructions for some of these committees. The new framework of governing documents came into force on 24 December 2009.

The Board of Directors formally and rigorously evaluated its performance. An external independent management consultant, assisted by the Company Secretary, interviewed each Board member individually. The self-evaluation mainly covered the Board's structure and composition, the effectiveness and performance of the Board and its committees, the interaction and communication within the Board, vision and strategy, human resources and talent management, and culture and values. The Board discussed the findings of the interviews in depth, drew the relevant conclusions and, based on these conclusions, defined specific goals for the Board and its committees for 2010.

Group structure and shareholders

Group structure

Operational Group structure

Board of Directors
Chairman
Vice Chairman
Members of the Board of Directors

Executive Committee
Chief Executive Officer
Members of the Executive Committee

Client Markets
- Europe
- Americas
- Asia
- Insurance & Specialty
- Global Admin Re®

Products Underwriting
- Property & Specialty
- Casualty
- Life & Health

Asset Management

Finance

Risk Management

Operations
- Claims & Liabilities
- Human Resources
- Information Technology
- Legal
- Logistics
- Technical Accounting

Legal structure – listed and non-listed Group companies

Swiss Reinsurance Company Ltd, the Group's parent company, is a joint stock company, listed on the SIX Swiss Exchange (ISIN CH0012332372), domiciled at Mythenquai 50/60 in 8022 Zurich and organised in accordance with Swiss laws. The other companies of the Group are not listed, see note 17 to the Group financial statements, on pages 208–212.

Swiss Reinsurance Company Ltd has a level I American Depositary Receipts (ADRs) programme in the US. The ADRs are traded over the counter (ISIN US8708872051). Neither the ADRs nor the underlying Swiss Re shares are listed on a securities exchange in the US.

Significant shareholders and shareholder structure

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipts of such notification, the company has the obligation to inform the public. The following provides a summary of the disclosure notifications pertaining to the holdings of significant shareholders (in alphabetical order). In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the commercial register at the time of the respective notification. The full text of the notifications can be found in the financial statements of Swiss Reinsurance Company Ltd on page 248.

Significant shareholders

Shareholder	Number of shares	% of voting rights and share capital	Date of notification
BlackRock, Inc.	14 420 521	3.97	15 December 2009
Dodge & Cox	10 766 995	3.05	31 October 2008
Franklin Resources, Inc. (Franklin Templeton Investments)	10 970 364	3.11	6 December 2008
National Indemnity Company (Berkshire Hathaway Inc.)	11 262 000	3.10	26 March 2009

In addition, Swiss Reinsurance Company Ltd holds, as of 31 December 2009, directly and indirectly 28 629 654 shares, representing 7.7% of voting rights and share capital. The company cannot exercise the voting rights of own shares.

Shareholder structure

Registered – unregistered shares

As of 31 December 2009	Shares	in %
Registered shares[1]	207 537 973	56.0
Unregistered shares[1]	134 533 541	36.3
Shares held by Swiss Re	28 629 654	7.7
Total shares issued	**370 701 168**	**100.0**

[1] without Swiss Re's holdings.

Registered shares with voting rights by shareholder type

As of 31 December 2009	Shareholders	in %	Shares	in %
Individual shareholders	63 691	89.7	49 767 919	24.0
Swiss Re employees	3 432	4.8	5 500 435	2.6
Total individual shareholders	**67 123**	**94.5**	**55 268 354**	**26.6**
Institutional shareholders	**3 924**	**5.5**	**152 269 619**	**73.4**
Total	**71 047**	**100.0**	**207 537 973**	**100.0**

Registered shares with voting rights by country

As of 31 December 2009	Shareholders	in %	Shares	in %
Switzerland	65 907	92.8	95 017 124	45.8
USA	553	0.8	36 043 451	17.4
United Kingdom	430	0.6	44 254 926	21.3
Other	4 157	5.8	32 222 472	15.5
Total	**71 047**	**100.0**	**207 537 973**	**100.0**

Registered shares with voting rights by size of holding

As of 31 December 2009	Shareholders	in %	Shares	in %
Holdings of 1 – 2 000 shares	65 172	91.7	26 244 599	12.7
Holdings of 2 001 – 200 000 shares	5 778	8.1	53 203 742	25.6
Holdings of > 200 000 shares	97	0.2	128 089 632	61.7
Total	**71 047**	**100.0**	**207 537 973**	**100.0**

Cross-shareholdings

Swiss Re has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

Capital structure

Capital

As of 31 December 2009, the fully paid-in share capital of Swiss Reinsurance Company Ltd, the parent company of Swiss Re Group, amounted to CHF 37 070 116.80. It was divided into 370 701 168 registered shares, each with a nominal value of CHF 0.10.

The following table provides an overview of the issued, conditional and authorised capital of Swiss Reinsurance Company Ltd. Please also refer to the section below Conditional and authorised capital in particular, and section Changes in capital on page 89.

	31 December 2008		**31 December 2009**	
	Capital in CHF	Shares	Capital in CHF	Shares
Issued share capital	36 351 603.60	363 516 036	37 070 116.80	370 701 168
Conditional capital				
for bonds and similar instruments	1 557 919.90	15 579 199	839 479.20	8 394 792
for employee participation	602 567.20	6 025 672	602 494.70	6 024 947
in favour of Berkshire Hathaway Inc.			16 000 000.00	160 000 000
Authorised capital			18 000 000.00	180 000 000

Conditional and authorised capital in particular

Conditional capital

As of 31 December 2009, the conditional capital of Swiss Reinsurance Company Ltd consisted of the following categories:

Conditional capital for bonds or similar instruments

Conditional capital of CHF 839 479.20 was available to settle conversion rights and warrants for bonds or similar instruments issued by the company or Group companies. Shareholders' subscription rights are excluded. Shareholders' preemption rights may be restricted or excluded by decision of the Board of Directors in order to finance or re-finance the acquisition of companies, parts of companies or holdings, or new investments planned by the company, or in order to issue convertible bonds and warrants on the international capital markets. If preemption rights are excluded, then (1) the bonds are to be placed at market conditions, (2) the exercise period is not to exceed ten years from the date of issue for warrants and twenty years for conversion rights and (3) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the bonds are issued.

Conditional capital for employee participation

Conditional capital of CHF 602 494.70 was available to settle warrants or subscription rights granted to employees, including members of the Board of Directors, of Swiss Reinsurance Company Ltd or Group companies. The new registered shares may be issued at a price below the current market price and shareholders' subscription rights are excluded.

Conditional capital in favour of Berkshire Hathaway Inc.
Conditional capital of CHF 16 000 000 was available to settle conversion rights granted in connection with a convertible perpetual capital instrument (CPCI) issued by Swiss Reinsurance Company Ltd in favour of Berkshire Hathaway Inc. and certain of its subsidiaries. Shareholders' preemption rights and advance subscription rights with respect to the CPCI are excluded in favour of Berkshire Hathaway Inc. and certain of its subsidiaries. Further information on this instrument can be found in the section Convertible bonds and options on page 91.

Authorised capital
Authorised capital of CHF 18 000 000 was available, expiring on 13 March 2011. Increases by underwriting as well as partial increases are permitted. The subscription rights of shareholders remain. The issue amount, the dividend entitlement, the type of the contribution and any possible acquisition of assets are determined by the Board of Directors.

Changes in capital

Changes in 2009
On 13 March 2009, the Annual General Meeting approved the creation of conditional capital of CHF 16 000 000 to secure the necessary underlying shares for the convertible perpetual capital instrument issued in favour of Berkshire Hathaway Inc. and certain of its subsidiaries. Further information on this instrument can be found in the section Convertible bonds and options on page 91.

The Annual General Meeting also approved the creation of authorised capital with shareholders' subscription rights of CHF 18 000 000.

In order to settle the conversion in June 2009 of the CHF 610 million Mandatory Convertible Securities issued by Swiss Re Treasury Luxembourg S. A., Swiss Reinsurance Company Ltd issued 7 184 407 shares from conditional capital for bonds or similar instruments.

The company issued 725 shares from conditional capital for employee participation purposes.

Changes in 2008
In 2008, the company's fully paid-in share capital decreased from CHF 37 038 675.50 to CHF 36 351 603.60, resulting from the cancellation of 17 349 000 shares repurchased via the second trading line, as approved by shareholders at Swiss Re's 2008 Annual General Meeting, the creation of 10 460 076 shares from conditional capital in connection with the conversion of a mandatory convertible bond and the creation of 18 205 shares from conditional capital for employee participation purposes. No conditional and no authorised capital was created in 2008.

Changes in 2007 and previous years
Information about changes in capital in 2007 can be found on pages 84 and 85 of the 2007 Annual Report. Information about changes in capital for earlier years can be found in the Annual Reports of the respective year.

Capital structure

Shares

All shares issued by Swiss Reinsurance Company Ltd are fully paid-in registered shares. Each share carries one vote. There are no categories 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 the company's share capital. The company cannot exercise the voting rights of own shares. As of 31 December 2009, 207 537 973 shares of a total of 370 701 168 issued shares carried voting rights, and 342 707 001 shares were entitled to dividend.

Profit-sharing certificates

Swiss Reinsurance Company Ltd has not issued any profit-sharing certificates.

Limitations on transferability and nominee registrations

Free transferability

Swiss Reinsurance Company Ltd's shares are freely transferable, without any limitations, provided that the buyers declare that they are the beneficial owners of the shares and comply with the disclosure requirements of the Federal Act on Stock Exchanges and Securities Trading (SESTA).

Admissibility of nominee registrations

Trustees or nominees who act as fiduciaries of shareholders are entered without further inquiry in Swiss Reinsurance Company Ltd's share register as shareholders with voting rights up to a maximum of 2% of the outstanding share capital available at the time. Additional shares held by such nominees, which exceed the limit of 2% 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% of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the SESTA.

Convertible bonds and options

Convertible bonds

As stated in note 6 to the Group financial statements, on pages 174 – 177, the following convertible bonds are outstanding:

Tenor	Instrument	Currency	Nominal (millions)	Terms of conversion
2001 – 2021	Convertible bond	USD	1 150	see a. below
2009 – *	Convertible perpetual capital instrument	CHF	3 000	see b. below

* For further details, see paragraph b. below.

a. Holders may convert the bond, due in 2021 and issued in denominations of USD 10 000 principal amount and integral multiples thereof, into registered shares of Swiss Reinsurance Company Ltd at any time prior to the close of business on 21 November 2011, at a conversion price of CHF 207.19 per share and a fixed exchange rate of USD 1 = CHF 1.6641. The exercise of this convertible bond will not affect Swiss Re's capital, as Swiss Reinsurance Company Ltd purchased a call option to hedge the underlying shares. If bond holders convert the bond, Swiss Re will exercise the hedge option to obtain the necessary shares. A full conversion of the USD 1 150 000 000 convertible bond would theoretically result in a delivery of around 9.2 million shares under the call option Swiss Re purchased.

b. In 2009, Swiss Re issued in favour of Berkshire Hathaway Inc. and certain of its subsidiaries (Berkshire Hathaway) a convertible perpetual capital instrument (CPCI) in an aggregate face amount of CHF 3 000 000 000. The instrument can be converted by Berkshire Hathaway into shares beginning three years after the date of issuance of the instrument. Swiss Re has the right to repurchase the CPCI on or after the second anniversary at a 20% premium or, subject to the occurrence of certain events, before that time at a 40% premium. If and when Berkshire Hathaway elects to convert the CPCI, the conversion price will be CHF 25 per share (subject to customary anti-dilution adjustments). Had it been converted in full as of 31 December 2009, the CPCI would have converted into 120 million shares, or 24.5% of shares issued, on an as converted basis.

Options

For details on stock options granted to Swiss Re employees, see note 13 to the Group financial statements, on pages 195 – 197.

Board of Directors

Members of the Board of Directors

The Board of Directors consisted of the following members as of 31 December 2009:

Name	Nationality	Age	Additional function	Initial election	Current term ends
Walter B. Kielholz	Swiss	58	Chairman of the Board Chairman of the CGC	1998	2010
Mathis Cabiallavetta	Swiss	64	Vice Chairman of the Board Chairman of the IC Member of the CGC and CC	2008	2011
Jakob Baer	Swiss	65	Chairman of the AC Member of the CGC and FRC	2005	2012
Raymund Breu	Swiss	64	Member of the AC and IC	2003	2011
Raymond K. F. Ch'ien	Chinese	57	Member of the AC and IC	2008	2011
John R. Coomber	British	60	Chairman of the FRC Member of the CGC and AC	2006	2012
Rajna Gibson Brandon	Swiss	47	Member of the FRC and IC	2000	2011
Hans Ulrich Maerki	Swiss	63	Member of the CC and FRC	2007	2011
Robert A. Scott	British / Australian	67	Chairman of the CC Member of the CGC and FRC	2002	2010

CGC = Chairman's and Governance Committee
AC = Audit Committee
CC = Compensation Committee
FRC = Finance and Risk Committee
IC = Investment Committee

Independence

Swiss Re requires a majority of the Board of 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 the Group. In addition, he or she must not have a material relationship with any part of the Group – directly or as a partner, director or shareholder of an organisation that has a material relationship with the Group. Based on Swiss Re's independence criteria, all directors qualified as independent in 2009.

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

All members of the Board of Directors are non-executive. John R. Coomber was a member of Swiss Re's executive management and Chief Executive Officer until 31 December 2005. Walter B. Kielholz, Chairman of the Board of Directors since 1 May 2009, was Swiss Re's Chief Executive Officer from 1 January 1997 to 31 December 2002. Of the other seven non-executive directors, none has ever held a management position in the Group.

No director has any significant business connection with Swiss Re or any of its Group companies.

Skills, experience and expertise

The Board 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 Board approved selection criteria including integrity, skill, qualifications, experience, communication capabilities and community standing. In addition to their managerial skills and expertise, Swiss Re's Board members 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 Board members receive a general introduction to the responsibilities of Board and committee members. In the course of the year, the Board members also meet with experts regularly to update and enhance their knowledge on emerging business trends and risks.

Walter B. Kielholz
Chairman,
non-executive and independent

Walter B. Kielholz, a Swiss citizen born in 1951, studied business administration at the University of St. Gallen and graduated in 1976 with a master's degree in business finance and accounting.

Walter B. Kielholz's career began at the General Reinsurance Corporation, Zurich. After working in the US, the UK and Italy, he assumed responsibility for the company's European marketing. In 1986, he joined Credit Suisse, Zurich, where he was responsible for client relations with large insurance groups in the multinational services department.

In 1989, Walter B. Kielholz joined Swiss Re, Zurich. He became a member of the Executive Board in January 1993 and was Swiss Re's Chief Executive Officer from 1 January 1997 to 31 December 2002. A Board member since 1998, he was Executive Vice Chairman of the Board of Directors from 2003 to 2006 and Vice Chairman from 2007 to April 2009. He was nominated Chairman with effect from 1 May 2009.

Walter B. Kielholz has been a member of the Board of Directors of Credit Suisse Group AG since 1999. He was Chairman of the bank's Board of Directors from 2003 to 2009.

In addition, Walter B. Kielholz is a member of the European Financial Roundtable, a member (president 2006 and 2007) of the International Monetary Conference, and a member of the Board of the Institute of International Finance. Walter B. Kielholz is also a member and former Chairman of the Board of Trustees of Avenir Suisse. From 2003 to 2009 he was a member of the Board and the Committee of economiesuisse. In 2005, he was elected to the Insurance Hall of Fame, which honours individuals who have exercised substantial influence on the insurance industry for the benefit of society.

Furthermore, Walter B. Kielholz is Chairman of the Zurich Art Society.

Mathis Cabiallavetta
Vice Chairman,
non-executive and independent

Mathis Cabiallavetta, a Swiss citizen born in 1945, graduated from the University of Montreal with a bachelor's degree in economics.

Mathis Cabiallavetta is a member of the Board of Philip Morris International and BlackRock, Inc. He is also a member of the Executive Advisory Board of General Atlantic Partners (GAP) in New York and a Senior Advisor of Marsh McLennan Companies, Inc. (MMC).

He was Vice Chairman of the MMC Board of Directors from November 2001 to November 2004. Prior to joining MMC in 1999, Mathis Cabiallavetta was Chairman of the Board of Directors of UBS AG, having held several senior positions in the company since 1971. He became President of the Group Executive Board in 1996 and was elected Chairman of UBS AG in 1998.

Board of Directors

He is a former member of the Bank Council of the Swiss National Bank and a past Vice Chairman of the Board of Directors of the Swiss Bankers Association. He was also a member of the Committee of the Board of Directors of the Swiss Stock Exchange and the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York.

Mathis Cabiallavetta was elected to Swiss Re's Board of Directors at the Annual General Meeting of 18 April 2008, with effect from 1 September 2008. He was nominated Vice Chairman as of 13 March 2009.

Jakob Baer
Non-executive and independent director

Jakob Baer, a Swiss citizen born in 1944, became an attorney-at-law in 1971 and graduated from the University of Bern in 1973 with a doctorate in law.

Jakob Baer began his career in the legal department of the Federal Finance Administration. In 1975, he joined Fides Trust Company. Following the successful planning and execution of a management buyout of Fides' advisory business, he became a member of the Management Board of KPMG Switzerland in 1992. He was appointed Chief Executive Officer of KPMG Switzerland in 1994 and a member of KPMG's European and international Management Boards. He retired from KPMG in September 2004, having reached the statutory retirement age.

Jakob Baer was elected to Swiss Re's Board of Directors in May 2005. He also serves on the Boards of Directors of Adecco S. A., Rieter Holding AG, Allreal Holding AG, Stäubli Holding AG and two small-sized companies.

Raymund Breu
Non-executive and independent director

Raymund Breu, a Swiss citizen born in 1945, graduated from the Swiss Federal Institute of Technology (ETH) in Zurich with a doctorate in mathematics.

Raymund Breu was Chief Financial Officer of the Novartis Group and a member of that company's executive committee from December 1996, when Novartis was created, until January 2010. He joined the group treasury of Sandoz, a predecessor company of Novartis, in 1975. Ten years later, he was appointed Chief Financial Officer of Sandoz Corporation in New York. In 1990, he became Group Treasurer of Sandoz Ltd and, in 1993, Head of Group Finance and a member of the Sandoz Executive Board.

Raymund Breu was elected to Swiss Re's Board of Directors in 2003. In addition, Raymund Breu serves on the Swiss Takeover Board.

Raymond K. F. Ch'ien
Non-executive and independent director

Raymond K. F. Ch'ien, a Chinese citizen born in 1952, studied at Rockford College and the University of Pennsylvania, graduating with a PhD in economics in 1978.

Raymond K. F. Ch'ien has been Chairman of CDC Corporation since 1999. He served as Chief Executive Officer of the company in 2005 and as acting Chief Executive Officer in 2004. From 1984 to 1997, he was Group Managing Director of Lam Soon Hong Kong Group.

Raymond K. F. Ch'ien also serves as Chairman of the Boards of Directors of MTR Corporation Limited, Hang Seng Bank Limited and HSBC Private Equity (Asia) Limited. He is also a member of the Board of Directors of the Hong Kong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, The Wharf (Holdings) Limited, and the Hong Kong Mercantile Exchange. In addition, Raymond K. F. Ch'ien holds positions in several public service institutions. He is Chairman of the Hong Kong/European Union Business Cooperation Committee, honorary President of the Federation of Hong Kong Industries, and a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. He became a Trustee of the University of Pennsylvania in 2006.

Raymond K. F. Ch'ien was elected to Swiss Re's Board of Directors at the Annual General Meeting of 18 April 2008.

John R. Coomber
Non-executive and independent director

John R. Coomber, a British citizen born in 1949, graduated in theoretical mechanics from Nottingham University in 1970.

John R. Coomber started his career with the Phoenix Insurance Company. He joined Swiss Re in 1973. Having qualified as an actuary in 1974, he first specialised in the company's life reinsurance area. He was Swiss Re UK's appointed actuary from 1983 to 1990. In 1987, he assumed responsibility for the Life division and, in 1993, was made Head of the company's UK operations. John R. Coomber was appointed a member of the Executive Board in April 1995, responsible for the Group's Life & Health Division. In June 2000, he became a member of the Executive Committee. He was Swiss Re's Chief Executive Officer from 1 January 2003 until 31 December 2005, when he retired after 33 years of employment with Swiss Re.

John R. Coomber was elected to Swiss Re's Board of Directors in February 2006. John R. Coomber also serves as Chief Executive Officer of Pension Insurance Corporation Limited, and is a director of MH (GB) Limited, Parhelion Capital Ltd, telent Ltd, and Qatar Insurance Services. He is also a trustee of The Climate Group, and a member of the Deutsche Bank Climate Advisory Panel. John R. Coomber is an Honorary Fellow of the Chartered Insurance Institute.

Rajna Gibson Brandon
Non-executive and independent director

Rajna Gibson Brandon, a Swiss citizen born in 1962, studied business and economics at the University of Geneva, graduating with a BA in 1982 and a PhD in economics and social sciences in 1987.

Rajna Gibson Brandon is professor of finance at the University of Geneva and Director of the Geneva Finance Research Institute. She was a professor of financial economics at the University of Zurich from March 2000 until July 2008 and was previously a professor of finance at the University of Lausanne.

She is also a Deputy Director of the National Centre of Competence in Research (NCCR) "Financial Valuation and Risk Management" research network, Director of Research of the Swiss Finance Institute (SFI) and an advisor to scientific councils of various educational institutions. She was a member of the Swiss Federal Banking Commission until the end of 2004. Rajna Gibson Brandon was elected to Swiss Re's Board of Directors in June 2000.

Board of Directors

Hans Ulrich Maerki
Non-executive and independent director

Hans Ulrich Maerki, a Swiss citizen born in 1946, graduated with a master's degree in business administration from the University of Basel in 1972.

Hans Ulrich Maerki joined IBM Switzerland in 1973. After some years in the sales area, he was promoted to a number of managerial positions in IBM's Paris European Headquarters as well as in IBM Switzerland. From 1993 to 1995, he led IBM's business in Switzerland as General Manager, before moving to IBM Europe in Paris to build the largest IT services business in the market. In August 2001, he was appointed Chairman of the Board of Directors of IBM Europe, Middle East and Africa (EMEA). From 2003 to 2005 he was also Chief Executive Officer of IBM EMEA. He retired from IBM after 35 years of service in April 2008.

Hans Ulrich Maerki was elected to Swiss Re's Board of Directors at the Annual General Meeting of 20 April 2007. He is also a member of the Boards of ABB Ltd, Mettler-Toledo International and the Menuhin Festival AG Gstaad. He serves on the Foundation Board of Schulthess-Klinik in Zurich, on the Board of Trustees of the Hermitage Museum in St. Petersburg as well as on the international advisory boards of the Ecole des Hautes Etudes Commerciales (HEC) Paris, the IESE Business School University of Navarra (IESE) and Bocconi University in Milan. He is currently a Senior Fellow of Advanced Leadership at Harvard University, Cambridge, Massachusetts, USA.

Robert A. Scott
Non-executive and independent director

Robert A. Scott, a British and Australian citizen born in 1942, was educated at Scots College, Wellington, New Zealand. He has been a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) since 1965 and was made a Commander of the British Empire (CBE) in 2002.

Robert A. Scott is a retired Group Chief Executive of CGNU plc, now Aviva. In the 1990s, he was Group Chief Executive of General Accident and, following the merger with Commercial Union in 1998, was appointed Group Chief Executive of CGU plc. Following the merger in 2000 with Norwich Union, Robert A. Scott became Group Chief Executive of CGNU plc, retiring in May 2001. Robert A. Scott was also Chairman of the Association of British Insurers from 2000 to 2001, and a Board member in the previous four years.

Robert A. Scott joined Swiss Re's Board of Directors in 2002. He is also a director of Pension Insurance Corporation Limited and an adviser to Duke Street Capital.

Changes in the course of 2009

Thomas W. Bechtler, Bénédict G. F. Hentsch and Kaspar Villiger retired from the Board of Directors at the Annual General Meeting of 13 March 2009. At the same time, the shareholders re-elected Jakob Baer and John R. Coomber members of the Board of Directors for a three-year term. Peter Forstmoser, who had been Chairman of the Board of Directors, retired from the Board on 30 April 2009. Walter B. Kielholz was nominated Chairman of the Board of Directors as of 1 May 2009, and Mathis Cabiallavetta was nominated Vice Chairman as of 13 March 2009.

Nominations for election at the Annual General Meeting of 7 April 2010

The Board of Directors has decided to nominate the following Board members for re-election:

- Walter B. Kielholz, for a three-year term;
- Robert A. Scott, for a two-year term, in consideration of the fact that Mr Scott will reach the statutory retirement age in January 2012.

The Board has further decided to nominate the following candidates for first-time election to the Board:

- Malcolm D. Knight, Canadian citizen, born in 1944. Malcolm D. Knight has been a Vice Chairman of Deutsche Bank since 2008. He was the General Manager of the Bank for International Settlements from 2003 to 2008 and served as Senior Deputy Governor of the Bank of Canada from 1999 to 2003. Before 1999, he held various senior positions at the International Monetary Fund.
- Carlos E. Represas, Mexican citizen, born in 1945. Carlos E. Represas has been the Chairman of Nestlé Group Mexico since 1983. He also serves on the Boards of Directors of Bombardier Inc. and Merck & Co. Inc., and on the Board of the Mexican Health Foundation A.C. He was Executive Vice President and also Head of the Americas of Nestlé S.A. from 1994 to 2004.
- Jean-Pierre Roth, Swiss citizen, born in 1946. Jean-Pierre Roth was the Chairman of the Governing Board of the Swiss National Bank from 2001 to 2009. He joined the Swiss National Bank in 1979 and became a member of its Governing Board in 1996. From 2006 until 2009 he was chairing the Board of Directors of the Bank for International Settlements.

Other activities and functions

Please refer to the information provided in each director's biography on pages 93 – 96.

Elections and term of office

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 Board membership and makes recommendations to the Board with regard to their nomination for election or re-election. The Board submits nominations for new directors for election at the General Meeting that ensure an adequate size and a well-balanced composition of the Board and comply with the requirement that a majority of the Board be independent. At the General Meeting, each proposed election or re-election is presented by the Chairman and voted upon separately. The Chairman and Vice Chairman of the Board, as well as the chairpersons and members of the Board committees are elected to those positions by the Board of Directors.

Term

The regular term of office of a directorship is three years, based on the decision taken at the Annual General Meeting of 18 April 2008. It usually begins with the date of election by a General Meeting of shareholders and ends on the third subsequent Annual General Meeting. Members whose term has expired are immediately eligible for re-election.

Board of Directors

Members who reach the age of 70 during a regular term of office shall tender their resignation at the Annual General Meeting following the attainment of that age. The Board can exempt a member from this age limit under exceptional circumstances.

The term of office of a committee member is one year, beginning with the Board meeting following the Annual General Meeting and ending with the Board meeting following the subsequent Annual General Meeting.

First election and remaining term of each director

Please refer to the table provided on page 92.

Organisational structure of the Board of Directors

The organisation of the Board of Directors is set forth in the Corporate Bylaws, which define the responsibilities of the Board of Directors, its committees and the executive management, as well as the reporting procedures. 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.

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors

The Chairman of the Board of Directors exercises ultimate supervision of the executive management on behalf of the Board. He has the right to attend the meetings of the Executive Committee and receives the documentation and minutes of all the meetings. He facilitates reporting to the Board by executive management. He is also responsible, with the Chairman of the Audit Committee, for overseeing Group Internal Audit and appoints its head, subject to confirmation by the Audit Committee.

In addition, he convenes meetings of the Board and its committees and makes preparations for, and presides at, Board meetings. He coordinates the activities of Board committees and ensures the Board is kept informed about their activities and findings. In cases of doubt, he makes decisions regarding the authority of the Board or its committees and about the application and interpretation of the Corporate Bylaws.

He presides at General Meetings and represents the Group to shareholders and other stakeholders such as regulatory and political authorities, industry associations or the media.

If the Chairman of the Board is prevented from performing his duties, they are performed by the Vice Chairman or another member of the Board.

Vice Chairman

The Vice Chairman deputises for the Chairman in his absence or in the event of a conflict of interests of the Chairman. He prepares and executes Board resolutions on request of the Board and liaises between the Board and executive management in matters not reserved to the Chairman.

Committees of the Board of Directors

The Board has delegated certain responsibilities, including the preparation and execution of its resolutions, to five committees: Chairman's and Governance Committee, Audit Committee, Compensation Committee, Finance and Risk Committee and Investment Committee.

Each committee is headed by a chairperson. He or she prepares and presides over the committee meetings. Any such committee must keep the Board apprised on a timely basis of actions and determinations.

The committees may conduct or authorise special investigations, at any time and at their full discretion, into any matters within their respective scope of responsibilities, thereby taking into consideration relevant peer group practice and general best practice. They are empowered to retain independent counsel, accountants or other experts if deemed necessary, including for purposes of benchmarking best practice, and shall receive appropriate funding for payment of compensation to such outside advisers.

Committees of the Board of Directors: responsibilities and members

Chairman's and Governance Committee

The Board of Directors established the Chairman's and Governance Committee with effect from 8 June 2009. The former Governance Committee was dissolved at the same time. The responsibilities of the Governance Committee were transferred to the Chairman's and Governance Committee. The Board delegated additional responsibilities to the new committee, primarily in the area of counselling the Chairman as to emerging business issues and Board related organisational matters.

Responsibilities

The Chairman's and Governance Committee's primary function is to act as counsellor to the Chairman, address the corporate governance issues affecting the Group, and develop and recommend to the Board a set of corporate governance guidelines. It is in charge of the succession planning process on Board level, proposes to the Board the appointment of members of the Executive Committee and oversees the annual performance assessment of both the Board and the Executive Committee.

Members

The Chairman's and Governance Committee is headed by the Chairman of the Board and consists, beside the Chairman, of the Vice Chairman and the chairpersons of all other Board committees:

Walter B. Kielholz, Chair
Mathis Cabiallavetta
Jakob Baer
John R. Coomber
Robert A. Scott

Board of Directors

Audit Committee

Responsibilities

The Audit Committee assists the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Group's financial statements and exercises supervision of legal, regulatory and compliance related matters. It reviews the annual financial accounts of the parent company and the Group and approves interim accounts. The committee also reviews the Group's accounting principles and practices, the adequacy of the financial reporting process and the efficacy of the system of internal controls. Furthermore, it evaluates the external auditor, approves the audit plans of Group Internal Audit and the external auditor, and discusses their findings with them.

Members

Jakob Baer, Chair
Thomas W. Bechtler (until 13 March 2009)
Raymund Breu
Raymond K. F. Ch'ien (as of 1 May 2009)
John R. Coomber (as of 1 May 2009)
Bénédict G. F. Hentsch (until 13 March 2009)
Robert A. Scott (until 30 April 2009)

Independence and other qualifications

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to Board members, members of the Audit Committee may not accept any consulting, advisory, or other compensatory fee from the company. All members must have a thorough understanding of finance. At least one member must have the attributes qualifying him/her as an Audit Committee Financial Expert, as determined by the Board. Furthermore, the Corporate Bylaws require that Audit Committee members should not serve simultaneously on audit committees of more than two other listed companies. Members shall pre-advise the Chairman prior to accepting any further invitation to serve on the audit committee of another listed company. No member of the Audit Committee held more than two additional audit committee mandates in 2009.

Compensation Committee

Responsibilities

The Compensation Committee proposes to the Board compensation principles for the Group and determines the establishment of compensation plans, thereby ensuring that plans do not encourage inappropriate risk taking. The committee also defines, or proposes as appropriate, individual compensation at the Board and management level as well as overall variable compensation pools for the Group and executive management. Furthermore, it reviews the effectiveness of performance management processes and ensures compliance with compensation related disclosure requirements.

Members

Robert A. Scott, Chair
Thomas W. Bechtler (until 13 March 2009)
Mathis Cabiallavetta
Raymond K. F. Ch'ien (until 30 April 2009)
Hans Ulrich Maerki

Independence
All members of the Compensation Committee are non-executive and independent.

Finance and Risk Committee
Responsibilities
The Finance and Risk Committee annually reviews the Group Risk Policy and recommends it for approval to the Board, reviews risk and capacity limits approved by the executive management as well as their usage, and reviews the Risk Control Framework. It reviews the most important risk exposures in all major risk categories as well as new products or strategic expansions of the Group's areas of business. In terms of risk and economic performance measurement, it reviews critical principles used in internal risk measurement, valuation of assets and liabilities, capital adequacy assessment und economic performance management. It also reviews the capital adequacy and the treasury strategy of the Group.

Members
John R. Coomber, Chair
Jakob Baer
Rajna Gibson Brandon
Walter B. Kielholz (until 30 April 2009)
Hans Ulrich Maerki
Robert A. Scott
Kaspar Villiger (until 13 March 2009)

Investment Committee
Responsibilities
The Investment Committee approves the strategic asset allocation and reviews the tactical asset allocation decisions. It reviews the monthly performance of all financial assets of the Group and makes recommendations to the Board on strategic holdings. It reviews the risk analysis methodology as well as the valuation methodology related to each asset class and ensures that proper management processes and controlling mechanisms in Asset Management are in place.

Members
Mathis Cabiallavetta, Chair
Thomas W. Bechtler (until 13 March 2009)
Raymund Breu
Raymond K. F. Ch'ien
Rajna Gibson Brandon
Bénédict G. F. Hentsch (until 13 March 2009)

Work methods of the Board of Directors and its committees

The Board of Directors and its committees meet at the invitation of the Chairman of the Board as often as business requires. The Board holds, on average, one meeting per month, including conference calls on the days preceding the publication of quarterly results. Each Board committee meets between four and twelve times per year. Extraordinary meetings are called at short notice if and when required. A quorum is constituted when at least half the members of the Board or the Board committee are present in person or participate using some alternative means of communication.

Board of Directors

In addition to the regular and extraordinary meetings, the Board and its committees can make decisions in writing. Resolutions by written agreement of the Board of Directors may be adopted if no Board member calls for discussion of the motion. A quorum is constituted when at least half the members express their agreement or disagreement with the resolution. Written resolutions of Board committees may be adopted if all committee members express their agreement or disagreement with the resolution.

The Chairman of the Board is responsible for defining the agendas for the meetings of the Board and its committees in close cooperation with the chairpersons of the committees and in consultation with the Chief Executive Officer.

The members of the Board of Directors receive a list of the agenda items for the Board and committee meetings approximately ten days before each meeting. They also receive written documentation on the items for discussion. Board members who are unable to attend Board or committee meetings give their views on the agenda items to the chairperson before the meeting, whenever possible.

In the meeting, the agenda items are usually introduced by a presentation, followed by a discussion and, where necessary, a resolution on the item. The presentation is given by an expert from the Executive Committee, by other employees having the requisite specialist knowledge or, in certain cases, by external advisers. Specific subjects can be discussed in a closed session with a reduced number of participants. Depending on the item being discussed, these closed sessions consist solely of Board members (private session) or Board members and the Chief Executive Officer (executive session).

Minutes are kept of the discussions and the resolutions of each meeting and are usually approved at the next Board or Board committee meeting.

The Board has an assessment process in place, giving the members the opportunity to assess the effectiveness of the Board and its committees on an annual basis.

Board of Directors

The Board of Directors held 11 regular and three extraordinary meetings in 2009. Six resolutions were taken by written agreement. The meetings lasted 4.5 hours on average. The average attendance rate was 97.5% throughout the year. The meetings were attended by members of the Board and, in an advisory capacity, by the members of the Executive Committee as well as the Head of Legal and the Company Secretary.

Governance Committee

The Governance Committee held two regular meetings and one extraordinary meeting in 2009, before it was replaced with the Chairman's and Governance Committee. On average, the meetings lasted one hour. Attendance was 100%. Besides the committee members and the Company Secretary, the Chief Executive Officer and the Chief Financial Officer were invited to attend Governance Committee meetings in an advisory capacity.

Chairman's and Governance Committee

The Chairman's and Governance Committee, which was established in 2009 and held its first meeting on 17 June 2009, had four regular meetings in the reporting year. On average, the meetings lasted 1.5 hours. Attendance was 100%. Besides the committee members and the Company Secretary, the Chief Executive Officer was invited to attend Chairman's and Governance Committee meetings.

Audit Committee

The Audit Committee held seven regular meetings and two extraordinary meetings in 2009. On average, the meetings lasted 2.5 hours. Average attendance was 97.8% at the meetings throughout the year. Besides the committee members and the Company Secretary, the Chief Executive Officer, the Chief Financial Officer, the Head of Group Internal Audit, the Head of Legal, the Head of Compliance, the Chief Accounting Officer and the two lead auditors representing the external auditor were invited to attend Audit Committee meetings in an advisory capacity. The Head of Group Internal Audit and the two lead auditors of the external auditor are normally present in executive sessions of the Committee.

Compensation Committee

The Compensation Committee held six regular and three extraordinary meetings in 2009. One resolution was taken by written agreement. The meetings lasted on average two hours. Attendance was 97.2% during the reporting year. Besides the committee members and the secretary, the Chief Executive Officer and the Head of Human Resources were invited to attend Compensation Committee meetings in an advisory capacity. The Committee enlisted the help of the human resources consulting firm Mercer and Niederer Kraft & Frey Law Firm (NKF) to provide support and advice for compensation issues during the reporting year. Mercer supported the Committee in organising benchmark studies and reviewing and amending the compensation philosophy. NKF provided support in disclosure matters. Representatives of Mercer participated in seven committee meetings in 2009, representatives of NKF in four meetings.

Finance and Risk Committee

The Finance and Risk Committee held six regular meetings in 2009. On average, the meetings lasted 2.5 hours. Attendance was 100% during the reporting year. Besides the committee members and the Company Secretary, the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, the Chief Underwriting Officer and the Group Treasurer were invited to attend Finance and Risk Committee meetings in an advisory capacity.

Investment Committee

The Investment Committee held eight regular meetings in 2009. On average, the meetings lasted three hours. Attendance was 90.6% during the reporting year. Besides the committee members and the Company Secretary, the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, the Chief Risk Officer and the Head of Financial Markets Risk Management were invited to attend Investment Committee meetings in an advisory capacity.

Board of Directors

Definition of areas of responsibility of the Board of Directors and the Executive Committee

The Board of Directors exercises the ultimate authority of the Group. It has delegated the responsibility for managing the Group's operations to the Executive Committee (see section Executive management as of page 107).

The Board of Directors, among other things,
- defines the Group's guiding principles, adopts the strategy of the Group and approves a consolidated medium- and short-term Group business plan;
- determines the risk tolerance level of the Group, monitors risk development and establishes the methods and applicable standards for accounting, budgetary control and financial planning;
- determines the structure of the Group and defines its Global Functions;
- reviews and approves annual reports and financial statements of the parent company and the Group prior to their submission to the Annual General Meeting;
- reviews periodic business status reports as well as reports on major business transactions and events, and decides on transactions of a strategic nature and high-limit transactions in alternative investments and Admin Re®;
- has overall responsibility for corporate governance matters;
- reviews the Group's adherence to legal, regulatory and compliance standards, as well as the status of significant legal, regulatory or compliance matters;
- nominates Board member candidates for election or re-election by the General Meeting, elects the Chairman of the Board, the Vice Chairman and the chairpersons and members of the Board committees, and assesses the performance of the Board and its committees;
- appoints the Chief Executive Officer and the other members of the Executive Committee and assesses the performance of the Chief Executive Officer;
- approves the compensation principles of the Group and share-based employee compensation plans;
- determines the compensation of the members of the Board, the compensation of the Chief Executive Officer, the total amount available for compensation of the other members of the Executive Committee and the overall incentive pool for the company;
- approves material transactions with any of the Group's significant shareholders;
- makes preparations for and convenes General Meetings of shareholders and executes the resolutions of General Meetings.

The Executive Committee, among other things,
- submits proposals to the Board relating to all matters within the Board's responsibility, such as the Group strategy, the Group business plan, the Group's organisational structure, the Group's risk tolerance, accounting principles and high-limit transactions;
- approves the strategies, structures and business plans of the Global Functions;
- establishes the performance targets for the Group and the Global Functions, monitors performance and takes any necessary action;
- decides on individual debt issuances, bank facilities and similar instruments;
- establishes the principles for intra-Group transactions and funding;
- establishes the principles for external retrocession and the balancing of Group-wide catastrophe and accumulated risks;
- defines the underwriting authorities of the Group committees and the Global Functions and decides on individual reinsurance transactions exceeding these authorities;

- is responsible for the assessment of the existence and effectiveness of the Group's system of internal control;
- oversees the implementation of Group compliance procedures, monitors remediation of identified regulatory and compliance deficiencies and ensures that appropriate risk management committees are constituted;
- assumes responsibility for personnel planning and management development of the Group, subject to the authority of the Board of Directors;
- develops the Group's communications policy.

Information and control instruments of the Board with respect to executive management

Swiss Re maintains effective and consistent control of executive management through the Board of Directors. The Board of Directors has a number of controlling and information gathering mechanisms in place to monitor the handling of responsibilities it has delegated to the executive management.

Participation of Board members at executive management meetings
Both the Chairman of the Board and the Vice Chairman are invited to all meetings of the Executive Committee. The Chairman of the Board and the Vice Chairman always receive the meeting documentation and minutes.

Involvement of executive management in meetings of the Board of Directors
As a matter of principle, all members of the Executive Committee are invited to all meetings of the Board of Directors. The entire Executive Committee was present at all regular Board meetings in 2009, with the exception of two Executive Committee members who were absent from one meeting each.

Involvement of executive management in Board committee meetings
At the meetings of the Board committees, executive management members participate in an advisory capacity. For a detailed listing of Executive Committee member participation in Board committee meetings and the number of meetings, see the relevant paragraphs in the section Work methods of the Board of Directors and its committees, on pages 101 – 103.

Periodic reporting by executive management
At each regular Board meeting, the Executive Report is a standard agenda item, comprising a comprehensive report on the business development, including major business transactions, claims, corporate development issues and key projects. In addition, specific written reports focusing on issues such as risk exposure and risk management activities of the Group, economic results, investment operations, compliance, legal aspects, and economic outlook are provided to the members of the Board of Directors on a regular basis.

Risk management
Risk Management provides regular risk reports to the Board of Directors which are discussed by the Finance and Risk Committee. These reports cover Swiss Re's compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions.

Duty to inform about extraordinary events
As soon as the Executive Committee becomes aware of significant extraordinary business developments or events, it is obliged to inform the Board of Directors immediately, even if the Board is not in session.

Board of Directors

Right to obtain information

At Board meetings, any member of the Board of Directors can demand information on any aspect of the Group's business. Any member may, in such meetings, request that books and records be produced for timely inspection. Outside Board meetings, any member can direct a request for production of business records to the Chairman of the Board. In the event the request is denied, the Board decides whether such information shall be produced.

Special investigations

Each Board committee is entitled to undertake or commission special investigations at its own discretion into any matters within its respective scope of responsibility. Each committee may also enlist assistance from independent legal advisers, auditors or other experts if deemed necessary.

Group Internal Audit

Group Internal Audit (GIA) is an independent, objective assurance function, performing activities designed to assess the adequacy and effectiveness of the Group's internal control systems. GIA helps the Group accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

GIA staff govern themselves in accordance with the Code of Ethics established by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department.

Authority is granted for full, free and unrestricted access to any and all of the Group's property and personnel relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA applies a risk-based approach to auditing the Group's control systems, performing its own risk assessment and making use of risk assessments performed by the risk management and other assurance functions in the Group after reviewing the quality of the assurance work performed. The GIA Audit Plan is determined annually and updated on a quarterly basis. The results of the audits are reported to the executive management and the Audit Committee. Formal quarterly updates are provided to the Audit Committee on the findings, resources and skills within GIA and on the changes in tools and methodologies GIA uses. In addition, GIA prepares for the Board of Directors the Assurance Report, which provides a summary of the assurance activities of Operational Risk Management, Business Risk Review, GIA, and Compliance.

GIA coordinates its activities with other risk controlling functions of the Group and the external auditor.

External auditor

Please refer to pages 112 – 113.

Executive management

Members of the Executive Committee

The Executive Committee consisted of the following members as of 31 December 2009:

Name	Nationality	Age	Function
Stefan Lippe	German	54	Chief Executive Officer
David J. Blumer	Swiss	41	Chief Investment Officer
Agostino Galvagni	Italian	49	Chief Operating Officer
Brian Gray	Canadian	47	Chief Underwriting Officer
Michel M. Liès	Luxembourg	55	Chief Marketing Officer
George Quinn	British	43	Chief Financial Officer
Raj Singh	US	47	Chief Risk Officer

Stefan Lippe
Chief Executive Officer

Stefan Lippe, a German citizen born in 1955, graduated in mathematics with business administration from the University of Mannheim. He obtained his doctorate in 1982 while working as a scientific assistant to the chair of insurance business management, being awarded the Kurt Hamann foundation prize for his thesis.

In October 1983, he joined Bavarian Re as a team member of a business analysis project. From 1985, he was involved in the casualty department's operations in the German-speaking area. In 1986, he became Head of the non-proportional underwriting department.

He was appointed deputy member of the Board in 1988 and a full member of the Board in 1991, when he assumed general responsibility for the company's operations in the German-speaking area. In 1993, he became Chairman of the Board of Management of Bavarian Re. Since 2001, he has been Chairman of the Board of Directors of the renamed Swiss Re Germany Holding AG.

Stefan Lippe was appointed a member of Swiss Re's Executive Board in 1995, as Head of the Bavarian Re Group. In 2001, he was assigned as Head of the Property & Casualty Business Group and appointed a member of the Executive Committee. In September 2008, he took over as Chief Operating Officer and was also appointed Deputy Chief Executive Officer. In February 2009, he was appointed Chief Executive Officer.

David J. Blumer
Chief Investment Officer

David J. Blumer, a Swiss citizen born in 1968, holds a degree in economics from the University of Zurich.

Before joining Swiss Re, he worked at Credit Suisse from 1993 to 2008 and held a number of positions in Zurich, London and New York. In private banking, he established an industry leading alternative investment platform. He was appointed Head of Trading and Sales in 2004 and headed Asset Management at Credit Suisse from 1 January 2006. He held the position of Chief Executive Officer of Asset Management and was a member of the Executive Board of Credit Suisse.

He joined Swiss Re in 2008 and was appointed Head of Asset Management and a member of the Executive Committee.

His commitments to organisations outside Swiss Re include his membership of the Forum of Young Global Leaders at the World Economic Forum (WEF).

Agostino Galvagni
Chief Operating Officer

Agostino Galvagni, an Italian citizen born in 1960, graduated in business management from the Università Commerciale Luigi Bocconi in Milan and then joined Bavarian Re (former Swiss Re subsidiary), Munich, as a trainee in 1985.

Executive management

After undertaking various activities in the fields of underwriting and marketing as well as project work, he moved to New York in 1998, structuring and marketing insurance-linked securities. He returned to Bavarian Re in 1999 as Member of the Board of Management. In 2001, he joined Swiss Re, Zurich, as Head of the Globals Business Unit and member of the Europe Division Executive Team. He was appointed to the Executive Board with effect from September 2005 to head the Globals & Large Risks division (now renamed Insurance & Specialty) within Client Markets and was appointed Chief Operating Officer and member of the Executive Committee as of May 2009.

Brian Gray
Chief Underwriting Officer

Brian Gray, a Canadian citizen born in 1962, has a degree in economics from Wilfrid Laurier University and an MBA from the University of Toronto.

He joined Swiss Re in 1985 and worked in a variety of underwriting and marketing roles in Toronto. In 1994, he moved to Zurich where he held positions in the former Asia-Pacific/Africa division, as well as corporate integrated risk management functions. In 1997, he returned to Canada where he assumed responsibility for Underwriting, Claims and Special Lines activities. He was appointed President and Chief Executive Officer of Swiss Re Canada in March 2001.

Brian Gray became a member of the Executive Board in September 2005 as Head of Property and Specialty. In September 2008, he was appointed to the Executive Committee as Chief Underwriting Officer.

Michel M. Liès
Chief Marketing Officer

Michel M. Liès, a citizen of Luxembourg born in 1954, gained a degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich in 1974.

In 1978, Michel M. Liès joined the Life department of Swiss Re in Zurich and was mainly active in the Latin American market. From 1983 to 1993, he was responsible for France and the Iberian peninsula and coordinated Swiss Re's life strategy across the European Community.

In 1994, he transferred to the non-life sector of the Southern Europe/Latin America department, where he was initially responsible for the Spanish market. He was appointed Head of the Southern Europe/Latin America department at the beginning of 1997.

Michel M. Liès became a member of the Executive Board in 1998 and was appointed Head of the Latin America division. In April 2000, he became Head of Europe division of the Property & Casualty Business Group. In September 2005, he assumed the position of Head of Client Markets.

George Quinn
Chief Financial Officer

George Quinn, a British citizen born in 1966, holds a degree in engineering from the University of Strathclyde and is a member of the Institute of Chartered Accountants in England and Wales.

He started his career at KPMG in London where he held a number of positions as adviser and consultant to insurance and reinsurance companies. He joined Swiss Re in 1999 as Chief Accounting Officer, based in Zurich. In 2003, he was appointed Chief Financial Officer for the Financial Services Business Group. He moved to New York in 2005 as Regional Chief Financial Officer for Swiss Re Americas. On 1 March 2007, George Quinn became Chief Financial Officer of Swiss Re Group.

He is also a Board member of IMD, a leading international business school.

Raj Singh
Chief Risk Officer

Raj Singh, a US citizen born in 1962, holds a Bachelor of Science degree from the Winona State University, Minnesota, and an MBA from the Thunderbird American School for International Management, Arizona, from 1984.

From 1989 to 2001, he worked for Citigroup, where he held a number of senior positions, primarily in the area of credit and structured finance and ultimately as Managing Director Risk/Merger & Acquisitions for Citibank Northern Europe with site responsibility for Citibank Belgium. From 2002 to 2007, he was Group Chief Risk Officer at Allianz SE.

Raj Singh joined Swiss Re in January 2008 as Chief Risk Officer and a member of the Executive Committee.

He is the former Chairman of the International Financial Risk Institute and was the founding Chairman of the Chief Risk Officers Forum. He represents Swiss Re at the World Economic Forum, The Climate Group, the Institute for International Finance, the United Nations Environment Program, and the Board for Actuarial Standards (UK), among others. He also serves on the Boards of Directors of Oman International Bank S.A.O.G., Muscat National Holding Company S.A.O.G., and Hoerner School Society, Luchnow, India.

Changes in the course of 2009

Jacques Aigrain resigned as Chief Executive Officer on 11 February 2009; the Board of Directors appointed Stefan Lippe, Chief Operating Officer and Deputy Chief Executive Officer, as his successor, effective 12 February 2009.

The Board of Directors appointed Agostino Galvagni to succeed Stefan Lippe as Chief Operating Officer, as of 1 May 2009. Andreas Beerli retired from the Executive Committee at the end of June 2009.

Changes in 2010

Until 31 December 2009, the Executive Committee was supported by the larger Executive Board comprising a group of senior executives. With effect from 1 January 2010, the new Group Management Board was formed. It comprises the Executive Committee and 13 senior executive officers holding key positions in the Group. The members, with the exception of the members of the Executive Committee, are appointed by the Chief Executive Officer. The Group Management Board acts as a sounding board and advises the Chief Executive Officer with respect to design, implementation and monitoring of the Group's strategy and operation.

Other activities and vested interests

To the extent that members of the Executive Committee are engaged in activities in governing and supervisory bodies, institutions and foundations, or perform permanent management and consultancy functions for important interest groups or accepted official functions and political posts, such information is included in the curricula vitae on pages 107 – 109.

Management contracts

Swiss Re has not entered into reportable management contracts with any third party.

5 Compensation, shareholdings and loans

Please refer to chapter Compensation on pages 118 – 132, as well as Note 6 to the Financial statements of Swiss Reinsurance Company Ltd. on pages 237 – 244.

Shareholders' participation rights

Voting right restrictions and representation

Voting right restrictions, statutory group clauses, exception rules
There are no voting right restrictions, no statutory group clauses and thus no rules on making exceptions.

Reasons for making exceptions in the year under review
No exceptions were made.

Procedure and conditions for cancelling statutory voting right restrictions
As there are no voting right restrictions, there is neither a procedure nor a condition for their cancellation.

Statutory rules on participating in the General Meeting of shareholders if differing from legal provisions
In line with the legal provisions, any shareholder with voting rights may have his/her shares represented at any General Meeting by another person authorised in writing or by corporate bodies, independent proxies or proxies for deposited shares. Such representatives need not be shareholders.

Statutory quorums

The Articles of Association do not provide for any statutory quorums. 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 Chairman of the General Meeting shall determine the voting procedure. As a rule, voting is usually carried out electronically. When this is not the case, votes shall be cast by ballot if more than 50 of the shareholders present so demand by a show of hands.

Convocation of the General Meeting of shareholders

The statutory rules on the convocation of the General Meeting of shareholders correspond with the legal provisions. Accordingly, the 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 may be called by resolution of the General Meeting or the Board of Directors, or by shareholders with voting power, provided they represent at least 10% of the share capital.

Agenda

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.

Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the General Meeting. In recent years, Swiss Re acknowledged the voting rights of shares which were registered at least two working days before the General Meeting. In 2009, the qualifying date for the Annual General Meeting held on Friday, 13 March 2009, was Wednesday, 11 March 2009.

Changes of control and defence measures

Duty to make an offer

Swiss Re has not taken any defence measures against takeover attempts. The Board of Directors is of the opinion that the best protection is a fair valuation of the shares. It believes in the efficiency of a free market rather than relying on defence measures that normally have a long-term negative effect on the share price development.

The acquisition by a shareholder of more than 33⅓% of the Swiss Re shares would trigger a mandatory takeover offer for the shares owned by all other shareholders. Under the Swiss Stock Exchange Act, if a shareholder acquires shares representing more than 33⅓% of the voting rights of a Swiss company listed on a Swiss exchange, the shareholder would be obligated to launch a takeover offer for the shares it does not own. The Stock Exchange Act also allows these companies to include in their articles of association an "opt up" provision (in which the threshold could be raised above 33⅓%) or an "opt out" provision (where the obligation to make a takeover offer upon reaching the 33⅓% threshold is waived), but the Swiss Re articles of association contain neither an "opt up" provision nor an "opt out" provision.

Clauses on change of control

Unvested incentive shares, share options, and certain other employee benefit programmes would vest upon a change of control. Rights of members of the governing bodies are identical to those of employees.

Auditors

Duration of the mandate and term of office of the lead auditors

PricewaterhouseCoopers AG (PwC), formerly known as Revisuisse Price Waterhouse AG, were elected as Swiss Re's auditors at the Annual General Meeting of 25 November 1991 and, since then, have been re-elected annually. At the Annual General Meeting of shareholders on 13 March 2009, based on the proposal of the Audit Committee and a recommendation of the Board of Directors, PwC were re-elected as Swiss Re's statutory auditors and auditors of the consolidated financial statements for a term of one year.

Mr David J. A. Law and Ms Dawn M. Kink became lead auditors responsible for the existing auditing mandate as of 1 January 2004 and 1 September 2006, respectively.

Auditing fees

The following summarises fees (excluding VAT) for professional services for the year ended 31 December 2009.

Audit fees
PricewaterhouseCoopers AG CHF 32.0 million

Audit-related fees
PricewaterhouseCoopers AG CHF 7.0 million

Audit-related fees comprise, among other things, additional work related to prior year statutory audits, accounting advice, information systems reviews, and reviews of internal controls.

Additional honorarium

In addition to the fees described above, aggregate fees of CHF 0.6 million were billed by PricewaterhouseCoopers AG during the year ended 31 December 2009, primarily for the following:

- Income tax compliance and related tax services CHF 0.1 million
- Other fees CHF 0.5 million (including permitted advisory work related to a range of projects including due diligence)

Information tools pertaining to the external audit

Responsibilities
The Board of Directors reviews the professional credentials of the external auditor. The Audit Committee assists the Board in fulfilling its oversight of the auditor. The auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders.

Cooperation and flow of information between the auditor and the Audit Committee
The Audit Committee liaises closely with the auditor. The lead auditors participate as advisers in all meetings of the Audit Committee. For more information about the meetings of the Audit Committee see page 103.

The Committee reviews and approves the planned audit services of the auditor and approves in advance non-audit services anticipated to be provided by the auditor. It discusses the results of the annual audits with the auditor, in particular their reports on the financial statements, necessary changes to the audit plans and critical accounting issues. The auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the system of internal controls. It informs the Audit Committee about differences in opinion between the auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the auditor

The Audit Committee, who is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting of shareholders, annually assesses the auditor and presents its findings to the Board. The assessment covers the auditor's qualification, independence and performance.

Qualification

The auditor is requested to submit to the Audit Committee, at least annually, a report describing the auditor's own quality control procedures, and any material issues raised by the most recent internal reviews, or inquiries or investigations by governmental or professional authorities within the preceding five years and any steps taken to deal with any such issues.

Independence

In order to demonstrate its independence, the auditor has to supply a formal written statement at least once per year, delineating all relationships with the company that might affect auditor independence. Any disclosed relationships or services that might impact the auditor's objectivity and independence are reviewed by the Audit Committee, and appropriate action is taken by the Board on the recommendation of the Audit Committee.

In accordance with the Swiss Federal Act on the Licensing and Oversight of Auditors, and to foster independence of the auditor, the lead audit partner rotates from his or her role after seven years.

Performance

The performance-related assessment is based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members. The auditor is measured against a number of criteria such as the understanding of Swiss Re's business, the technical knowledge and expertise, the comprehensiveness of the audit plans, the quality of the working relationship with management and the clarity of communication.

Audit fees

The audit fees and the fees paid to the external auditor in respect of non-audit services are annually reviewed by the Audit Committee.

Information policy

One of Swiss Re's core values is integrity through an uncompromising commitment to transparency and ethical principles. As a result, the Group's information policy goes beyond legal requirements, aiming to meet best practice standards.

Swiss Re maintains a close relationship with the financial community and the broader public by using all available communication channels. Comprehensive information about the Group is provided on Swiss Re's website. Important corporate news is announced on an ad hoc basis and made available on the Group's website. Swiss Re's ad hoc disclosures and other corporate news can be subscribed electronically via Swiss Re's news service on the website at www.swissre.com/subscription. For Swiss Re's contact details see Business contact information on page 267.

The Investor Relations unit at Swiss Re is responsible for managing all contacts with investors and analysts. Meetings are held regularly with institutional investors and analysts to discuss important corporate news or specific topics. These meetings can also be followed by private shareholders via telephone conference or on the Swiss Re website. In 2009, Swiss Re held an investors' day on its cycle management and portfolio steering as well as on risk management. Presentations and conference call recordings are made available to the public on the Group's website.

Swiss Re is strongly committed to treating all investors equally. The Group prevents selective disclosure by observing ad hoc publicity rules and a policy of restrictions for the close period, during which quarterly and annual financial results information is finalised. Swiss Re subjects all employees globally to the corresponding trading restrictions in Swiss Re securities. The close period commences on a given date preceding the official publication of the financial information and ends after a cooling-off period following public release.

Corporate news in 2009 and method of distribution

Date	News	Method of dissemination
28 January	Swiss Re's Employer Stop Loss product offers US companies cost savings for self-funded health insurance plans	News release
5 February	Swiss Re announces preliminary and unaudited 2008 results and investment of CHF 3 billion in Swiss Re by Berkshire Hathaway Inc.	News release and press and analysts' telephone conference
12 February	Swiss Re's Board of Directors appoints Stefan Lippe as new Chief Executive Officer	News release
19 February	Annual results 2008	News release, press conference and analysts' meeting in Zurich (including telephone conference and web cast)
19 February	Swiss Re's 145th Ordinary General Meeting on 13 March 2009	News release
4 March	Kaspar Villiger resigns as a member of Swiss Re's Board of Directors with effect from 13 March 2009	News release

9 March	Peter Forstmoser to resign from the Board of Directors – Board of Directors nominates Walter B. Kielholz as new Chairman – Mathis Cabiallavetta nominated as new Vice Chairman	News release and press conference in Zurich
13 March	Terms of the convertible perpetual capital instrument to be issued to Berkshire Hathaway finalised	News release
13 March	145th Annual General Meeting	Meeting in Zurich and news release
2 April	Swiss Re appoints Agostino Galvagni as Chief Operating Officer	News release
7 May	First quarter 2009 results and EVM 2008 results	News release and press and analysts' telephone conference
9 June	Swiss Re enters Lead Umbrella marketplace in the US, offering net capacity for large corporate accounts	News release
5 August	Second quarter 2009 results	News release, press conference and analysts' telephone conference in Zurich
7 September	"Les Rendez-Vous de Septembre 2009", (re)insurance industry event	News release and press and analysts' conference in Monte Carlo
8 October	Swiss Re acquires Retakaful licence, sets up Retakaful operation in Kuala Lumpur	News release
23 October	Swiss Re heads to Baden-Baden with a strong appetite for high-quality business	News release and press telephone conference
3 November	Third quarter 2009 results	News release and press and analysts' telephone conference
24 November	Swiss Re obtains USD 75 million of extreme mortality risk protection through new Vita Capital programme	News release
1 December	Swiss Re's Economic Forum 2009	News release, press conference in London
9 December	Investors' Day 2009	News release, press and analysts' conference in Zurich

Important dates for 2010

18 February	2009 annual results
12 March	Publication of 2009 Annual Report
7 April	146th Annual General Meeting
6 May	First quarter 2010 results and EVM 2009 results
11 June	Investors' Day
5 August	Second quarter 2010 results
4 November	Third quarter 2010 results

Compensation

In 2009, the Compensation Committee conducted a comprehensive review of the Group's compensation approach – focusing on alignment of employee and shareholder interests, avoiding incentives for undue risk taking, and ensuring that Swiss Re remains in a position to attract and retain highly skilled performers.

Report from the Compensation Committee

Dear shareholders,

In 2009, financial services companies had to deal with the effects of one of the most severe financial crises in generations. A widely held point of view was that inappropriate compensation practices may have been a major contributor to the problems. In this changed environment the Compensation Committee of Swiss Re embarked during 2009 on a further review of compensation practises within the firm. Our goal was to ensure that our compensation plans meet the needs of the business and are consistent with shareholder interests. We also reviewed our practices against the guidance emerging from our various regulatory bodies, in particular our principal regulator, the Swiss Financial Market Supervisory Authority (FINMA).

The Compensation Committee had already undertaken a comprehensive review of the executive incentive approach three years earlier and noted that the innovative approach adopted at that time continued to be appropriate in light of regulatory requirements prevailing in 2009. In particular the Value Alignment Incentive, which brought variable compensation into line with the multi-year performance of the reinsurance business by deferring a significant portion of the Annual Performance Incentive. This approach conformed with the widespread adoption of clawback within annual performance incentive schemes. The Compensation Committee remains determined to further strengthen compliance with emerging regulation, for example by basing the performance assessment not only on financial results but also by making full use of additional metrics especially with regard to risk taking.

For a number of years Swiss Re has adopted the principles of value-based management for steering its business. In line with regulatory recommendations the economic profit of the firm and of the individual lines of business have become the main focus of the Compensation Committee when assessing performance. This has the advantage that adequate capital charges are embedded in the reporting of results. However, from time to time it may have the drawback of causing timing differences between value as reflected in our published results, derived under generally accepted accounting principles, and our achievements as measured using value-based management. This applied particularly in 2009 as the Group's main focus was on de-risking and recapitalisation. It is the view of the Compensation Committee that while acknowledging this potential tension, on balance the company's focus on economic value creation is in line with the interests of shareholders.

The Compensation Committee is satisfied that this report represents an accurate and comprehensive view of Swiss Re's key performance and reward practices in 2009. The activities of the Compensation Committee were performed in accordance with the Compensation Committee Charter and Working Instructions.

At the Annual General Meeting on 7 April 2010, this Compensation report will be subject to a non-binding vote. The Compensation Committee believes this will provide an opportunity to engage in dialogue with you, our shareholders.

Zurich, 11 March 2010

Robert A. Scott
Chairman of the Compensation Committee

The compensation environment

As a result of significantly increased shareholder scrutiny, strengthening of governance practices over compensation programmes in financial services companies became a priority. The Board of Directors' Compensation Committee focused on reviewing the company's compensation policy and programmes, to ensure alignment with the compensation principles and standards, as endorsed by the Financial Stability Board and G20, as well as FINMA's proposed standards for remuneration schemes.

The Compensation Committee has taken these proposals into consideration while ensuring that the compliance with the proposed regulation brings its intended practical benefits, such as aligning the interests of employees with the long-term interests of shareholders.

During the course of the year, the Compensation Committee examined in detail the proposed regulatory frameworks that would affect the Group's business. This assessment suggests that Swiss Re's overall compensation structure meets the regulators' requirements. In particular, the Group's deferred variable compensation elements – the Value Alignment Incentive and Long-term Incentive plans – are consistent with the regulators' view that there should be no reward for taking inappropriate risk. The Compensation Committee remains vigilant and will continue to closely monitor the evolving regulatory frameworks as they come into force to ensure full compliance.

The regulators highlighted a number of areas that require supervision, such as preventing inappropriate risk taking. Swiss Re's assessment of its compliance with these requirements did not reveal any material flaws in the Group's governance structures; nevertheless, the Compensation Committee implemented a number of changes to further strengthen its role in this respect, while working closely with executive management to ensure that management is held to account for its decisions without compromising operational effectiveness. The main thrust of these changes was to improve transparency and control, ensuring clear, properly supported delegation of authority.

In addition to adjustments to the governance structure driven by regulatory initiatives, the Compensation Committee performed a number of appraisals of existing compensation practises during 2009 and launched several important initiatives. As a result, the company's Compensation Policy was re-aligned in cooperation with executive management. The Compensation Committee also undertook a global benefit review. The fee structure for the Chairman and Vice Chairman of the Board of Directors was revised by introducing a new performance share plan with shareholder-aligned performance criteria. Furthermore, the Compensation Committee mandated the design and implementation of new stock ownership guidelines for Executive Committee members, which became effective as of 1 January 2010.

The Compensation Committee emphasises financial results and risk metrics in setting variable compensation awards. Shareholder value considerations make it important that the Compensation Committee consider these results in context: Swiss Re needs to retain key talent and protect strongly performing business areas if it is to sustain and grow long-term shareholder value.

Compensation policy

Guiding principles

Swiss Re's remuneration structure is designed to attract, motivate, and retain the qualified talent the Group needs to succeed globally. The aim is to provide remuneration that is competitive in the local labour markets and supports the Group's core values, while ensuring that employees focus on the delivery of outstanding results without taking inappropriate risks.

A balanced compensation package is complemented by a range of learning and development opportunities and an appealing work environment.

The approach contributes to the success of the business by:
- supporting a culture of high performance with a clear focus on financial results;
- ensuring a clear link between business results, individual contribution, and reward;
- supporting Swiss Re's commitment to key talent; and
- aligning the interests of employees with those of Swiss Re's shareholders.

A range of incentive programmes have been designed to reflect the long-term dynamics of the business. Both the Value Alignment Incentive plan and the Long-term Incentive plan aim to reward sustained achievement as opposed to short-term results. The use of share-based arrangements ensures a direct link between shareholder and employee interests. A significant portion of senior management's compensation is tied to the organisation's long-term performance.

Compensation governance

The Board of Directors appoints the members of the Compensation Committee, who are independent directors as defined by the Company Bylaws. The committee members are familiar with compensation plans, risk-related issues in plan design, and employee evaluation and remuneration practices.

The Compensation Committee acts on behalf of the Board of Directors in reviewing and approving proposals to ensure that they comply with the Group's compensation principles and relevant regulations. The Compensation Committee also ensures that proposals:
- meet the overall objectives of the compensation approach;
- keep compensation in line with company and individual performance;
- provide a linkage between compensation and the Group's values and long-term strategy;
- allow for competitive levels of compensation in cases of high performance;
- ensure alignment with shareholder interests; and
- discourage inappropriate risk taking.

The Compensation Committee makes recommendations to the Board of Directors on the Group's overall remuneration approach. It also oversees the development of and compliance with group-wide compensation principles as well as compliance with remuneration disclosure requirements. The Committee's work is governed by its Charter.

The primary authority lies with the Compensation Committee under its powers delegated from the Board of Directors. Certain powers are retained by the full Board of Directors, as illustrated in the following table:

Decision on	Recommended	Endorsed	Approved
Total amount for annual performance incentive payments	CEO	Compensation Committee	Board of Directors
Total amount for Long-term Incentive plans	CEO	Compensation Committee	Board of Directors
Remuneration of the members of the Board of Directors (incl. Chairman and Vice Chairman)	Compensation Committee		Board of Directors
Compensation of the Chief Executive Officer	Chairman	Compensation Committee	Board of Directors
Individual compensation of the members of the Executive Committee (excl. CEO)	CEO		Compensation Committee

Composition of the Compensation Committee

The Chairman, the Chief Executive Officer, and the Head Human Resources are normally invited to attend the meetings of the Compensation Committee. Other members of senior management may attend parts of the meetings, as the Committee deems appropriate. No individual may attend any part of a meeting where his or her own compensation is discussed.

Compensation Committee procedures

Management is responsible for putting forward compensation and benefit plan changes and proposals for individual compensation. The Compensation Committee's role is to consider these proposals; it may either accept the proposals, suggest amendments, or decline the recommendations. The Committee will then either approve any changes or, where such authority is not delegated, propose them to the Board of Directors for approval. The Chairman of the Audit Committee and the Chairman of the Risk Committee are required to endorse the aggregate compensation pool of the respective control functions, as well as the individual compensation for the head of each function. In addition, they also provide input into the process of determining the overall Annual Performance Incentive pools from a risk, compliance and control perspective.

The Compensation Committee retains external advisors to support its work. The human resources consulting firm Mercer takes this role on specific compensation issues, providing information about remuneration trends and timely advice on executive compensation issues. Niederer Kraft & Frey provide legal advice, mainly about specific aspects of compliance. Both Mercer and Niederer Kraft & Frey are engaged directly by the Compensation Committee. The Compensation Committee may also, from time to time, appoint other external advisors.

Each meeting starts with a closed session of the Committee members. The Committee held nine meetings during 2009 after each of which a summary of decisions was submitted to the full Board of Directors. The Committee has a predetermined annual agenda to ensure that important reviews take place at the appropriate time throughout the year. The Compensation Committee also undergoes a periodic self-review to ensure continued high effectiveness.

Compensation policy

Overview of the compensation components

Each element of compensation is designed to encourage individual performance, company achievement, and shareholder alignment. Annual and long-term incentives are balanced to reflect the performance of the Group, the business function, and the individual.

Swiss Re aims for total compensation that is competitive with that for equivalent positions in comparable companies in each of its markets.

The following illustration shows a summary of the compensation elements, which are explained in the section below:

Base salary and benefits		■ Competitive in respective labour markets
Annual Performance Incentive (API)	**Cash component**	■ Paid annually
	Incentive shares	■ Employees can elect to receive blocked shares
	Value Alignment Incentive (VAI)	■ Measured against prior-year development ■ Applies above a certain threshold ■ Paid after three years
Long-term Incentive (LTI)		■ Shareholder value-aligned performance units ■ Three-year measurement period

Base salary and benefits

Base salary represents the regular payments made to an employee as compensation for carrying out a job or role.

Total compensation, of which base salary is an element, is regularly reviewed against the market to ensure that it remains competitive. Base salary is primarily determined by the employment markets in which Swiss Re competes for talent – but we also consider factors such as individual expertise when making salary-related decisions.

Swiss Re also aims to provide a package of employee benefits appropriate to local employment market conditions, to recruit, motivate and retain talent. The primary purpose is to provide a proper degree of security for employees and their dependents in managing the costs of old age, health matters, disability, and death.

Swiss Re offers its employees a share purchase programme, the Employee Participation Plan (EPP), to help align employee with shareholder interest and encourage an ownership culture across the firm. Employees may purchase a limited number of Swiss Re shares at favourable prices, from their salary.

Annual Performance Incentive

The Annual Performance Incentive (API) is a discretionary, variable component of the compensation package for employees. Combined with the base salary, it provides competitive total cash compensation when performance targets are achieved. The API provides an additional incentive for exceptional performance.

When the variable compensation level for an employee exceeds a pre-defined amount, the variable pay is delivered through two components: a cash incentive payment (cash API) and a deferred Value Alignment Incentive (VAI).

The cash API for each year's service is paid after the publication of the Group's annual results for that year.

Employees also have the opportunity to take some or all of their cash API in the form of Swiss Re shares at a discount of 10% (the incentive share plan), encouraging alignment with shareholder interest. At the end of a one-year period, the employee assumes full ownership of the shares.

Value Alignment Incentive

The VAI – introduced in 2006 – brought a time component into the API. This supports the business model of the Group by aligning a substantial portion of the API with long-term results. The aim is to ensure that the ultimate value of the VAI, though awarded for short-term performance, is significantly affected by the longer-term performance of the Group.

The greater the responsibility within the organisation, the greater the portion of the API that remains at risk:

Target group	API in cash	Deferred VAI
Chief Executive Officer	50%	50%
Executive Committee	55%	45%
Group Managing Board and awards above CHF 500 000 threshold	60%	40%
Awards at or above CHF 100 000 threshold	75%	25%
Awards below CHF 100 000 threshold	100%	0%

The VAI supports the company's aims by providing a claw-back mechanism. The VAI award is adjusted at the end of a three-year performance period. In those cases where performance during this period is less than expected, a reduction in VAI will apply; conversely, where performance is better than expected, a premium will apply. The adjustment can range between 50% and 150% of the original award. The final VAI payment may also contain an additional mark-up element to assist with retention and compensate for time value of money.

Compensation policy

Long-term Incentive

The purpose of the Long-term Incentive plan (LTI) is to provide increased incentive for Swiss Re's senior management to make significant contributions to shareholder value and to ensure that Swiss Re continues to attract and retain individuals of exceptional skill. LTI is a forward-looking instrument focusing on incentivising top executives to take decisions that are in the long-term interest of shareholders.

The LTI is a discretionary grant for Group Management Board members and a select group of key executives at Managing Director level, over and above their annual cash remuneration. The intention is to:

- focus participants' energies on growth and capital efficiency, both of which are critical to long-term shareholder value creation;
- achieve competitive total compensation for top executive talent by giving the participant a long-term incentive; and
- assist with the retention of key managers.

Awards vest after three years and are paid in Swiss Re shares, provided the performance thresholds are met.

The LTI pool is approved by the Board of Directors and focuses on the achievement of three-year growth goals for earnings per share (EPS) and return on equity (RoE). A performance scale around a pre-defined target for both measures determines the level of reward earned at the end of each three-year cycle. The level of reward can range from zero to 200% of the award at the end of the three-year period.

The Compensation Committee reviews the LTI annually to ensure that it remains appropriate, and that the measures and performance targets are well aligned with the company's goals and shareholders' interests.

Compensation decisions by the Compensation Committee

Overall Annual Performance Incentive pools

Management makes a proposal to the Compensation Committee based on the Group's overall performance for the year. The Compensation Committee considers these proposals and recommends a total compensation pool to the Board of Directors for approval. Within this overall pool, the Compensation Committee also proposes a separate pool for the Executive Committee and an individual award for the Chief Executive Officer.

Consistent with the regulators' guidance on evaluating "economic profit which takes into account the cost of capital" (risk-adjusted metric), the Board of Directors has elected economic value management (EVM) as the Group's key metric for assessing annual business performance and determining the subsequent payout of deferred bonuses over a three-year period. This ensures that rewards are linked to true economic profit contributions rather than GAAP accounting results. In addition, other quantitative and qualitative evaluation factors are taken into account.

Overall Long-term Incentive pools

Unlike API, the LTI is a forward-looking award. Its purpose is to build a long-term stake in the success of the Group for top executives. The size of the LTI pool is not correlated to the Group's financial performance in the prior year.

The Compensation Committee will propose to the Board of Directors a total LTI award pool including the proposed award to the CEO and the total allocation to the Executive Committee.

Aggregate variable compensation expense

The Compensation Committee takes its decisions to award variable compensation on an economic value basis at the time of grant. In the financial statements the recognition of deferred compensation follows the accrual principles as defined under GAAP. Compensation cost accrued under US GAAP for LTI plans is based on three-year average return on equity (RoE) and earnings per share (EPS) compound growth as set out in the Group's three-year plan. These assumptions might change according to Group plan's review over the vesting period of the awards. The financial statements reflect the aggregate value of variable compensation for the year under review as follows:

CHF million	Economic value at grant	Accrued economic value	Fair value mark-up for 2009	**Total US GAAP expense**
LTI 2009	41	12	32	**44**
VAI 2009	67	17	2	**19**
Cash API 2009	365	365		**365**
LTI 2006 – 2008[1]	n.a.			**0**
VAI 2007 – 2008[1]	n.a.	37	2	**39**
Cash API 2008[1]	n.a.		-68[2]	**–68**
Total	**473**	**431**	**–32**	**399**

[1] Plans were granted in prior years
[2] Reversal of overaccrual in prior year

The entire Long-term Incentive awarded during 2009 remains at risk and will only result in a payment if the performance criteria are sustained over a three-year period. Furthermore, the Value Alignment Incentive award remains subject to a potential claw-back depending on the multi-year performance of Swiss Re. These amounts cover the variable compensation for all 10 552 employees of the Group as of 31 December 2009.

Compensation decisions by the Compensation Committee

Executive Committee compensation

The CEO and the other members of the Executive Committee are remunerated under the same arrangements and guiding principles as all other Swiss Re employees. The CEO and the other members of the Executive Committee are paid a fixed base salary and are eligible to receive a variable API award. They also participate in the LTI.

The Compensation Committee assesses the performance of the CEO and the Executive Committee members against a set of quantitative and qualitative objectives. The main financial performance indicators are based on the Group's net income, economic profit, RoE and EPS. The qualitative criteria are a set of leadership, compliance, and client relationship objectives in areas vital to the overall success of the Group. These objectives are agreed at the beginning of the year and aligned with the financial plan of the Group.

In accordance with its governance framework, the Compensation Committee submits its proposal for the CEO's compensation to the Board of Directors for approval, along with the aggregate sum of API and LTI awards proposed for the remainder of the Executive Committee.

Our external advisor, Mercer, conducts an annual review of the total compensation for the Executive Committee relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. This peer group consists of firms such as Ace, Aegon, Allianz, Allstate, Aviva, Axa, ING Group, Met Life, Munich Re, Partner Re, Prudential, QBE, Scor, and Zurich Financial Services.

The CEO and the other Executive Committee members have standard employment contracts without severance payment agreements. There are no specific "change in control" or retention agreements in place with members of the Executive Committee, aside from those provisions applicable to all Swiss Re employees. Executives are covered by the standard defined-contribution pension plan of the Company in Switzerland. The Swiss legal cap of CHF 820 800 on insurable salaries applies; no additional provisions have been made.

The API awards to all Executive Committee members totalled CHF 23.4 million for 2009, compared to CHF 12.3 million in 2008. As we explained in the previous section, a material part of the API is deferred for three years as VAI; the remainder of the API can be taken either in cash or in incentive shares. The following table covers payments to 9 members, including the CEO, compared to nine members in 2008. This also takes changes in the composition of the Executive Committee into account.

Compensation for members of the Executive Committee

(Extract from Note 6 to the Financial statements of Swiss Reinsurance Company Ltd)

CHF thousands	2008	**2009**
Base salary and allowances	8 417	8 822
Cash variable pay for performance	5 625	11 525
Total cash	14 042	**20 347**
Value Alignment Incentive (VAI)[1]	4 219	11 844
Shares	2 500	
Long-term Incentive plan grant (LTI)	17 500	16 501
Subtotal	38 261	**48 692**
Compensation due to member leaving		1 378
Contractual commitments due to new members	9 124	
Funding of pension benefits	1 084	2 582
Total	48 469	**52 652**

[1] Includes 25% mark-up on nominal value, which will be paid out at vesting after three years.

Stefan Lippe
Chief Executive Officer
since February 2009

Compensation for the highest paid member
(Extract from Note 6 to the Financial Statements of Swiss Reinsurance Company Ltd)

CHF thousands	2008[1]	**2009**
Base salary and allowances	1 334	1 720
Cash variable pay for performance	825	2 500
Total cash	2 159	**4 220**
Value Alignment Incentive (VAI)[2]	844	3 125
Long-term Incentive plan grant (LTI)	2 500	5 000
Subtotal	5 503	**12 345**
Funding of pension benefits		252
Total	5 503	**12 597**

[1] Amounts shown for 2008 reflect the remuneration paid to Stefan Lippe in his role as Chief Operating Officer.
[2] Includes 25% mark-up on nominal value, which will be paid out at vesting after three years.

Amounts reported under VAI reflect the awards granted in the current year plus an additional mark-up element of 25% which assists with retention and compensates for time value of money.

Amounts reported under Shares relate to incentive shares and restricted stock units granted. Like all Swiss Re employees, the CEO and Executive Committee members may receive a combination of cash and incentive shares as part of their API; the shares granted are subject to a one-year blocking period.

The LTI figures represent the grant value as of the award date. LTI grants made in 2009 may lead to a payment in March 2012 subject to the company's reported financial performance from 2009 to 2011.

Contractual commitments due to new members represent long-term incentives granted to new employees, replacing agreements with their former employers that were forgone when they joined Swiss Re.

The members of the Executive Committee participate in a defined-contribution pension scheme. The funding of pension benefits shown in the table above reflects the actual employer contributions.

Shares held by members of the Executive Committee

The following table reflects total current Swiss Re share ownership by members of the Executive Committee as of 31 December:

	2009
Stefan Lippe, Chief Executive Officer[1]	66 121
David J. Blumer, Chief Investment Officer	27 000
Agostino Galvagni, Chief Operating Officer[2]	10 735
Brian Gray, Chief Underwriting Officer	15 912
Michel M. Liès, Chief Marketing Officer	62 931
George Quinn, Chief Financial Officer	19 703
Total	**202 402**

[1] Appointed Chief Executive Officer on 12 February 2009.
[2] Appointed to the Executive Committee on 1 May 2009.

Compensation decisions by the Compensation Committee

Unvested restricted shares held by members of the Executive Committee

Swiss Re does not grant employee stock options or restricted stock units (RSUs) on a regular basis, but reserves the right to provide ad hoc grants based on events such as exceptional business cycles, significant acquisitions or the replacement of forfeited equity for new executive hires.

	As of 31 December 2009	
Grant year	2008	2009
Weighted average share price in CHF as of grant date	**86.24**	**16.74**
David J. Blumer, Chief Investment Officer	54 000	149 342
Raj Singh, Chief Risk Officer	4 000	
Total	**58 000**	**149 342**

Vested options held by members of the Executive Committee

The following table reflects total vested option ownership by members of the Executive Committee as of 31 December:

	2009
Weighted average strike price in CHF as of grant date	**110.44**
Stefan Lippe, Chief Executive Officer	99 000
Brian Gray, Chief Underwriting Officer	18 200
Michel M. Liès, Chief Marketing Officer	128 000
George Quinn, Chief Financial Officer	46 600
Total	**291 800**

Long-term Incentive units held by members of the Executive Committee

The following table reflects total outstanding Long-term Incentive units held by members of the Executive Committee as of 31 December:

	2009
Stefan Lippe, Chief Executive Officer	351 650
David J. Blumer, Chief Investment Officer	179 100
Agostino Galvagni, Chief Operating Officer	80 950
Brian Gray, Chief Underwriting Officer	170 550
Michel M. Liès, Chief Marketing Officer	202 300
George Quinn, Chief Financial Officer	152 600
Raj Singh, Chief Risk Officer	71 650
Total	**1 208 800**

Loans to members of the Executive Committee

All credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are the same as those available to all employees of the Swiss Re Group in their particular locations. Fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five-year Swiss franc swap rate plus a margin of 10 basis points.

Adjustable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. To the extent that fixed or adjustable interest rates are preferential, such values have been factored into the compensation sums given to the governing body members.

CHF thousands	**2009**
Total mortgages and loans to members of the Executive Committee	6 699
Highest mortgages and loans to an individual member of the Executive Committee: Raj Singh, Chief Risk Officer	3 647
Total mortgages and loans not at market conditions to former members of the Executive Committee	7 354

Compensation for former members of the Executive Committee

In 2009 no compensation was paid to former members of the Executive Committee.

Compensation for members of the Board of Directors

This section describes the compensation arrangements for the Board of Directors. As with all Swiss Re compensation arrangements, the objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are motivated to perform, to their best ability, a critical role in the strategic management of the company. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the Executive Committee.

The fees for the members of the Board of Directors reflect differing levels of responsibility and engagement in the various Board Committees. Unlike the annual performance incentive for the Executive Committee (explained in the previous section), which is determined in arrears based on the results of the performance year, fees are determined in advance at the start of the financial year. The fee level is reviewed bi-annually to ensure that it remains appropriate.

Aggregate compensation for the members of the Board of Directors

The aggregate compensation for members of the Board of Directors was:

CHF thousands	2008	**2009**
Fees and allowances in cash	5 772	4 922
Fees in blocked shares	4 561	1 880
Performance shares[1]		4 000
Funding of pension benefits	167	57
Total	10 500	**10 859**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

Compensation for the Chairman and Vice Chairman

The Chairman and the Vice Chairman receive half of their overall fee in the form of a three-year performance share plan which is measured against total shareholder return (TSR). For 2009, these performance shares were granted at a reference price of CHF 36.00 the market price at the time the Board approved the award.

Fees are set at the beginning of each year and as such are not directly correlated with the performance of the company.

Compensation decisions by the Compensation Committee

Walter B. Kielholz
Chairman since May 2009

CHF thousands	2008	2009
Fees and allowances in cash	1 302	1 279
Total cash	1 302	**1 279**
Fees in blocked shares	1 244	
Performance shares[1]		2 500
Subtotal	2 546	**3 779**
Funding of pension benefits	167	57
Total	2 713	**3 836**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

In recognition of the difficulties faced by the company in the financial year 2008, Walter B. Kielholz elected to reduce his 2009 fee by 50% of his compensation for 2008.

As of April 2009, Walter B. Kielholz ceased to accrue benefits under the company's pension plan.

Mathis Cabiallavetta
Vice-Chairman since March 2009

CHF thousands	2008	2009
Fees and allowances in cash	200	1 401
Total cash	200	**1 401**
Fees in blocked shares	133	
Performance shares[1]		1 500
Total	333	**2 901**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

Compensation for the remaining members of the Board of Directors

The remaining members of the Board of Directors receive a mandatory 40% of their fee in Swiss Re shares, with a four-year deferral period.

The individual compensation for the remaining members of the Board of Directors for 2009 was:

Compensation for the remaining members of the Board of Directors

CHF thousands	Total 2008	Fees and allowances in cash	Fees in shares	Total 2009
Jakob Baer, Chairman of the Audit Committee	800	480	320	800
Raymund Breu, Member	325		365	365
Raymond K. F. Ch'ien, Member	228	219	146	365
John R. Coomber, Chairman of the Finance and Risk Committee	655	419	276	695
Rajna Gibson Brandon, Member	325	207	138	345
Hans Ulrich Maerki, Member	325		325	325
Robert A. Scott, Chairman of the Compensation Committee	425	291	194	485
Thomas W. Bechtler, Former member[1]	325	38	26	64
Peter Forstmoser, Former Chairman[2]	3 300	550		550
Bénédict G. F. Hentsch, Former member[1]	325		64	64
John F. Smith, Jr., Former member[3]	96			
Kaspar Villiger, Former member[4]	325	38	26	64
Total	7 454	**2 242**	**1 880**	**4 122**

[1] Term of office expired as of 13 March 2009 and did not stand for re-election.
[2] Resigned from the Board of Directors as of 1 May 2009. Amounts include 50% of 2009 fee foregone.
[3] Retired from the Board of Directors at the Annual General Meeting of 18 April 2008.
[4] Resigned from the Board of Directors as of 13 March 2009.

Shares held by members of the Board of Directors

The numbers of shares held by members of the Board of Directors as of 31 December were:

	2009
Walter B. Kielholz, Chairman	155301
Mathis Cabiallavetta, Vice Chairman	1961
Jakob Baer, Chairman of the Audit Committee	23030
Raymund Breu, Member	26214
Raymond K. F. Ch'ien, Member	5144
John R. Coomber, Chairman of the Finance and Risk Committee	124302
Rajna Gibson Brandon, Member	16821
Hans Ulrich Maerki, Member	16789
Robert A. Scott, Chairman of the Compensation Committee	16663
Total	**386225**

Performance shares held by members of the Board of Directors

The numbers of performance shares held by members of the Board of Directors as of 31 December were:

	2009
Walter B. Kielholz, Chairman	69444
Mathis Cabiallavetta, Vice Chairman	41667
Total	**111111**

Vested options held by members of the Board of Directors

The vested options held by members of the Board of Directors as of 31 December were:

	2009
Weighted average strike price in CHF as of grant date	**120.36**
Walter B. Kielholz, Chairman	220000
John R. Coomber, Chairman of the Finance and Risk Committee	314000
Total	**534000**

As of 31 December 2009, the range of expiry years for vested options held by members of governing bodies was 2009 to 2014.

Loans to members of the Board of Directors

The mortgage is secured against real estate and its terms and conditions are the same as those available to all of Swiss Re employees in Switzerland. It carries a fixed rate and has a maturity of five years. The interest rate corresponds to the five-year Swiss franc swap rate plus a margin of 10 basis points at the time of fixing.

CHF thousands	2009
Walter B. Kielholz, Chairman	2000

Performance of multi-year compensation plans

Long-term Incentive

For each LTI plan year, final payment, if any, occurs at the end of the respective three-year performance measurement period. The plan includes a payout factor which can vary between 0 and 2, driven by average RoE and EPS growth over the vesting period. The final payment in respect of each plan year will depend on whether performance targets, expressed by average RoE and EPS growth, have been achieved over the plan period and the share price at conclusion. The 2009 LTI plan will be settled in Swiss Re shares.

Status of LTI awards

LTI plan year	Period elapsed as of 31 December 2009	Likelihood of payment
2006	entire 3 years	expired without value
2007	2 years 10 months	nil
2008	1 year 10 months	minimal
2009	10 months	intact

The original LTI grant from 2006 expired in March 2009 and resulted in nil value as LTI plan performance targets had not been achieved. Similarly, the LTI awarded in 2007 will expire in 2010 without payment. The likelihood is only small that the 2008 LTI plan might result in a payment based on the performance triggers in place for this plan year which were also set prior to the financial markets crisis. This historic LTI performance reflects the direct alignment of the award with shareholder interests and company performance.

Value Alignment Incentive

The VAI award is adjusted at the end of the three-year performance period. In cases where performance of the underlying business during this period is lower than expected, a reduction in VAI will apply; conversely, where performance is higher than expected, a premium will apply. The adjustment can range between 50% and 150% of the original award. The final VAI payment may also contain an additional mark-up element to assist with retention and compensate for time value of money.

Performance shares

The final number of shares to be released after three years can vary between 0% and 150% of the original award, depending on Swiss Re's relative TSR ranking against a peer group. Performance on this measure must exceed the median to vest at 100% of the original award.

The peer group, selected in consultation with Mercer, the Compensation Committee's external advisor, comprises Ace, Allianz, Allstate, Aviva, Axa, Credit Suisse, Generali, Hannover Re, ING, MetLife, Munich Re, Prudential Financial, UBS, and Zurich Financial Services.

Options

Swiss Re granted options to Senior Management between the years 2000 and 2006. The remaining vested options will expire between 2010 and 2015, and have an average exercise price of CHF 110.44 (within a range between CHF 67.65 and CHF 186.00).

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Financial statements

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Income statement

For the years ended 31 December

CHF millions	Note	2008	2009
Revenues			
Premiums earned	8, 16	25 501	**24 606**
Fee income from policyholders	8, 16	808	**916**
Net investment income	2, 16	7 881	**6 935**
Net realised investment gains/losses			
(total impairments for year ended 31 December 2009: 3 846 of which 2 015 recognised in earnings)	2, 16	–9 482	**733**
Other revenues	16	270	**193**
Total revenues		24 978	**33 383**
Expenses			
Claims and claim adjustment expenses	8, 16	–10 007	**–9 083**
Life and health benefits	8, 16	–9 065	**–9 348**
Return credited to policyholders	16	2 822	**–4 823**
Acquisition costs	8, 16	–5 366	**–4 883**
Other expenses	16	–3 211	**–3 198**
Interest expenses	16	–1 501	**–1 094**
Total expenses		–26 328	**–32 429**
Income/loss before income tax expense		–1 350	**954**
Income tax expense/benefit	11	486	**–231**
Net income/loss		–864	**723**
Interest on convertible perpetual capital instrument			**–217**
Net income/loss attributable to common shareholders		–864	**506**
Earnings per share in CHF			
Basic	10	–2.61	**1.49**
Diluted	10	–2.61	**1.48**

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

Balance sheet

As of 31 December

Assets

CHF millions	Note	2008	2009
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (incl. 8 188 in 2008 and 9 315 in 2009 subject to securities lending and repurchase agreements) (amortised cost: 2008: 106 216; 2009: 92 034)		103 438	**90 124**
Trading (including 33 in 2008 and 536 in 2009 subject to securities lending and repurchase agreements)		13 961	**11 952**
Equity securities:			
Available-for-sale, at fair value (including 9 in 2008 and 0 in 2009 subject to securities lending and repurchase agreements) (cost: 2008: 675; 2009: 406)		833	**573**
Trading		15 355	**20 252**
Policy loans, mortgages and other loans		6 611	**5 795**
Investment real estate		2 143	**2 122**
Short-term investments, at amortised cost which approximates fair value (including 0 in 2008 and 696 in 2009 subject to securities lending and repurchase agreements)		5 802	**10 487**
Other invested assets		15 822	**15 144**
Total investments		163 965	**156 449**
Cash and cash equivalents (including 2 477 in 2008 and 4 460 in 2009 subject to securities lending)		17 268	**28 749**
Accrued investment income		1 449	**1 618**
Premiums and other receivables		12 446	**12 170**
Reinsurance recoverable on unpaid claims and policy benefits	8	11 934	**11 631**
Funds held by ceding companies		11 230	**9 929**
Deferred acquisition costs	5, 8	4 311	**4 025**
Acquired present value of future profits	5	6 139	**6 259**
Goodwill		4 265	**4 274**
Income taxes recoverable		757	**621**
Other assets		6 113	**4 879**
Total assets		239 877	**240 604**

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

Liabilities and shareholders' equity

CHF millions	Note	2008	2009
Liabilities			
Unpaid claims and claim adjustment expenses	7	75 510	**70 721**
Liabilities for life and health policy benefits	3, 8	39 911	**41 292**
Policyholder account balances	8	34 518	**37 931**
Unearned premiums		7 802	**6 748**
Funds held under reinsurance treaties		5 872	**4 165**
Reinsurance balances payable		5 493	**4 916**
Income taxes payable		769	**629**
Deferred and other non-current taxes		1 329	**959**
Short-term debt	6	8 862	**8 378**
Accrued expenses and other liabilities		21 245	**18 833**
Long-term debt	6	18 113	**19 831**
Total liabilities		219 424	**214 403**
Shareholders' equity			
Convertible perpetual capital instrument			**3 000**
Common stock, CHF 0.10 par value			
2008: 363 516 036; 2009: 370 701 168 shares authorised and issued		36	**37**
Additional paid-in capital		10 776	**11 156**
Treasury shares, net of tax		–1 640	**–1 574**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–2 407	**–1 437**
Cumulative translation adjustments, net of tax		–4 854	**–4 599**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–529	**–469**
Total accumulated other comprehensive income		–7 790	**–6 505**
Retained earnings		19 071	**20 087**
Total shareholders' equity		20 453	**26 201**
Total liabilities and shareholders' equity		239 877	**240 604**

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

Statement of shareholders' equity

For the years ended 31 December

CHF millions	2008	2009
Convertible perpetual capital instrument		
Balance as of 1 January	0	**0**
Issued		**3000**
Balance as of period end	0	**3000**
Common shares		
Balance as of 1 January	37	**36**
Issue of common shares	1	**1**
Cancellation of shares bought back	–2	
Balance as of period end	36	**37**
Additional paid-in capital		
Balance as of 1 January	11208	**10776**
Issue of common shares[1]	992	**338**
Cancellation of shares bought back	–1453	
Convertible perpetual capital instrument issuance costs		**–10**
Share-based compensation	78	**–11**
Realised gains/losses on treasury shares	–49	**63**
Balance as of period end	10776	**11156**
Treasury shares, net of tax		
Balance as of 1 January	–1540	**–1640**
Cumulative effect of adoption of EITF 07-5[2]		**64**
Purchase of treasury shares	–2032	**–59**
Cancellation of shares bought back	1453	
Sales of treasury shares	479	**61**
Balance as of period end	–1640	**–1574**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	3119	**–2407**
Cumulative effect of adoption of FSP SFAS 115-2[3]		**–280**
Other-than-temporary impairment, non-credit related[4]		**–136**
Cumulative effect of adoption of SFAS 159	–33	
Other changes during the period	–5493	**1386**
Balance as of period end	–2407	**–1437**
Foreign currency translation, net of tax		
Balance as of 1 January	–2554	**–4854**
Other changes during the period	–2300	**255**
Balance as of period end	–4854	**–4599**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–115	**–529**
Change during the period	–414	**60**
Balance as of period end	–529	**–469**
Retained earnings		
Balance as of 1 January	21712	**19071**
Net income/loss	–864	**723**
Interest on convertible perpetual capital instrument		**–217**
Dividends on common shares	–1331	**–34**
Cumulative effect of adoption of FSP SFAS 115-2[3]		**355**
Cumulative effect of adoption of EITF 07-5[2]		**189**
Cumulative effect of adoption of SFAS 158	–31	
Cumulative effect of adoption of SFAS 159	–7	
Deferred income tax on cross-border business transfer[5]	–408	
Balance as of period end	19071	**20087**
Total shareholders' equity	20453	**26201**

[1] These balances represent the premium from the conversion of mandatory convertible bonds that matured in December 2008 and June 2009, respectively.
[2] The Group adopted a new accounting pronouncement, EITF 07-5, as of 1 January 2009, which resulted in a change in accounting principle for some types of instruments and embedded features linked to Swiss Re's own shares. The cumulative impact upon adoption resulted in a net increase in retained earnings of CHF 189 million, a decrease in treasury shares of CHF 64 million, an increase in other invested assets of CHF 303 million and a tax income of CHF 50 million.
[3] Retained earnings as of 31 December 2008 were increased by CHF 75 million to reflect the release of a valuation allowance against deferred tax assets associated with investment impairment losses.
[4] Refer to note 2 for further details on the presentation of non-credit related other-than-temporary impairment.
[5] The novation of certain treaties from Swiss Re's Bermuda branches to Swiss Re Zurich resulted in a net deferred tax liability transfer to Swiss Re Zurich. The respective increase in deferred tax liability is due to different jurisdictional tax rates. The transfer of the net deferred tax liability does not impact the Group's net income or effective tax rate.

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

Statement of comprehensive income

For the years ended 31 December

CHF millions	2008	**2009**
Net income/loss attributable to common shareholders	–864	**506**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: – 963 in 2008 and – 4 in 2009)	–5 526	**970**
Change in foreign currency translation (tax: – 238 in 2008 and 80 in 2009)	–2 300	**255**
Change in adjustment for pension benefits (tax: – 123 in 2008 and 13 in 2009)	–414	**60**
Comprehensive income	–9 104	**1 791**

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

Statement of cash flow

For the years ended 31 December

CHF millions	2008	2009
Cash flows from operating activities		
Net income/loss attributable to common shareholders	–864	**506**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	871	**21**
Net realised investment gains/losses	9 482	**–733**
Change in:		
Technical provisions, net	–11 687	**–3 727**
Funds held by ceding companies and other reinsurance balances	1 941	**–642**
Reinsurance recoverable on unpaid claims and policy benefits	1 250	**–391**
Other assets and liabilities, net	–3 407	**–81**
Income taxes payable/recoverable	–1 213	**–607**
Income from equity-accounted investees, net of dividends received	1 031	**–174**
Trading positions, net	4 721	**254**
Securities purchased/sold under agreement to resell/repurchase, net	–8 214	**–2 592**
Net cash provided/used by operating activities	–6 089	**–8 166**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	89 219	**194 127**
Purchases	–81 530	**–176 004**
Net purchase/sale/maturities of short-term investments	4 020	**–4 511**
Equity securities:		
Sales	9 137	**580**
Purchases	–1 440	**–116**
Cash paid/received for acquisitions/disposals of reinsurance transactions, net	170	**103**
Net purchases/sales/maturities of other investments	–757	**1 367**
Net cash provided/used by investing activities	18 819	**15 546**
Cash flows from financing activities		
Issuance/repayment of long-term debt	1 327	**3 440**
Issuance/repayment of short-term debt	–5 354	**–1 383**
Equity issued	1	**1**
Proceeds from the issuance of convertible perpetual capital instrument, net of issuance cost		**2 990**
Purchase/sale of treasury shares	–1 553	**2**
Interest on convertible perpetual capital instrument		**–241**
Dividends paid to shareholders	–1 331	**–34**
Net cash provided/used by financing activities	–6 910	**4 775**
Total net cash provided/used	5 820	**12 155**
Effect of foreign currency translation	–83	**–674**
Change in cash and cash equivalents	5 737	**11 481**
Cash and cash equivalents as of 1 January	11 531	**17 268**
Cash and cash equivalents as of 31 December	17 268	**28 749**

Interest paid during 2009 was CHF 1 072 million. A mandatory convertible bond with a book value of CHF 610 million matured in 2009 and was settled in equity. The impact on cash flow upon conversion was nil.

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 Reinsurance Company Ltd (the parent company, referred to as "Swiss Re Zurich") and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Group provides reinsurance and other related products and services to insurance companies, direct clients and others worldwide through reinsurance brokers and a network of offices in over 20 countries.

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. The Group's financial statements are stated in Swiss francs (CHF), the currency of the country in which Swiss Re Zurich is incorporated. All significant inter-company transactions and balances have been eliminated on consolidation.

Principles of consolidation

The Group's financial statements include the consolidated financial statements of Swiss Re Zurich and its subsidiaries. Entities which Swiss Re Zurich directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. The Group also consolidates variable interest entities where Swiss Re is the primary beneficiary. Companies which Swiss Re Zurich does not control, but over which Swiss Re Zurich directly or indirectly exercises significant influence, are accounted for using the equity method 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 remeasurements and translation

Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average quarterly 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 Swiss francs are translated from the functional currency to Swiss francs 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-backed 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 certain financial instruments. In determining the fair value of the 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 for derivative instruments and other over-the-counter financial assets 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.

There can also be differences between the market values implied by collateral requested by counterparties and the prices observed in the markets. The Group has provided collateral on all financial instruments in excess of the market value estimate of CHF 43 million.
For these assets or derivative structures, 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. Whilst management considers that appropriate values have been ascribed to such assets, current market conditions increase the 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.

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 original 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 being recognised in earnings.

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.

For debt securities AFS which are other-than-temporary impaired and where 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 recorded on the basis of 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 (effective yield method), net of any allowance for the estimated uncollectible amounts.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-down for impairment in value. 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 carried at amortised cost, which approximates fair value. 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 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. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings.

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 stand-alone.

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 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 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

Acquisition costs, which vary with, and are primarily related to, the production of new insurance and reinsurance business, are deferred to the extent they are deemed recoverable from future gross profits. Deferred acquisition costs consist principally of commissions. 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-type contracts are amortised based on the present value of estimated gross profits.

Business combinations

The Group applies the purchase 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 form of 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 liabilities and assets acquired are subsequently accounted for according to the relevant GAAP guidance, including specific guidance applicable to subsequent accounting for assets and liabilities recognised as part of the purchase method of accounting, including present value of future profit, 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 operations. 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 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.

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, separate account assets, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, 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.

Separate account assets are carried at fair value. The investment performance (including interest, dividends, realised gains and losses and changes in unrealised gains and losses) of separate account assets and the corresponding amounts credited to the contract holder are offset to zero in the same line item in earnings.

Real estate for own use, property, plant and equipment are carried at depreciated cost.

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.

Deferred 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.

Unpaid claims and claim adjustment expenses

Liabilities for unpaid claims and claim adjustment expenses for property and casualty 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 purchase method of accounting.

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 assumptions for life and health reinsurance benefits liabilities range from 1% to 12%. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience. Liabilities for policy benefits are increased if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses.

The liability for accident and health policy benefits consists of active life reserves and the estimated present value of the remaining ultimate net costs of incurred claims. The active life reserves include unearned premiums and additional reserves. The additional reserves are computed on the net level premium method using assumptions for future investment yield, mortality and morbidity experience. The assumptions are based on projections of past experience and include provisions for possible adverse deviation.

Policyholder account balances

Policyholder account balances relate to universal life-type contracts and investment contracts. Interest crediting rates for policyholder account balances range from 3% to 9%.

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.

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.

Funds held assets and liabilities

Funds held assets and liabilities include amounts retained by the ceding company or the Group for business written on a funds withheld basis, and amounts arising from the application of the deposit method of accounting 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.

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.

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 collectibility of the outstanding balances.

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

The Group has a long-term incentive plan, a fixed option plan, a restricted share plan, and an employee participation plan. These plans are described in more detail in Note 13. 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 are 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 12 March 2010. This is the date on which the financial statements were issued.

Recent accounting guidance

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification (ASC) as the single source of authoritative non-governmental US GAAP effective from 1 July 2009. The Codification is not intended to change US GAAP, but it will change the manner in which authoritative accounting guidance is organised, presented and referenced. These financial statements have been updated accordingly. However, certain references to recently adopted standards have not been changed as equivalent references do not exist under the Codification.

In February 2008, the FASB issued an accounting standard (FASB Staff Position (FSP) No. FAS 140-3) that provides guidance on accounting for a transfer of a financial asset and a repurchase financing that was entered in to contemporaneously with or in contemplation of the initial transfer. The Group adopted the new standard as of 1 January 2009 for new transactions entered into from that date forward.

In March 2008, the FASB issued an updated accounting standard (SFAS No. 161) that requires enhanced disclosures about an entity's derivative and hedging activities. The Group adopted the new standard as of 1 January 2009. The new disclosure requirements are reflected in Note 4.

In May 2008, the FASB issued a new standard (SFAS No. 163) regarding accounting for financial guarantee insurance contracts. As required by the standard, the Group adopted as of 30 September 2008 disclosure requirements about risk management practices and exposures that have experienced credit deterioration. The remaining requirements regarding measurement and disclosures for financial guarantee insurance contracts became effective for the Group as of 1 January 2009. Refer to Note 9 for further information.

In June 2008, the FASB issued an accounting standard (EITF Issue No. 07-5) that addresses how to determine whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock and therefore may not be accounted for as a derivative instrument. The Group adopted the new standard as of 1 January 2009. The cumulative effect upon adoption is recorded in opening retained earnings and treasury stock and is presented in the statement of shareholders' equity.

On 9 April 2009, the FASB issued an accounting standard (FSP FAS 115-2 and FAS 124-2) that requires a company to recognise the credit component of an other-than-temporary impairment of a fixed maturity security in earnings and the non-credit component in accumulated other comprehensive income when a company does not intend to sell the security or it is more likely than not that the company will not be required to sell the security prior to recovery. The standard also changed the threshold for determining when an other-than-temporary impairment has occurred on a fixed maturity security with respect to intent and ability to hold until recovery. The standard requires additional related disclosures in interim and annual reporting periods. The Group chose to adopt the new standard early with effect as of 1 January 2009. The cumulative effects upon adoption are recorded in opening net unrealised gains/losses and retained earnings and are presented in the statement of shareholders' equity. The new disclosure requirements are reflected in the income statement and in Note 2.

On 9 April 2009, the FASB issued an accounting standard (FSP FAS 157-4) that provides additional guidance for estimating fair value of assets and liabilities when the volume and level of activity for the asset or liability have significantly decreased. The early adoption of the new standard as of 1 January 2009 did not have a material impact on the Group's financial statements. The new disclosure requirements are reflected in Note 3.

Also on 9 April 2009, the FASB issued an accounting standard (FSP FAS 107-1 and APB 28-1) that requires disclosures about the fair value of financial instruments for all interim reporting periods. The Group adopted the new standard as of the second quarter of 2009. Fair values of financial instruments are disclosed in Note 2, 3 and 6.

In May 2009, the FASB issued an updated accounting standard (SFAS No. 165) that establishes principles and requirements for recognition and disclosure of subsequent events. The Group adopted the new standard as of the second quarter of 2009.

In August 2009, the FASB issued a new accounting standard (ASU No. 2009-5 "Measuring Liabilities at Fair Value" an update to Topic 820 – Fair Value Measurements and Disclosures) that provides additional guidance on how the fair value of liabilities should be determined and how the fair value levels should be applied. Swiss Re adopted this new standard as of the fourth quarter of 2009. The adoption did not have a material impact on the Group's financial statements.

In September 2009, the FASB issued a new standard (ASU No. 2009-12 "Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)" an update to Topic 820 – Fair Value Measurements and Disclosures) regarding the fair value measurements and disclosures for investments in certain entities that calculate net asset value per share (or its equivalent). The Group adopted the new standard as of the fourth quarter of 2009 and it did not have a material impact on the Group's financial statements. The related disclosures are included in Note 3.

2 Investments

Investment income

Net investment income by source (including unit-linked and with-profit business) was as follows:

CHF millions	2008	2009
Fixed income securities	6 788	5 518
Equity securities	767	543
Policy loans, mortgages and other loans	541	449
Investment real estate	232	200
Short-term investments	275	45
Other current investments	409	100
Share in earnings of equity-accounted investees	–944	228
Cash and cash equivalents	332	85
Deposits with ceding companies	595	676
Gross investment income	8 995	**7 844**
Investment expenses	–732	–619
Interest charged for funds held	–382	–290
Net investment income	7 881	**6 935**

Dividends received from investments accounted for using the equity method were CHF 87 million and CHF 54 million for 2008 and 2009, respectively.

Net investment income includes income on unit-linked and with-profit business, which is credited to policyholders.

CHF millions	2008	2009
Unit-linked investment income	767	601
With-profit investment income	249	166

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (including unit-linked and with-profit business) were as follows:

CHF millions	2008	2009
Fixed income securities available-for-sale:		
Gross realised gains	1 416	3 997
Gross realised losses	–2 443	–1 945
Equity securities available-for-sale:		
Gross realised gains	927	210
Gross realised losses	–1 250	–34
Other-than-temporary impairments	–2 868	–2 015
Net realised investment gains/losses on trading securities	–2 689	–56
Change in net unrealised investment gains/losses on trading securities	–5 712	4 667
Other investments:		
Gross realised/unrealised gains/losses	1 799	–2 775
Foreign exchange gains/losses	1 338	–1 316
Net realised investment gains/losses	–9 482	**733**

Proceeds from the sale of fixed income securities available-for-sale amounted to CHF 77 491 million and CHF 182 235 million for 2008 and 2009, respectively. Sale of equity securities available-for-sale were CHF 8 916 million and CHF 578 million for 2008 and 2009, respectively.

Net realised investment gains/losses include income on unit-linked and with-profit business, which is credited to policyholders.

CHF millions	2008	**2009**
Unit-linked realised gains/losses	–4 052	3 457
With-profit realised gains/losses	–741	297

Impairment on fixed income securities relating to credit losses

The approach for measurement and recognition of other-than-temporary impairments changed in the first quarter of 2009 as a result of the Group's election for early adoption of recognition and presentation of the corresponding standard. Under the new accounting guidance, 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 Group has implemented new methodologies to measure the credit component of other-than-temporary impairments, defined as the difference between a security's amortised cost basis and expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers which management believes are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted 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 similar hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecast 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 net present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of the other-than-temporary impairment related to credit losses recognised in earnings during 2009 was as follows:

CHF millions	**2009**
Balance as of 1 January 2009	586
Credit losses for which an other-than-temporary impairment was not previously recognised	1 070
Reductions for securities sold during the period	–574
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	453
Impact of increase in cash flows expected to be collected	–19
Impact of foreign exchange movements	–59
Balance as of 31 December 2009	**1 457**

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 were as follows:

2008 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	22 545	2 962	–339	25 168
States of the United States and political subdivisions of the states	45		–4	41
United Kingdom	10 302	488	–278	10 512
Canada	3 620	478	–180	3 918
Germany	1 193	92	–16	1 269
France	1 302	93	–14	1 381
Other	8 060	391	–269	8 182
Total	47 067	4 504	–1 100	50 471
Corporate debt securities	24 781	411	–2 535	22 657
Mortgage-backed and asset-backed securities	34 368	319	–4 377	30 310
Fixed income securities available-for-sale	106 216	5 234	–8 012	103 438
Equity securities available-for-sale	675	184	–26	833

2009 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairment 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	26 827	272	–964		26 135
States of the United States and political subdivisions of the states	59	2	–4		57
United Kingdom	12 233	286	–492		12 027
Canada	2 377	240	–73		2 544
Germany	3 009	23	–21		3 011
France	2 285	25	–13		2 297
Other	6 108	216	–141		6 183
Total	52 898	1 064	–1 708		52 254
Corporate debt securities	18 006	1 145	–395	–25	18 731
Residential mortgage-backed securities	5 869	119	–737	–371	4 880
Commercial mortgage-backed securities	6 493	50	–900	–123	5 520
Agency securitised products	4 338	167	–7	–8	4 490
Other asset-backed securities	4 430	110	–196	–95	4 249
Fixed income securities available-for-sale	**92 034**	**2 655**	**–3 943**	**–622**	**90 124**
Equity securities available-for-sale	**406**	**194**	**–27**		**573**

Other-than-temporary impairments recognised in other comprehensive income column only include securities with a credit related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income are presented in the other-than-temporary impairments column.

Investments trading

Fixed income securities and equity securities classified as trading as of 31 December were as follows:

CHF millions	2008	**2009**
Debt securities issued by governments and government agencies	9 026	7 930
Corporate debt securities	3 429	2 324
Mortgage-backed and asset-backed securities	1 506	1 698
Fixed income securities trading	13 961	**11 952**
Equity securities trading	15 355	**20 252**

Fixed income securities and equity securities classified as trading as of 31 December include securities held for unit-linked and with-profit business:

CHF millions	2008	**2009**
Fixed income securities trading held for unit-linked business	2 230	2 460
Fixed income securities trading held for with-profit business	1 597	1 674
Fixed income securities trading	3 827	**4 134**
Equity securities trading held for unit-linked business	13 229	17 918
Equity securities trading held for with-profit business	1 005	1 243
Equity securities trading	14 234	**19 161**

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 2008 and 2009, CHF 22 730 million and CHF 18 794 million, respectively, of fixed income securities available-for-sale were callable. The Group revised the 2008 presentation of callable fixed income securities available-for-sale in the previous period to conform with the 2009 presentation.

		2008		**2009**
CHF millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	6 369	6 384	4 492	4 499
Due after one year through five years	15 468	15 095	19 798	19 931
Due after five years through ten years	17 931	17 506	15 606	15 921
Due after ten years	36 291	37 510	30 910	30 521
Mortgage and asset-backed securities with no fixed maturity	30 157	26 943	21 228	19 252
Total fixed income securities available-for-sale	106 216	103 438	**92 034**	**90 124**

Assets pledged

As of 31 December 2008 and 2009, investments with the carrying value of CHF 1 566 million and CHF 1 763 million, respectively, were on deposit with regulatory agencies in accordance with local requirements.

As of 31 December 2008 and 2009, investments (including cash and cash equivalents) with a carrying value of approximately CHF 8 689 million and CHF 9 319 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities.

As of 31 December 2008 and 2009, securities of CHF 10 707 million and CHF 15 007 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of CHF 4 465 million and CHF 5 174 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of CHF 292 million serves as collateral for short-term senior operational debt of CHF 650 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2008 and 2009, the fair value of the government and corporate bond securities received as collateral, was CHF 8 272 million and CHF 12 633 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2008 and 2009 was CHF 2 554 million and CHF 783 million, respectively, which is used to settle short government bond positions. The sources of the collateral are typically highly rated banking market counterparties.

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 2008 and 2009. As of 31 December 2008, the gross unrealised loss on equity securities available-for-sale of CHF 26 million relates to declines in value for less than 12 months. As of 31 December 2009, CHF 16 million of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and CHF 11 million to declines in value for more than 12 months.

2008 CHF millions	Less than 12 months Fair value	Less than 12 months Unrealised losses	12 months or more Fair value	12 months or more Unrealised losses	Total Fair value	Total Unrealised losses
Debt securities issued by governments and government agencies	11 266	864	867	236	12 133	1 100
Corporate debt securities	11 511	1 605	3 080	930	14 591	2 535
Mortgage and asset-backed securities	13 033	3 240	5 061	1 137	18 094	4 377
Total	35 810	5 709	9 008	2 303	44 818	8 012

2009 CHF millions	**Less than 12 months** Fair value	**Less than 12 months** Unrealised losses	**12 months or more** Fair value	**12 months or more** Unrealised losses	**Total** Fair value	**Total** Unrealised losses
Debt securities issued by governments and government agencies	30 200	1 617	993	91	31 193	1 708
Corporate debt securities	3 648	303	1 050	117	4 698	420
Mortgage and asset-backed securities	8 481	1 749	3 033	688	11 514	2 437
Total	**42 329**	**3 669**	**5 076**	**896**	**47 405**	**4 565**

Mortgages, loans and real estate

As of 31 December, investments in mortgages and other loans and real estate comprised the following:

		2008		**2009**
CHF millions	Carrying value	Fair value	Carrying value	Fair value
Policy loans, mortgages and other loans	6 611	6 611	5 795	5 795
Investment real estate	2 143	3 093	2 122	3 061

As of 31 December 2008 and 2009, the Group's investment in mortgages and other loans included CHF 200 million and CHF 193 million, respectively, of loans due from employees and CHF 444 million and CHF 414 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2008 and 2009, investments in real estate included CHF 9 million and CHF 7 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was CHF 38 million and CHF 42 million for 2008 and 2009, respectively. Accumulated depreciation on investment real estate totalled CHF 493 million and CHF 516 million as of 31 December 2008 and 2009, respectively.

Substantially all mortgages and other loans receivable are secured by buildings, land or the underlying policies. The ultimate collectibility of the receivables is evaluated regularly and an appropriate allowance for uncollectible amounts is established.

3 Fair value disclosures

As of 1 January 2008, the Swiss Re Group adopted the Fair Value Measurements and Disclosures Topic ASC 820. This topic defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It requires disclosures of the Group's assets and liabilities that are measured at fair value.

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 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 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 Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

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 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 Life & Health policy reserves to 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. For the year ended 31 December 2009, these valuation adjustments have resulted in a net realised loss from assets and liabilities measured at fair value using significant unobservable inputs. 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 level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2008 and 31 December 2009, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2008 CHF 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	11 646	94 232	11 521		117 399
Equity securities	15 185	783	220		16 188
Derivative financial instruments	382	29 394	14 286	–36 040	8 022
Other assets	36		1 580		1 616
Total assets at fair value	27 249	124 409	27 607	–36 040	143 225
Liabilities					
Derivative financial instruments	–416	–24 854	–17 916	33 615	–9 571
Liabilities for life and health policy benefits			–494		–494
Accrued expenses and other liabilities	–607	–58			–665
Total liabilities at fair value	–1 023	–24 912	–18 410	33 615	–10 730

[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.

The Group revised the 2008 presentation of the netting of derivative financial instruments assets and liabilities in the current period to conform with the 2009 presentation.

As of 31 December 2009 CHF 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	23 704	72 465	5 907		102 076
Debt securities issued by US government and government agencies	23 704	2 566			26 270
Debt securities issued by non-US governments and government agencies		33 831	84		33 915
Corporate debt securities		18 898	2 155		21 053
Residential mortgage-backed securities		4 026	1 346		5 372
Commercial mortgage-backed securities		5 463	206		5 669
Agency securitised products		4 513			4 513
Other asset-backed securities		3 168	2 116		5 284
Equity securities	19 763	886	176		20 825
Equity securities backing unit-linked and with-profit life and health policies	19 119	43			19 162
Equity securities held for proprietary investment purposes	644	843	176		1 663
Derivative financial instruments[2]	602	8 824	3 950	–9 264	4 112
Other assets	26	1	1 366		1 393
Total assets at fair value	**44 095**	**82 176**	**11 399**	**–9 264**	**128 406**
Liabilities					
Derivative financial instruments[2]	–473	–7 813	–5 208	7 111	–6 383
Liabilities for life and health policy benefits			–303		–303
Accrued expenses and other liabilities	–614	–1 378			–1 992
Total liabilities at fair value	**–1 087**	**–9 191**	**–5 511**	**7 111**	**–8 678**

[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 has revised the presentation of the fair values of foreign exchange derivative assets and liabilities. The revision has no impact on balance sheet items, shareholders' equity or net income. Fair values of foreign exchange derivative assets and liabilities under the same contract with the same underlyings, terms and counterparties are presented on a net basis. In prior quarters these were presented on a gross basis.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

As of 31 December 2008 and 31 December 2009, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2008 CHF millions	Fixed income securities	Equity securities	Derivative financial instruments	Other assets	Total
Assets					
Opening balance as of 1 January 2008	8 887	140	9 389	1 498	19 914
Realised/unrealised gains/losses:					
Included in net income	–1 554	116	3 878	–324	2 116
Included in other comprehensive income	–2 689	19		–248	–2 918
Purchases, issuances, and settlements	1 733	–236	1 092	187	2 776
Transfers in and/or out of level 3	5 877	273	106	493	6 749
Impact of foreign exchange movements	–733	–92	–179	–26	–1 030
Closing balance as of 31 December 2008	11 521	220	14 286	1 580	27 607

	Liabilities for life and health policy benefits	Derivative financial instruments	Accrued expenses and other liabilities	Total
Liabilities				
Opening balance as of 1 January 2008	–102	–10 200	–170	–10 472
Realised/unrealised gains/losses:				
Included in net income	–376	–7 074		–7 450
Included in other comprehensive income		10		10
Purchases, issuances, and settlements		–760	145	–615
Transfers in and/or out of level 3		14	34	48
Impact of foreign exchange movements	–16	94	–9	69
Closing balance as of 31 December 2008	–494	–17 916	0	–18 410

2009 CHF millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Agency securitised products	Other asset-backed securities	Equity securities held for proprietary investment purposes	Derivative financial instruments	Other assets	Total
Assets										
Balance as of 1 January 2009	153	6 475	1 796	488	0	2 609	220	14 286	1 580	27 607
Realised/unrealised gains/losses:										
Included in net income	–10	300	–213	–24	–7	80	115	–11 033	–206	–10 998
Included in other comprehensive income	–16	303	187	17	–3	196	–26		40	698
Purchases, issuances, and settlements	–37	–1 070	169	–71	24	–915	–194	1 718	8	–368
Transfers in and/or out of level 3	–61	–3 600	–997	–253	–14	513	84	–663	–61	–5 052
Impact of foreign exchange movements	55	–253	404	49		–367	–23	–358	5	–488
Closing balance as of 31 December 2009	**84**	**2 155**	**1 346**	**206**	**0**	**2 116**	**176**	**3 950**	**1 366**	**11 399**

	Liabilities for life and health policy benefits	Derivative financial instruments	Total
Liabilities			
Balance as of 1 January 2009	–494	–17 916	–18 410
Realised/unrealised gains/losses:			
Included in net income	178	11 060	11 238
Included in other comprehensive income			0
Purchases, issuances, and settlements		245	245
Transfers in and/or out of level 3		907	907
Impact of foreign exchange movements	13	496	509
Closing balance as of 31 December 2009	**–303**	**–5 208**	**–5 511**

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 twelve months ended 31 December 2008 and 2009 were as follows:

CHF millions	2008	**2009**
Gains/losses included in net income for the period	–5 334	200
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–3 605	1 733

Other assets measured at net asset value

CHF millions	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	509	494	non-redeemable	na
Hedge funds	368		depends on the product[1]	90 – 120 days[2]
Private equity direct	243	33	non-redeemable	na
Real estate funds	137	90	non-redeemable[3]	na
Total	**1 257**	**617**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.
[3] One exception is a real estate fund that can be redeemed annually based on a 90 day notice period. This redeemable fund had a fair value of CHF 16.6 million at the end of 2009.

The investments in private equity funds, hedge funds and real estate funds are actively managed and comprise a globally diversified investment portfolio. Hedge fund investment strategies include, among others, equity long/short, macro, emerging markets, credit, event driven and insurance-linked-securities (ILS).

The private equity direct portfolio consists of proprietary investments and co-investments alongside partner funds primarily in the financial services industry.

Non-redeemable investments are considered investments which the Group cannot readily exit and remain subject to the terms of each of the respective investment agreements. Underlying assets in each fund are expected to be liquidated based on the anticipated life of the fund. The average life of the Group's private equity funds is approximately ten years.

The redemption frequency of hedge funds varies depending upon 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:

Fixed income securities trading

In the second quarter of 2008, the Group elected the fair value option for the specific investments acquired within a transaction. These securities are classified as debt securities under the Group's accounting policies. Upon election of the fair value option the securities are classified as trading, with changes in fair value recorded in earnings. The primary reason for electing the fair value option is to mitigate volatility in earnings as a result of using different measurement attributes.

Equity securities trading

As of 1 January 2008, 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.

Liabilities for life and health policy benefits

As of 1 January 2008, the Group elected the fair value option for existing guaranteed minimum death benefit (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 2008 and 31 December 2009 were as follows:

CHF millions	2008	**2009**
Assets		
Fixed income securities trading	13 961	11 952
of which at fair value pursuant to the fair value option	681	809
Equity securities trading	15 355	20 252
of which at fair value pursuant to the fair value option	121	508
Liabilities		
Liabilities for life and health policy benefits	–39 911	–41 292
of which at fair value pursuant to the fair value option	–494	–303

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Total gains/losses included in earnings for the twelve months ended 31 December 2008 and 2009, including foreign exchange impact, were CHF –1 150 million and CHF 706 million, respectively.

Fair value changes from fixed income securities trading (CHF 128 million) and equity securities trading (CHF 387 million) are reported in net realised investment gains/losses. Fair value changes from the GMDB reserves (CHF 191 million) are shown in life and health benefits.

4 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 setoff in the event of default, which substantially reduces credit exposure.

Fair values of derivative financial instruments

As of 31 December 2009, the fair values and notional amounts of the derivatives outstanding were as follows:

CHF millions	Notional amount assets/liabilities[1]	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	382 777	4 861	–4 682	179
Foreign exchange contracts[2]	44 863	1 145	–2 227	–1 082
Equity contracts	24 409	2 952	–1 341	1 611
Credit contracts	72 804	2 761	–2 254	507
Other contracts	44 152	1 094	–2 990	–1 896
Total	**569 005**	**12 813**	**–13 494**	**–681**
Derivatives designated as hedging instruments				
Interest rate contracts	2 973	415		415
Foreign exchange contracts	4 687	148		148
Total	**7 660**	**563**	**0**	**563**
Total derivative financial instruments	**576 665**	**13 376**	**–13 494**	**–118**
Amount offset				
Where a right of setoff exists		–6 694	6 694	
Due to cash collateral[3]		–2 570	417	
Total net amount of derivative financial instruments[4]		**4 112**	**–6 383**	**–2 271**

[1] The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity.
[2] The Group has revised the presentation of the fair values of foreign exchange derivative assets and liabilities. The revision has no impact on balance sheet items, shareholders' equity or net income. Fair values of foreign exchange derivative assets and liabilities under the same contract with the same underlyings, terms and counterparties are presented on a net basis. In prior quarters these were presented on a gross basis.
[3] The fair value amounts that were offset are CHF 6 189 million for assets and CHF 3 765 million for liabilities as of 31 December 2008. The fair value amounts that were not offset are nil as of 31 December 2008 and 31 December 2009, respectively.
[4] The fair value assets are included in other invested assets and the fair value liabilities are included in accrued expenses and other liabilities.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. For the year ended 31 December 2009, gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

CHF millions	
Derivatives not designated as hedging instruments[1]	
Interest rate contracts	–104
Foreign exchange contracts	5
Equity contracts	–1 025
Credit contracts	–2 944
Other contracts	804
Total gain/loss recognised in income	**–3 264**

[1] Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses.

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 2009, the following hedging relationships were outstanding:

Fair Value Hedges

The Group entered into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments were designated as hedging instruments in qualifying fair value hedges.

For the year ended 31 December 2009, the gains and losses attributable to the hedged risks were as follows:

CHF millions	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships[1]		
Interest rate contracts	–662	748
Foreign exchange contracts	100	–27
Total gain/loss recognised in income	**–562**	**721**

[1] Gains and losses of derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses.

Hedges of the net investment in foreign operations

The Group designates 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 2008 and 31 December 2009, the Group recorded net unrealised foreign currency remeasurement losses in shareholders' equity of CHF 210 million and CHF 46 million, respectively. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2009 was approximately CHF 6 682 million. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of 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 CHF 4 104 million as of 31 December 2009, for which the Group posted collateral of CHF 417 million. In the event of a reduction of the Group's credit rating to below investment grade, it would be required to post additional collateral with a fair value of CHF 3 687 million. This equals the amount needed to settle the instruments immediately as of 31 December 2009.

Credit derivatives written/sold

The Group writes/sells credit derivatives, including credit default swaps, credit spread options and credit index products, and total return swaps. The total return swaps, for which the Group assumes asset risk mainly of variable interest entities, qualify as guarantees under FASB ASC Topic 460. These activities are part of the Group's overall portfolio and risk management strategies. The events that could require the Group to perform include bankruptcy, default, obligation acceleration or moratorium of the credit derivative's underlying.

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2008 and 31 December 2009, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

The fair values of the credit derivatives written/sold do not represent the Group's effective net exposure as the ISDA master agreement and the cash collateral netting are excluded.

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2008 and 31 December 2009, the total purchased credit protection based on notional values was CHF 169 682 million and CHF 46 996 million, respectively. Thereof CHF 90 491 million and CHF 14 567 million, respectively, was related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

As of 31 December 2008 CHF millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)[1] 0 – 5 years	5 – 10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	–2 310	38 109	20 784[2]	1 180	60 073
251 – 500	–1 233	19 464	1 943	115	21 522
501 – 1 000	–1 795	12 965	1 448	85	14 498
Greater than 1 000	–6 373	13 029	587	3 392[3]	17 008
No credit spread available	–149	2 685	330	173	3 188
Total	–11 860	86 252	25 092	4 945	116 289
Credit Spread Options					
Credit spread in basis points					
0 – 250	–35	2 372			2 372
Total	–35	2 372	0	0	2 372
Credit Index Products[4]					
Credit spread in basis points					
0 – 250	–1 137	4 044	21 301		25 345
251 – 500	–695	7 494	696		8 190
501 – 1 000	–971	2 958	772		3 730
Greater than 1 000	–1 371	2 397	1 242	493	4 132
No credit spread available				134	134
Total	–4 174	16 893	24 011	627	41 531
Total Return Swaps[5]					
Credit spread in basis points					
No credit spread available	–534	7 227	716		7 943
Total	–534	7 227	716	0	7 943
Total credit derivatives written/sold	–16 603	112 744	49 819	5 572	168 135

[1] The maximum potential payout is based on notional values of the credit derivatives.
[2] Including Portfolio CDS which consists predominantly of large investment grade and SME corporate loans.
[3] Including Structured CDS.
[4] The Group has revised the credit spreads for credit index products.
[5] The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

As of 31 December 2009 CHF millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)[1] 0 – 5 years	5 – 10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0 – 250	19	7 680	1 898[2]	135	9 713
251 – 500	–34	18		194	212
501 – 1 000	–31	25		93	118
Greater than 1 000	–652	405		866[3]	1 271
No credit spread available		1 068			1 068
Total	**–698**	**9 196**	**1 898**	**1 288**	**12 382**
Credit Spread Options					
Credit spread in basis points					
0 – 250					
Total	**0**	**0**	**0**	**0**	**0**
Credit Index Products					
Credit spread in basis points					
0 – 250	–399	4 052	8 353	201	12 606
251 – 500	46	98	143		241
501 – 1 000	–3	436	30		466
Greater than 1 000	–81	113			113
Total	**–437**	**4 699**	**8 526**	**201**	**13 426**
Total Return Swaps[4]					
Credit spread in basis points					
No credit spread available	85	5 597	601		6 198
Total	**85**	**5 597**	**601**	**0**	**6 198**
Total credit derivatives written/sold	**–1 050**	**19 492**	**11 025**	**1 489**	**32 006**

[1] The maximum potential payout is based on notional values of the credit derivatives.
[2] The Group terminated substantially all Portfolio CDS in the second quarter of 2009.
[3] The Group settled substantially all Structured CDS in the first quarter of 2009.
[4] The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

CHF millions	DAC	2008 PVFP	DAC	**2009** PVFP
Opening balance as of 1 January	5 152	6 769	4 311	6 139
Cumulative effect of adoption of FSP SFAS 115-2				6
Cumulative effect of adoption of SFAS 163			–25	
Deferred	2 719		2 277	
Effect of acquisitions/disposals and retrocessions		1 204		386
Amortisation	–2 842	–926	–2 661	–548
Interest accrued on unamortised PVFP		330		142
Effect of foreign currency translation	–718	–1 143	123	121
Effect of change in unrealised gains/losses		–95		13
Closing balance as of period end	4 311	6 139	**4 025**	**6 259**

The amortisation of DAC in 2009 represents CHF 2 342 million and CHF 319 million for the Property & Casualty and Life & Health business segments, respectively.

Retroceded DAC and 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%, 6%, 6%, 6%, 6%.

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6 Debt

The Group enters into short- and long-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 less 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 2008 and 2009 is presented in the following table. Certain debt positions were reclassified in the current period from senior operational long-term debt to senior operational short-term debt as they are unconditionally callable by the creditor at short notice. Balance sheet classification and interest expense, including comparatives, were adjusted accordingly. As of 31 December 2008, senior operational long-term debt was reduced from CHF 9 467 million to CHF 7 127 million and senior operational short-term debt was increased from CHF 5 085 million to CHF 7 425 million. The cash flow statement was not affected by the reclassification.

CHF millions	2008	**2009**
Senior financial debt	1 437	
Senior operational debt	7 425	8 295
Subordinated financial debt		83
Short-term debt – financial and operational debt	8 862	**8 378**
Senior financial debt	415	1 537
Senior operational debt	7 127	7 241
Subordinated financial debt	5 474	5 552
Subordinated operational debt	5 097	5 501
Long-term debt – financial and operational debt	18 113	**19 831**
Total carrying value	26 975	**28 209**
Total fair value[1]	20 623	**26 565**

[1] Fair values for all short- and long-term debt positions are disclosed on a quarterly basis due to newly issued FSP FAS 107-1 and APB 28-1 "Interim Disclosures about Fair Value of Financial Instruments". At the same time, the fair value disclosure for year-end 2008 was revised. The revision has no impact on total revenues, net income or net equity.

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 strong 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 recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2008 and 2009, operational leverage and financial intermediation liabilities amounted to CHF 34.2 billion (thereof CHF 5.2 billion limited recourse) and CHF 29.3 billion (thereof CHF 6.2 billion limited recourse), respectively.

Maturity of long-term debt

As of 31 December 2008 and 2009, long-term debt as reported above had the following maturities:

CHF millions	2008	**2009**
Due in 2010	1 474	0[1]
Due in 2011	960	2 134
Due in 2012	55	1 678
Due in 2013	38	1 617
Due in 2014	79	1 712
Due after 2014	15 507	12 690
Total carrying value	18 113	**19 831**

[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 CHF millions
2011	EMTN	2007	CHF	250	3.13%	250
2011	Insurance-linked placement	2007	EUR	110	3.83%	57
2011	EMTN	2008	EUR	25	4.73%	37
2012	EMTN	2009	EUR	1 000	6.00%	1 626
2013	Credit-linked note	2008	USD	2	3M Libor + 50bp	2
2013	EMTN	2009	CHF	700	4.25%	765
2013	EMTN	2009	USD	750	4.13%	817
2014	EMTN	2009	EUR	600	7.00%	1 050
2014	EMTN	2009	CHF	500	3.25%	536
2014	EMTN	2009	CHF	50	2.94%	50
2015	EMTN	2001	CHF	150	4.00%	151
2016	Credit-linked note	2007	USD	475	1M Libor	491
2019	Senior note[1]	1999	USD	400	6.45%	475
2026	Senior note[1]	1996	USD	600	7.00%	739
2030	Senior note[1]	2000	USD	350	7.75%	462
2032	Principal protected structured note	2007	USD	8	zero coupon	9
Various	Payment undertaking agreements	various	USD	1 221	various	1 261
Total senior debt as of 31 December 2009						**8 778**
Total senior debt as of 31 December 2008						7 542

[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 CHF millions
2021	Convertible bond	2001	USD	1 150	3.25%	2011	1 175
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 486	4.96%		2 481
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 809	4.79%		3 020
	Subordinated perpetual bond (SUPERBs)	1999	CHF	600	3.75%	2011	598
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 476
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	777
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	831
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	695
Total subordinated debt as of 31 December 2009							**11 053**
Total subordinated debt as of 31 December 2008							10 571

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 31 December 2008 and 2009 was as follows:

CHF millions	2008	**2009**
Senior financial debt	36	48
Senior operational debt	271	294
Subordinated financial debt	330	297
Subordinated operational debt	323	272
Total	960	**911**

Long-term debt issued in 2009

In May 2009, the Group issued EUR 1 billion under the EMTN programme, with a three-year maturity and a coupon of 6% and EUR 600 million with a five-year maturity and a coupon of 7%.

In June 2009, the Group issued CHF 300 million under the EMTN programme, due in December 2010, with a coupon of 2.75%. Due to the remaining maturity, this position was reclassified to short-term debt as of 31 December 2009. Also in June, CHF 700 million senior notes were issued under the EMTN programme, with a four-year maturity and a coupon of 4.25%.

In August 2009, the Group issued CHF 500 million senior notes under the EMTN programme, with a five-year maturity and a coupon of 3.25%.

In September 2009, the Group issued USD 750 million senior notes under the EMTN programme, with a four-year maturity and a coupon of 4.13%. Further, the Group issued a senior note of CHF 50 million in a private placement under the EMTN programme, with a coupon of 2.94% and a five-year maturity.

Additional funding resources

As additional resources to meet funding requirements, the Group has access to the US commercial paper market through its USD 1.5 billion programme, as well as back-up credit lines and committed repurchase facilities in place with various banks.

7 Unpaid claims and claim adjustment expenses

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

CHF millions	2008	**2009**
Non-life	62 802	58 940
Life & Health	12 708	11 781
Total	75 510	**70 721**

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:

CHF millions	2008	**2009**
Balance as of 1 January	73 171	62 802
Reinsurance recoverable	–5 041	–4 701
Deferred expense on retroactive reinsurance	–723	–540
Net	67 407	**57 561**
Incurred related to:		
Current year	10 092	8 649
Prior year	–462	140
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	125	64
Total incurred	9 755	**8 853**
Paid related to:		
Current year	–1 521	–1 546
Prior year	–12 131	–11 112
Total paid	–13 652	**–12 658**
Foreign exchange	–6 527	–260
Effect of acquisitions, disposals, new retroactive reinsurance and other items	578	–1 546
Net	57 561	51 950
Reinsurance recoverable	4 701	6 519
Deferred expense on retroactive reinsurance	540	471
Balance as of 31 December	62 802	**58 940**

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.

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 1985, in particular in the area of US asbestos and environmental liability.

Due to the inherent uncertainties and assumptions on which these estimates are based, however, the Group cannot exclude the need to make further additions to these provisions in the future.

At the end of 2009 the Group carried net reserves for US asbestos, environmental and other long-latent health hazards equal to CHF 2 328 millions. During 2009, the group paid net against these liabilities CHF 362 million. Incurred net losses were nil as adverse development was offset by the adverse development cover with Berkshire Hathaway.

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.

Prior year development

Claims incurred development on prior years includes the impact of the adverse development cover (ADC) entered into with Berkshire Hathaway, covering non-life claims reserves for accident years 2008 and prior, with limited exceptions. The net prior year development after the ADC cover was mainly influenced by Financial Guarantee developments. Most of the remaining exposure to Financial Guarantee business was commuted during 2009.

8 Reinsurance information

For the years ended 31 December

Premiums written, premiums earned and fees assessed against policyholders

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Premiums written						
Direct	2 204	1 520	3 724	1 992	1 517	3 509
Assumed	16 280	10 847	27 127	15 175	10 013	25 188
Ceded	–3 886	–1 306	–5 192	–4 103	–832	–4 935
Total premiums written	14 598	11 061	25 659	**13 064**	**10 698**	**23 762**
Premiums earned						
Direct	2 201	1 519	3 720	2 058	1 518	3 576
Assumed	15 418	10 851	26 269	15 996	9 981	25 977
Ceded	–3 208	–1 280	–4 488	–4 127	–820	–4 947
Total premiums earned	14 411	11 090	25 501	**13 927**	**10 679**	**24 606**
Fee income from policyholders						
Direct		654	654		731	731
Assumed		271	271		274	274
Ceded		–117	–117		–89	–89
Total fee income from policyholders		808	808		**916**	**916**

Claims and claim adjustment expenses

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Claims						
Claims paid, gross	–15 749	–12 226	–27 975	–14 749	–12 134	–26 883
Claims paid, retro	2 097	1 429	3 526	2 091	1 037	3 128
Claims paid, net	–13 652	–10 797	–24 449	–12 658	–11 097	–23 755
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	3 813	2 928	6 741	3 940	2 005	5 945
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	–168	–1 196	–1 364	–365	–256	–621
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	3 645	1 732	5 377	3 575	1 749	5 324
Claims and claim adjustment expenses; life and health benefits	–10 007	–9 065	–19 072	**–9 083**	**–9 348**	**–18 431**

Acquisition costs

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Acquisition costs						
Acquisition costs, gross	–3 532	–3 128	–6 660	–3 510	–2 640	–6 150
Acquisition costs, retro	792	502	1 294	1 115	152	1 267
Acquisition costs, net	–2 740	–2 626	–5 366	**–2 395**	**–2 488**	**–4 883**

Reinsurance assets and liabilities

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Assets						
Reinsurance recoverable	4 701	7 233	11 934	6 519	5 112	11 631
Deferred acquisition costs	1 189	3 122	4 311	898	3 127	4 025
Liabilities						
Unpaid claims and claim adjustment expenses	62 802	12 708	75 510	58 940	11 781	70 721
Life and health policy benefits		39 911	39 911		41 292	41 292
Policyholder account balances		34 518	34 518		37 931	37 931

9 Financial guarantee reinsurance

As of 1 January 2009, Swiss Re Group adopted SFAS No. 163 "Accounting for Financial Guarantee Insurance Contracts" (SFAS 163). SFAS 163 provides new guidance on the recognition and measurement of premium revenue and claim liabilities of financial guarantee reinsurance contracts and requires certain related disclosures.

The Group reinsured monoline insurers against the risk of default on insured financial obligations. It has stopped writing new business in this area and the current business is in run off. The Group's exposure encompasses public finance and structured finance exposures. In total, the notional exposure as of 31 December 2009 amounted to CHF 5 018 million, of which 5% is attributable to structured finance. Compared to the amounts recognised as of 31 December 2008, notional exposures decreased CHF 10 839 million due to the commutation of two cedent portfolios. The main driver of the Group's exposure is the credit risk of the underlying insured obligation.

The Group tracks and monitors credit deterioration in insured financial obligations. This is based on the surveillance activities of its cedents and internal reviews of its reinsured portfolio. Each cedent maintains a process for identifying credits that require higher levels of scrutiny or intervention. The cedent is required to notify the Swiss Re Group when a transaction falls under increased scrutiny.

The Group maintains a watch list based on the information provided by the cedents and the Group's internal monitoring activities. Obligations with credit deterioration are split into two categories. Category 1 (Special mention) encompasses transactions that are still currently performing, but where indicators point to an increased risk of default. Category 2 (Workout) includes insured financial obligations that are characterised as non-performing and a reserve has been reported by the cedent. A default may have occurred or is seen as likely to occur in the future.

As of 31 December 2009, the notional exposures and claims liabilities allocated to categories 1 and 2 were as follows:

CHF millions	Notional exposure	% of total notional (CHF 5 018 million)	Claims liabilities
Category 1	1 101	22%	8
Category 2	54	1%	16

Compared to the amount recognised as of 31 December 2008, notional exposures in category 1 increased CHF 373 million. The movement shows the net result of adopting the new recognition and measurement guidance, commutations, changes to the credit quality of remaining obligations insured by our cedents and updates to parameters supporting our loss estimates. The decrease of the notional amount of exposures in category 2 by CHF 553 million is mainly attributable to commutations.

As of 31 December 2009, total technical provisions for financial guarantee reinsurance amounted to CHF 104 million, which includes unpaid claims and claim adjustment expenses of CHF 24 million and unearned premiums of CHF 80 million.

The impact of adopting the recognition and measurement guidance on retained earnings was immaterial.

10 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. For the years ended 31 December 2008 and 2009, the Group's dividends per share were CHF 4.00 and CHF 0.10, respectively.

Earnings per share for the periods ended 31 December were as follows:

CHF millions (except share data)	2008	2009
Basic earnings per share		
Net income/loss	–864	**723**
Interest on convertible perpetual capital instrument		**–217**
Income available to common shares	–864	**506**
Weighted average common shares outstanding	331 024 378	**339 543 341**
Net income/loss per share in CHF	–2.61	**1.49**
Effect of dilutive securities		
Change in income available to common shares due to convertible bonds		**0**
Change in average number of shares due to convertible bonds and employee options		**2 846 457**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options		**506**
Weighted average common shares outstanding		**342 389 798**
Net income/loss per share in CHF	–2.61	**1.48**

The effects of debt and equity instrument conversion, which totalled 104 723 290 shares for the year ended 31 December 2009, have not been included in the diluted earnings per share calculation because the impact of including these shares was antidilutive.

In March 2009, Swiss Re Zurich issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc, a convertible perpetual capital instrument. The instrument has an aggregate face value of CHF 3 000 000 000, with a fixed coupon at a rate of 12% per annum. The coupon can be settled in cash or shares/warrants in lieu of cash at the option of Swiss Re. The instrument may be redeemed, in whole or in part, for cash, for an amount equal to 120% of the value of the instrument at the option of Swiss Re on or after the second anniversary of issuance of the instrument. The instrument may be converted, at the option of the holder, in whole or in part, into Swiss Re shares at the rate of CHF 25 per share on or after the third anniversary of the issuance of the instrument, subject to certain adjustments and exceptions. The instrument ranks junior to senior securities of Swiss Re Zurich and ranks pari passu among themselves and with parity securities.

At the Annual General Meeting of 13 March 2009, the shareholders approved an increase in conditional capital. This allows the share capital of the Swiss Re Group to be increased by an amount not exceeding CHF 16 000 000 through the issue of a maximum of 160 000 000 registered shares payable in full, each with a nominal value of CHF 0.10, through the exercise of conversion rights granted in connection with a convertible bond or a similar financial instrument issued by the company or one of its subsidiaries. These shares are available for issuance in connection with the convertible perpetual capital instrument.

11 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:

CHF millions	2008	**2009**
Current tax expense	560	734
Deferred tax expense/benefit	–1 046	–503
Income tax expense/benefit	–486	**231**

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:

CHF millions	2008	**2009**
Income tax at the Swiss statutory rate of 21.0%	–284	200
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	384	–115
Impact of foreign exchange movements	–30	–18
Disallowed expenses	9	11
Tax exempt income/dividends received deduction	–39	–47
Change in valuation allowance	604	70
Basis differences in subsidiaries	–517	39
Change in statutory tax rates	–21	20
FIN 48 including interest and penalties	–88	121
Business restructuring	–250	
Life tax adjustments	–79	–6
Other, net	–175	–44
Total	–486	**231**

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

CHF millions	2008	**2009**
Deferred tax assets		
Income accrued/deferred	509	688
Technical provisions	651	950
Unrealised losses on investments	650	491
Pension provisions	264	244
Benefit on loss carryforwards	4 396	4 123
Currency translation adjustments	574	537
Other	1 388	1 517
Gross deferred tax asset	8 432	8 550
Valuation allowance	–2 007	–1 657
Total	6 425	**6 893**
Deferred tax liabilities		
Present value of future profits	–1 586	–1 574
Income accrued/deferred	–147	–643
Bond amortisation	–223	–231
Deferred acquisition costs	–724	–649
Technical provisions	–840	–1 692
Unrealised gains on investments	–169	–96
Untaxed realised gains	–99	–463
Foreign exchange provisions	–666	–534
DFI losses	–389	–132
Other	–1 462	–583
Total	–6 305	**–6 597**
Deferred income taxes	120	**296**
FIN 48 liabilities including interest and penalties	–1 449	**–1 255**
Deferred and other non-current taxes	–1 329	**–959**

Deferred taxes have not been recognised on the undistributed earnings of certain foreign subsidiaries to the extent the Company considers such earnings as being indefinitely reinvested abroad and does not expect to repatriate these earnings in the foreseeable future. The amount of such earnings included in consolidated retained earnings as of 31 December 2009 was approximately CHF 3 489 million. It is not practicable to estimate the amount of additional tax that might be payable if such earnings were not reinvested indefinitely.

As of 31 December 2009, the Group had CHF 12 753 million net operating tax loss carryforwards, expiring as follows: CHF 27 million in 2010, CHF 43 million in 2011, CHF 13 million in 2012, CHF 0 million in 2013, CHF 0 million in 2014, CHF 7 847 million after 2014 and CHF 4 823 million do not expire. The Group also had capital loss carryforwards of CHF 492 million, expiring as follows: CHF 45 million in 2010, CHF 15 million in 2011, CHF 271 million in 2012, CHF 158 million in 2013, CHF 0 after 2013 and CHF 3 million never expire. Net operating tax losses of CHF 1 773 million were utilised or expired during the period ended 31 December 2009.

Income taxes paid in 2008 and 2009 were CHF 120 million and CHF 741 million, respectively.

FIN 48

A reconciliation of the beginning and ending amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

CHF millions	2008	2009
Balance as of 1 January	1 964	1 408
Additions based on tax positions of current year	123	–22
Additions for tax positions of prior years	33	95
Reductions for tax positions of prior years	–538	–304
Settlements	–174	–1
Balance as of 31 December	1 408	**1 176**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately CHF 856 million and CHF 994 million at 1 January 2009 and 31 December 2009, respectively. Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such benefit for the period ending 31 December 2009 was CHF 23 million. As of 1 January 2009 and 31 December 2009, CHF 268 million and CHF 245 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2009 is included within the deferred and other non-current taxes section reflected above and in the statement of financial position.

The balance of gross unrecognised tax benefits as of 31 December 2009 presented in the table above is less than the FIN 48 liability reflected in the deferred and other non-current taxes section due to the impact of tax positions which offset loss carryforwards (CHF 164 million) and the removal of interest expense (CHF 245 million). Unrecognised tax benefits which have created certain loss carryforwards are net, whereby the statement of financial position does not reflect a deferred tax asset for the attribute or a liability for the unrecognised tax benefit.

During the year, the Group met the effectively settled definition within FIN 48 for various tax positions and audits in Switzerland, the United Kingdom and the United States.

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 tax years that remain subject to examination in jurisdictions of significance to the Group:

Switzerland	2005 – 2009
Germany	1997 – 2009
United States	2005 – 2009
United Kingdom	2005 – 2009
Canada	2004 – 2009

12 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.

In June 2008, the Group communicated its intention to change the structure of its Swiss other post-retirement benefits plan. The change was effective as of 1 July 2009 and resulted in a decrease of the accumulated benefit obligation of CHF 130 million in 2008.

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.

CHF millions	Swiss plans pension benefits 2008	Swiss plans pension benefits **2009**	Foreign plans pension benefits 2008	Foreign plans pension benefits **2009**	Other benefits 2008	Other benefits **2009**
Benefit obligation as of 1 January	2 743	2 827	2 212	1 642	462	325
Adjustment to retained earnings	48		39		11	
Service cost	98	101	54	43	15	8
Interest cost	93	91	115	101	17	15
Amendments					–130	–1
Actuarial gains/losses	27	–22	–235	275	–22	–14
Benefits paid	–204	–219	–83	–70	–15	–14
Employee contribution	22	21	1	1		
Acquisitions/disposals/additions			6	1		
Effect of curtailment and termination benefits		–20	–27	–69		–2
Effect of foreign currency translation			–440	56	–13	–2
Benefit obligation as of 31 December	2 827	**2 779**	1 642	**1 980**	325	**315**
Fair value of plan assets as of 1 January	3 169	2 676	1 970	1 362		
Adjustment to retained earnings	38		29			
Actual return on plan assets	–432	257	–294	239		
Company contribution	83	76	172	137	15	14
Benefits paid	–204	–219	–83	–70	–15	–14
Employee contribution	22	21	1	1		
Acquisitions/disposals/additions		4	–29	–1		
Effect of foreign currency translation			–404	58		
Fair value of plan assets as of 31 December	2 676	**2 815**	1 362	**1 726**		**0**
Funded status	–151	**36**	–280	**–254**	–325	**–315**

Amounts recognised in the balance sheet in 2009 consist of:

CHF millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	36	102		138
Current liabilities			–15	–15
Non-current liabilities		–356	–300	–656
Net amount recognised	**36**	**–254**	**–315**	**–533**

Amounts recognised in accumulated other comprehensive income, gross of tax, in 2009 consist of:

CHF millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	545	322	–172	695
Prior service cost/credit	52		–130	–78
Total	**597**	**322**	**–302**	**617**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December 2008 and 2009, respectively, were as follows:

CHF millions	Swiss plans pension benefits 2008	Swiss plans pension benefits **2009**	Foreign plans pension benefits 2008	Foreign plans pension benefits **2009**	Other benefits 2008	Other benefits **2009**
Service cost (net of participant contributions)	98	101	54	43	15	8
Interest cost	93	91	115	101	17	15
Expected return on assets	–152	–149	–118	–110		
Amortisation of:						
Net gain/loss		9	6	7	–10	–12
Prior service cost	7	7			–11	–14
Effect of settlement, curtailment and termination		8	–9	–1		–11
Net periodic benefit cost	46	**67**	48	**40**	11	**–14**

Other changes in plan assets and benefit obligations recognised in other comprehensive income consist of:

CHF millions	Swiss plan	Foreign plans	Other benefits	Total
Adjustment to retained earnings				
Net gain/loss	–129	146	–14	3
Prior service cost/credit			–1	–1
Amortisation of:				
Net gain/loss	–34	–74	12	–96
Prior service cost	–11	–1	23	11
Exchange rate gain/loss recognised during the year		9	1	10
Total recognised in other comprehensive income, gross of tax	**–174**	**80**	**21**	**–73**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**–107**	**120**	**7**	**20**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are CHF 30 million and CHF 7 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 over the next fiscal year is CHF 12 million and CHF 12 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was CHF 4 282 million and CHF 4 633 million as of 31 December 2008 and 2009, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets consist of:

CHF millions	2008	**2009**
Projected benefit obligation	3 634	1 478
Accumulated benefit obligation	3 512	1 410
Fair value of plan assets	3 149	1 122

Principal actuarial assumptions

	Swiss plans pension benefits 2008	**2009**	Foreign plans pension benefits weighted average 2008	**2009**	Other benefits weighted average 2008	**2009**
Assumptions used to determine obligations at the end of the year						
Discount rate	3.3%	3.3%	5.9%	5.6%	4.6%	4.5%
Rate of compensation increase	2.3%	2.3%	3.3%	3.5%	4.1%	4.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	3.5%	3.3%	5.8%	5.9%	4.5%	4.6%
Expected long-term return on plan assets	5.0%	5.0%	6.4%	6.3%		
Rate of compensation increase	2.3%	2.3%	4.7%	3.3%	4.5%	4.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					7.2%	6.9%
Medical trend – ultimate rate					4.5%	4.8%
Year that the rate reaches the ultimate trend rate					2015	2015

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 health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point change in assumed health-care cost trend rates would have had the following effects for 2009:

CHF 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	–23

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 2008 and 2009, are as follows:

	Swiss plans actual allocation		Foreign plans actual allocation		Swiss plans	Foreign plans
	2008	**2009**	2008	**2009**	Target allocation	
Asset category						
Equity securities	12%	23%	35%	46%	30%	42%
Debt securities	52%	53%	60%	48%	42%	51%
Real estate	18%	18%	2%	2%	18%	3%
Other	18%	6%	3%	4%	10%	4%
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 CHF 3 million (0.1% of total plan assets) and CHF 4 million (0.1% of total plan assets) as of 31 December 2008 and 2009, 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 3 Fair value disclosures.

As of 31 December 2009, the fair values of pension plan assets by level of input were as follows:

CHF 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:	5	2 318		2 323
Debt securities issued by the US government and government agencies	5	22		27
Debt securities issued by non-US governments and government agencies		1 040		1 040
Corporate debt securities		1 056		1 056
Residential mortgage-backed securities		160		160
Commercial mortgage-backed securities		8		8
Agency securitised products				
Other asset-backed securities		32		32
Equity securities:				
Equity securities held for proprietary investment purposes	809	612		1 421
Derivative financial instruments				
Real estate	23	41	481	545
Other assets	2	53	98	153
Total assets at fair value	**839**	**3 024**	**579**	**4 442**
Cash	99			99
Total plan assets	**938**	**3 024**	**579**	**4 541**

Assets measured at fair value using significant unobservable inputs (Level 3)

As of 31 December 2009, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

CHF millions	Real estate	Other assets	Total
Assets			
Balance as of 1 January 2009	459	113	572
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	1	–28	–27
Relating to assets sold during the period			
Purchases, issuances and settlements			
Transfers in and/or out of Level 3	21	15	36
Impact of foreign exchange movements		–2	–2
Closing balance as of 31 December 2009	**481**	**98**	**579**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2010 to the defined benefit pension plans are CHF 128 million and to the post-retirement benefit plan are CHF 15 million.

As of 31 December 2009, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees voluntary contributions, are as follows:

CHF millions	Swiss plans pension benefits	Foreign plans pension benefits	Other benefits
2010	139	68	15
2011	135	71	16
2012	136	74	17
2013	141	78	18
2014	147	81	19
Years 2015 – 2019	766	462	107

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 2008 and in 2009 was CHF 48 million and CHF 44 million, respectively.

13 Share-based payments

As of 31 December 2008 and 2009, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was CHF 41 million and CHF 106 million in 2008 and 2009, respectively. The related tax benefit was CHF 9 million and CHF 29 million, respectively.

Stock option plans

Stock option plans include the long-term equity award programme, the fixed-option plan and an additional grant to certain members of executive management. No options were granted under these plans from 2007 onwards and the long-term equity award programme fully vested in the course of 2009.

The long-term equity award programme was provided to members of the Executive Board and certain members of management. Under the scheme, the beneficiary was allowed to choose between the fixed-option plan and a restricted-share plan.

Under the fixed-option plan, the exercise price of each option is equal to the market price of the 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.

A summary of the activity of the Group's stock option plans is as follows:

	Weighted average exercise price in CHF	**2009** Number of shares
Outstanding as of 1 January	120	6 981 042
Options sold	86	–64 550
Options forfeited or expired	157	–595 578
Outstanding as of 31 December	**117**	**6 320 914**
Exercisable as of 31 December	117	6 320 914

The following table summarises the status of stock options outstanding as of 31 December 2009:

Range of exercise prices in CHF	Number of options	Weighted average remaining contractual life in years	Weighted average exercise price in CHF
67 – 99	3 240 552	6.0	82
128 – 187	3 080 362	3.1	154
67 – 187	**6 320 914**	**4.6**	**117**

All stock options outstanding are also exercisable and the status of these exercisable options is reflected in the table above.

The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model.

Restricted shares

The Group issued 772 248 and 153 109 restricted shares to selected employees in 2008 and 2009, respectively. Moreover, as an alternative to the Group's cash bonus programme 389 506 and 400 663 shares were issued during 2008 and 2009, respectively.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans as of 31 December 2009 were:

	Number of shares	Weighted average grant date fair value
Non-vested at 1 January	1 662 253	84
Granted	553 772	17
Delivery of restricted shares	–740 467	84
Forfeited	–131 150	81
Outstanding as of 31 December	**1 344 408**	**57**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 84 and CHF 57 in 2008 and 2009, respectively.

Performance share plan

In 2009, the Group introduced a performance share plan for the Chairman and Vice Chairman of the Board of Directors. The plan has a requisite service period of three years and is paid out in shares. The plan is measured based on Swiss Re's total shareholder return against a selected peer group. The grant date fair value was CHF 36.00 and the final number of shares to be released upon vesting can vary between 0% and 150% of the original grant. 111 111 units were issued under this plan in 2009.

Long-term Incentive plan

Starting in 2006, the Group annually grants a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service periods as well the maximum contractual term for each plan is three years. LTI grants made in 2009 may lead to a payment subject to the company's reported financial performance for the periods covered by each plan. For each LTI plan year, final payment, if any, occurs at the end of the respective three-year performance measurement period. The plan includes a payout factor, which can vary between 0 and 2, driven by average return on equity (ROE), and earnings per share compound annual growth (EPS CAGR) over the vesting period. The final payment in respect of each plan year will depend on whether the performance targets, expressed by average ROE and EPS growth, have been achieved over the plan period, and the Swiss Re share price at the conclusion of the plan. The LTI grant from 2006 vested in March 2009 and there was no payout as LTI plan performance targets were not achieved.

Plans granted prior to 2009 are expected to be settled in cash. Their fair value is based on a risk neutral approach that uses the current share price as the best estimate of the share price at the end of the vesting period. Three-year average ROE and EPS CAGR used to determine fair value are based on the Group's three-year plan.

The LTI plan granted in 2009 is expected to be settled in shares. The compensation costs recognised for this plan continue to take into consideration the change in key performance indicators, while the share price used for measurement, CHF 42.40, was set as of the date the share settlement decision was made in November 2009. 2 503 750 units were granted under this plan in 2009.

Value alignment incentive

In 2009, the Group issued a compensation plan to selected employees. The plan has a requisite service period of three years and is paid out in cash. The payout is based on a three-year risk free interest rate, the Swiss Re share price performance and dividend yield over the vesting period. The grant price was based on the closing share price as of 19 February 2009 of CHF 16.74. A total of 337 427 units were granted in 2009 and as of 31 December 2009 171 489 units were outstanding.

Stock appreciation rights

In 2006, the Group issued 3 million stock appreciation rights (SAR) as an extraordinary grant following the Insurance Solutions acquisition. The plan will be settled in cash. The requisite service period is two years, while the maximum contractual term is five years. The plan vested in 2008, however holders of the award are still able to exercise their rights until the maximum contractual period expires. The fair value of the appreciation rights is estimated at date of grant using a binomial option-pricing model and is revised at every balance sheet date until exercise.

Unrecognised compensation costs

As of 31 December 2009, the total unrecognised compensation cost (net of expected forfeitures) related to non-vested, share-based compensation awards was CHF 127 million and the weighted average period over which that cost is expected to be recognised was 2.2 years.

The number of shares authorised for the Group's share-based payments to employees was 649 773 and 10 052 510 as of 31 December 2008 and 2009, respectively.

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.

In 2008 and 2009, 1 222 339 and 8 703 959 options, respectively, were issued to employees and the Group contributed CHF 18 million and CHF 59 million, respectively, to the plan.

14 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of management compensation to the members of the Board of Directors and of the Executive Committee of the Group, as well as to closely related persons, are detailed on pages 237 to 244 of the annual report of Swiss Reinsurance Company Ltd.

15 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. Such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

As of 31 December 2009	CHF millions
2010	73
2011	67
2012	59
2013	50
2014	49
After 2014	487
Total operating lease commitments	**785**
Less minimum non-cancellable sublease rentals	–83
Total net future minimum lease commitments	**702**

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):

CHF millions	2008	**2009**
Minimum rentals	74	76
Sublease rental income	–4	–4
Total	70	**72**

Other commitments

As a participant in limited 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 2009 were CHF 2 065 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.

Federal securities class action lawsuit

On 14 August 2009, Plumbers' Union Local No. 12 Pension Fund, a Swiss Re shareholder, filed a second amended complaint in the federal securities class action lawsuit against Swiss Re, Swiss Re's former Chief Executive Officer and Swiss Re's Chief Financial Officer arising out of Swiss Re's announcement, on 19 November 2007, that it would report a CHF 1.2 billion mark-to-market loss on two credit default swaps. The lawsuit is pending in New York federal court. Plaintiff alleges that defendants violated the anti-fraud provisions of the U.S. federal securities laws. Specifically, it contends that Swiss Re made false and misleading statements about its financial condition between March and November 2007, and that it failed to disclose that the Credit Solutions division had engaged in two credit default swaps that exposed the company to financial risk. Plaintiff seeks to certify a class of all U.S. residents or citizens that purchased Swiss Re stock between 1 March 2007 and 19 November 2007. Swiss Re plans to vigorously defend the lawsuit. On 4 September 2009, Swiss Re filed a motion to dismiss and requested oral argument. Plaintiff filed an opposition to that motion on 25 September, to which Swiss Re submitted a reply brief on 9 October. The parties await a date for oral argument and/or the Court's decision on the motion to dismiss.

Arbitration proceeding

In mid 2007, a Swiss Re subsidiary commenced an arbitration proceeding against Lincoln National Reinsurance Company (Barbados) Ltd. ("Lincoln") seeking relief from an individual disability income indemnity retrocessional agreement of 1 October 2001. In late January 2009, the arbitration panel awarded Swiss Re total rescission of the affected treaty and retained limited jurisdiction to resolve any interim disputes between the parties regarding the implementation of the panel's award. In early February 2009, Swiss Re filed a petition to confirm the arbitral award in the United States District Court for the Northern District of Indiana, Ft. Wayne Division. Lincoln has opposed Swiss Re's petition to confirm the arbitral award on procedural grounds. In July 2009, Lincoln sought clarification of the arbitral award to require Swiss Re to return to Lincoln an amount equal to the original ceding commission, plus interest. By order dated 25 September 2009 the panel denied Lincoln's request for clarification and reaffirmed its order dated 24 January 2009 granting Swiss Re's request for total rescission of the affected treaty. On 15 December 2009, the District Court granted Swiss Re's Petition and entered an order confirming the panel's arbitration ruling.

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 or any other legal matters, except as disclosed in this note, is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

16 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement our (re)insurance offering 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 result of the Group.

The Group presents four operating business segments: Property & Casualty, Life & Health, Asset Management and Legacy. Items not allocated to these four business segments are included in the "Group items" column.

The Property & Casualty segment consists of the following sub-segments: Property traditional, Casualty traditional, Specialty traditional and Non-traditional business. The Property & Casualty business segment includes Property & Casualty insurance-linked securities, Environmental & Commodity Markets business and, in the Specialty traditional sub-segment, Credit Reinsurance, Bank Trade Finance, and Credit securitisations.

The Life & Health segment continues to consist of the following sub-segments: Life traditional, Health traditional and Admin Re®. The Life & Health business segment includes variable annuity business and Life & Health insurance-linked securities.

The Asset Management business segment includes two separate sub-segments Credit & Rates and Equity & Alternative Investments resulting from the aggregation of Asset Management Risk Stripes. The Asset Management business segment includes proprietary returns on the Group's invested fixed income securities, equity securities and alternative investments.

The Legacy business segment encompasses non-core activities, which have been in run-off since November 2007 and are managed separately from the Asset Management division. Legacy includes Financial Guarantee Re business, and assets in the Group's former trading book, including credit correlation, collateralised fund obligations and other non-core activities.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments.

Certain investment results, including investment income and realised gains on unit-linked business, with-profit business and reinsurance derivatives, are excluded from the performance of the Asset Management business segment and directly allocated to the Property & Casualty and Life & Health business segments.

The allocation of investment result to Property & Casualty and Life & Health is determined based on US GAAP (re)insurance liabilities. The allocation methodology applies a risk-free return to the nominal net reserves at the end of the prior quarter. The risk-free interest rate applied to the reserves is determined by currency and duration of the underlying Property & Casualty and Life & Health reserves. The Allocation column eliminates the calculated investment result allocated to either the Property & Casualty or the Life & Health business segments.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1).

a) Business segment results
For the years ended 31 December

2008 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	14 379	11 090		32			25 501
Fee income from policyholders		808					808
Net investment income/loss	2 607	3 648	5 360	231	575	–4 540	7 881
Net realised investment gains/losses	–145	–5 022	480	–5 997	1 202		–9 482
Other revenues	54		72	4	140		270
Total revenues	16 895	10 524	5 912	–5 730	1 917	–4 540	24 978
Expenses							
Claims and claim adjustment expenses; life and health benefits	–9 857	–9 065		–150			–19 072
Return credited to policyholders		2 822					2 822
Acquisition costs	–2 730	–2 626		–10			–5 366
Other expenses	–1 562	–958			–561	–130	–3 211
Interest expenses					–1 501		–1 501
Total expenses	–14 149	–9 827	0	–160	–2 062	–130	–26 328
Operating income/loss	2 746	697	5 912	–5 890	–145	–4 670	–1 350

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	13 885	10 679		42			24 606
Fee income from policyholders		916					916
Net investment income/loss	2 454	3 445	4 622	441	316	–4 343	6 935
Net realised investment gains/losses	28	3 209	–801	46	–1 749		733
Other revenues	38		77	8	70		193
Total revenues	**16 405**	**18 249**	**3 898**	**537**	**–1 363**	**–4 343**	**33 383**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–8 686	–9 348		–397			–18 431
Return credited to policyholders		–4 823					–4 823
Acquisition costs	–2 394	–2 488		–1			–4 883
Other expenses	–1 505	–844			–791	–58	–3 198
Interest expenses					–1 094		–1 094
Total expenses	**–12 585**	**–17 503**	**0**	**–398**	**–1 885**	**–58**	**–32 429**
Operating income/loss	**3 820**	**746**	**3 898**	**139**	**–3 248**	**–4 401**	**954**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the years ended 31 December of 2008 and 2009 as follows:

CHF millions, for the year ended 31 December 2008	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	2 495	2 175	–130	–4 540

CHF millions, for the year ended 31 December 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	2 215	2 186	–58	–4 343

b) Property & Casualty business segment – by line of business
For the years ended 31 December

2008 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	4 884	5 187	3 815	13 886	493	14 379
Net investment income	345	1 658	434	2 437	170	2 607
Net realised investment gains/losses	–153	15	22	–116	–29	–145
Other revenues			15	15	39	54
Total revenues	5 076	6 860	4 286	16 222	673	16 895
Expenses						
Claims and claim adjustment expenses	–2 654	–4 545	–2 367	–9 566	–291	–9 857
Acquisition costs	–623	–1 010	–972	–2 605	–125	–2 730
Other expenses	–463	–691	–274	–1 428	–134	–1 562
Total expenses	–3 740	–6 246	–3 613	–13 599	–550	–14 149
Operating income	1 336	614	673	2 623	123	2 746
Claims ratio in %	54.4	87.6	62.0	68.9		
Expense ratio in %	22.2	32.8	32.7	29.0		
Combined ratio in %	76.6	120.4	94.7	97.9		

2009 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	5 329	4 484	3 510	13 323	562	13 885
Net investment income	210	1 590	337	2 137	317	2 454
Net realised investment gains/losses	45	32		77	–49	28
Other revenues					38	38
Total revenues	**5 584**	**6 106**	**3 847**	**15 537**	**868**	**16 405**
Expenses						
Claims and claim adjustment expenses	–2 524	–3 356	–2 179	–8 059	–627	–8 686
Acquisition costs	–807	–765	–746	–2 318	–76	–2 394
Other expenses	–403	–670	–308	–1 381	–124	–1 505
Total expenses	**–3 734**	**–4 791**	**–3 233**	**–11 758**	**–827**	**–12 585**
Operating income	**1 850**	**1 315**	**614**	**3 779**	**41**	**3 820**
Claims ratio in %	47.4	74.8	62.1	60.5		
Expense ratio in %	22.7	32.0	30.0	27.8		
Combined ratio in %	70.1	106.8	92.1	88.3		

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

For the years ended 31 December

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	7 773	2 434	883	11 090
Fee income from policyholders	66		742	808
Net investment income	943	412	2 293	3 648
Net realised investment gains/losses	–1 225	–250	–3 547	–5 022
Other revenues				
Total revenues	7 557	2 596	371	10 524
Expenses				
Claims and claim adjustment expenses; life and health benefits	–6 162	–1 671	–1 232	–9 065
Return credited to policyholders	884		1 938	2 822
Acquisition costs	–1 663	–453	–510	–2 626
Other expenses	–480	–179	–299	–958
Total expenses	–7 421	–2 303	–103	–9 827
Operating income	136	293	268	697
Operating result, excluding non-participating net realised investment gains/losses	335	543	48	926
Net investment income – unit-linked	120		647	767
Net investment income – with-profit business			249	249
Net investment income – non-participating	823	412	1 397	2 632
Net realised investment gains/losses – unit-linked	–1 026		–3 026	–4 052
Net realised investment gains/losses – with-profit business			–741	–741
Net realised investment gains/losses – non-participating	–199	–250	220	–229
Operating revenues[1]	8 662	2 846	3 022	14 530
Management expense ratio in %	5.5	6.3	9.9	6.6
Benefit ratio[2] in %				85.5

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Life & Health business segment – by line of business
For the years ended 31 December

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	7 637	2 132	910	10 679
Fee income from policyholders	66		850	916
Net investment income	791	397	2 257	3 445
Net realised investment gains/losses	–93	212	3 090	3 209
Other revenues				
Total revenues	**8 401**	**2 741**	**7 107**	**18 249**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–5 742	–1 284	–2 322	–9 348
Return credited to policyholders	–534		–4 289	–4 823
Acquisition costs	–1 708	–455	–325	–2 488
Other expenses	–377	–150	–317	–844
Total expenses	**–8 361**	**–1 889**	**–7 253**	**–17 503**
Operating income/loss	**40**	**852**	**–146**	**746**
Operating result, excluding non-participating net realised investment gains/losses	**611**	**640**	**40**	**1 291**
Net investment income – unit-linked	30		571	601
Net investment income – with-profit business			166	166
Net investment income – non-participating	761	397	1 520	2 678
Net realised investment gains/losses – unit-linked	478		2 979	3 457
Net realised investment gains/losses – with-profit business			297	297
Net realised investment gains/losses – non-participating	–571	212	–186	–545
Operating revenues[1]	**8 464**	**2 529**	**3 280**	**14 273**
Management expense ratio in %	4.5	5.9	9.7	5.9
Benefit ratio[2] in %				82.4

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

d) Asset Management
For the years ended 31 December

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income/loss	6297	–937	5360
Net realised investment gains/losses	807	–327	480
Other revenues	80	–8	72
Total revenues	7184	–1272	5912
Operating income/loss	7184	–1272	5912

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Net investment income	4583	39	4622
Net realised investment gains/losses	–639	–162	–801
Other revenues	74	3	77
Total revenues	**4018**	**–120**	**3898**
Operating income/loss	**4018**	**–120**	**3898**

e) Net premiums earned and fee income from policyholders by country

CHF millions	2008	**2009**
United States	10 558	10 467
United Kingdom	3 677	3 170
Germany	1 486	1 323
Canada	1 069	991
Australia	943	991
France	896	1 002
Italy	849	875
Switzerland	713	664
Spain	642	519
Netherlands	632	618
Japan	521	619
Other	4 323	4 283
Total	26 309	**25 522**

17 Subsidiaries, equity investees and variable interest entities

Subsidiaries and equity investees	Share capital (CHF millions)	Affiliation in % as of 31.12.2009	Method of consolidation
Europe			
Denmark			
Swiss Re Denmark H ApS, Copenhagen	0	100	f
Swiss Re Denmark Services A/S, Copenhagen	0	100	f
France			
Protegys Assurance, Paris	11	34	e
Germany			
ASS Assekuranz, Service- und Sachverständigengesellschaft mbH, Sundern	1	49	e
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	74	15	e
Paarl Grundbesitzverwaltung GmbH & Co. KG Objekt Köln Sterrenhofweg, Munich	2	22	e
ROLAND Partner Beteiligungsverwaltung GmbH, Cologne	0	20	e
Swiss Re Germany AG, Unterföhring bei München	67	100	f
Swiss Re Germany Holding GmbH, Unterföhring bei München	38	100	f
Hungary			
Swiss Re Treasury (Hungary) Group Financing Limited Liability Company, Budapest	0	100	f
Ireland			
ALPS Capital II Plc, Dublin	1	100	e
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	100	f
Swiss Reinsurance Ireland Limited, Dublin	119	100	f
Liechtenstein			
Elips Life AG, Vaduz	15	48	e
Luxembourg			
Securitas de Milo S.a.r.l., Luxembourg	0	100	e
Swiss Re Europe S.A., Luxembourg	519	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	1	100	f
Swiss Re Funds (Lux) I, Senningerberg [1]	10 771	100	f
Swiss Re International SE, Luxembourg	266	100	f
Swiss Re Management (Luxembourg) S.A., Luxembourg	295	100	f
Swiss Re Treasury (Luxembourg) S.A., Luxembourg	156	100	f

Method of consolidation

f full

e equity

[1] Net asset value instead of share capital

	Share capital (CHF millions)	Affiliation in % as of 31.12.2009	Method of consolidation
Malta			
Swiss Re Finance (Malta) Ltd., Mriehel	742	100	f
Swiss Re Treasury (Malta) Limited, Mriehel	742	100	f
Netherlands			
Algemene Levensherverzekering Maatschappij nv, Amsterdam	7	100	f
Atradius N.V., Amsterdam	84	25	e
Switzerland			
European Reinsurance Company of Zurich Ltd, Zurich	312	100	f
Horizon21 Private Equity Holding AG, Pfaeffikon	23	32	e
Tertianum AG, Zurich	10	20	e
United Kingdom			
Admin Re UK Limited, Shropshire	122	100	f
Banian Investments UK Limited, London	2	100	f
Barclays Life Assurance Company Limited, London	50	100	f
Calico Leasing (GB), London	0	100	f
Cyrenaic Investments (UK) Limited, London	0	100	f
Dex Name Limited, London	20	100	f
European Credit and Guarantee Insurance PCC Limited, St. Peter Port	9	100	f
NM Insurance Holdings Limited, Shropshire	219	100	f
NM Life Group Limited, Shropshire	250	100	f
NM Life Limited, Shropshire	159	100	f
NM Pensions Limited, Shropshire	250	100	f
Reassure UK Life Assurance Company Limited, London	644	100	f
SR Delta Investments (UK) Limited, London	6	100	f
SRNY Limited, London	56	100	f
Swiss Re BHI Limited, London	0	100	e
Swiss Re Capital Markets Limited, London	62	100	f
Swiss Re Financial Services Limited, London	12	100	f
Swiss Re Frankona LM Limited, London	12	100	e
Swiss Re GB Plc, London	1 067	100	f
Swiss Re Life & Health Limited, London	0	100	f
Swiss Re Services Limited, London	4	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	2	100	f
Swiss Re Specialty Insurance (UK) Limited, London	30	100	f
Swiss Reinsurance Company UK Limited, London	0	100	f
The Mercantile & General Reinsurance Company Limited, Glasgow	31	100	f
The Palatine Insurance Company Limited, London	13	100	f
Windsor Life Assurance Company Limited, Shropshire	439	100	f
XSMA Limited, London	25	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2009	Method of consolidation
North America and Caribbean			
Barbados			
Accra Holdings Corp, Bridgetown	17	100	f
European Finance Reinsurance Company Ltd., Bridgetown	5	100	f
European International Holding Company Ltd., Bridgetown	3188	100	f
European International Reinsurance Company Ltd., Bridgetown	3183	100	f
Gasper Funding Corporation, Bridgetown	18	100	f
Underwriters Reinsurance Company (Barbados) Inc., Bridgetown	17	100	f
Bermuda			
CORE Reinsurance Company Limited, Hamilton	0	100	f
Old Fort Insurance Company, Ltd., Hamilton	0	100	f
Swiss Re Global Markets Limited, Hamilton	0	100	f
SwissRe Capital Management (Bermuda) Ltd., Hamilton	0	100	f
SwissRe Investments (Bermuda) Ltd., Hamilton	0	100	f
Canada			
Swiss Re Life & Health Canada, Toronto	112	100	f
SwissRe Holdings (Canada) Inc., Toronto	116	100	f
Cayman Islands			
Ampersand Investments (UK) Ltd., George Town	1002	100	f
Cobham Funding Limited, George Town	0	100	f
Dunstanburgh Finance (Cayman) Limited, George Town	0	100	f
Epping Funding Limited, George Town	0	100	f
Kilgallon Finance Limited, George Town	0	100	f
SR Alternative Financing I SPC, George Town	0	100	f
SR Alternative Financing II SPC, George Town	0	100	f
SR Cayman Holdings Ltd, George Town	0	100	f
SR York Limited, George Town	0	100	f
Swiss Re Strategic Investments UK Limited, George Town	0	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2009	Method of consolidation
United States			
Facility Insurance Corporation, Austin	0	100	f
Facility Insurance Holding Corporation, Dallas	0	100	f
First Specialty Insurance Corporation, Jefferson City	5	100	f
Industrial Risk Insurers, Windsor	0	100	f
North American Capacity Insurance Company, Manchester	4	100	f
North American Elite Insurance Company, Manchester	4	100	f
North American Specialty Insurance Company, Manchester	13	100	f
Rialto Re I Inc, Burlington	147	100	f
SR PA Finance Inc., Wilmington	155	100	f
Sterling Re, Inc., Burlington	0	100	f
Swiss Re America Holding Corporation, Wilmington	0	100	f
Swiss Re Atrium Corporation, Wilmington	1	100	f
Swiss Re Capital Markets Corporation, New York	0	100	f
Swiss Re Financial Products Corporation, New York	2 713	100	f
Swiss Re Financial Services Corporation, Wilmington	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	4	100	f
Swiss Re Life & Health America Inc., Hartford	4	100	f
Swiss Re Partnership Holding, LLC, Dover	380	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	100	f
Washington International Insurance Company, Manchester	4	100	f
Westport Insurance Corporation, Jefferson City	12	100	f
Australia			
Swiss Re Australia Ltd, Sydney	19	100	f
Swiss Re Life & Health Australia Limited, Sydney	144	100	f
Africa			
South Africa			
Swiss Re Africa Limited, Johannesburg	1	100	f
Swiss Re Life and Health Africa Limited, Johannesburg	0	100	f

	Share capital (CHF millions)	Affiliation in % as of 31.12.2009	Method of consolidation
Middle East			
United Arab Emirates			
GlobeMed Gulf FZ-LLC, Dubai	3	39	e
Asia			
China			
Beijing Prestige Health Consulting Services Company Limited, Beijing	6	100	e
Vietnam			
Vietnam National Reinsurance Corporation, Hanoi	38	25	e

Variable interest entities

Swiss Re 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 due to a modified coinsurance agreement, certain insurance-linked and credit-linked securitisations, private equity limited partnerships, hedge funds, 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 owners 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, these entities need to be assessed for consolidation as required by the Variable Interest Entities section of the Consolidation Topic.

The party that will absorb the majority of the expected losses, receive the majority of the expected residual return, or both, is considered the primary beneficiary according to the Variable Interest Entities section of the Consolidation Topic. To determine the primary beneficiary of a VIE, a qualitative analysis is performed in which the nature and design, capital structure, contractual terms and relationships among the variable interest holders are evaluated. When the qualitative analysis is not conclusive, a quantitative analysis is performed. For this, the Group determines under various probability-weighted scenarios the cash flows that the variable interest holders will receive based on the explicit and implicit variable interests they hold. The Group consolidates a VIE when it is the primary beneficiary.

The assessment if the Group is the primary beneficiary is reviewed whenever circumstances qualify as a reconsideration event under the Variable Interest Entities section of the Consolidation Topic. These events include:
- the VIE's governing documents or contractual arrangements are changed in a manner that changes the characteristics of the Group's involvement;
- the Group's assumption of additional variable interests; and
- the Group's sale or disposal of variable interests, or the issuance of variable interests by the VIE to unrelated parties.

In general, third parties invested in consolidated VIEs do not have recourse to the Group in the event of a default, except in cases where the Group has protected the assets with a derivative contract or has provided a guarantee. In these cases, the recourse is limited to the notional amount of the guarantee or the value of the assets protected by the derivative contract.

Modified coinsurance agreement
The Group assumes insurance risk via a modified coinsurance agreement from a direct insurer, which qualifies as a VIE. The Group takes the majority of the mortality risk, which makes the Group the primary beneficiary. Consequently, the Group will incur losses if mortality risk develops unfavourably.

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 initially assumes the insurance risk through insurance contracts. In credit-linked securitisations, the securitisation vehicle initially assumes the credit risk through credit default swaps.

The securitisation vehicle generally retains the issuance proceeds as collateral. To determine if the Group is the primary beneficiary or has a significant variable interest, the Group considers the insurance or credit risk assumed by the bondholders of the vehicles, the investment risk of the securities held as collateral, and any derivative contracts or other guarantees the Group has entered into with the VIE. Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, or through protection provided for the value of the collateral held.

The collateral held predominantly consists of investment grade securities. The Group would incur losses when some or all of these securities drop in value or default. The Group's maximum exposure to loss equals the higher of the carrying amount of the collateral protected or the carrying amount of the insurance-linked or credit-linked securities held.

Investment vehicles
Investment vehicles include private equity limited partnerships and hedge funds, in which the Group invested as part of its investment strategy. The Group's variable interests arise through an ownership interest in the vehicle. To determine if the Group is the primary beneficiary or holds a significant portion of the variable interests, the Group assesses its ownership share in relation to the total equity outstanding. 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.

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 of investment grade securities, structured products, hedge fund units and others.

Others
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 exposure of the Group is either retroceded or hedged. The assets held by the VIEs consist of investment grade securities, private equity investments, residential real estate and others.

The Group did not provide financial or other support to any VIEs in 2009 that it was not previously contractually required to provide.

The Group has reassessed the classification of certain investment vehicles and determined that certain private equity and hedge fund participations do not actually qualify as VIE's and therefore have now been excluded from the disclosure in both years presented. The changes have no impact on the Group's earnings or balance sheet as the conclusion on consolidation of these entities has remained unchanged.

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIE's. The Group is the primary beneficiary of the VIE's but does not hold the majority voting interest as of 31 December 2008 and 2009. For investment vehicles, the assets and liabilities are presented net of minority interest.

CHF millions	2008	**2009**
Fixed income securities:		
Available-for-sale (whereof restricted: 2008: 8 144; 2009: 5 630)	8 953	7 694
Trading (whereof restricted: 2008: 0; 2009: 1 021)	131	1 170
Policy loans, mortgages and other loans (whereof restricted: 2008: 260; 2009: 0)	260	224
Other invested assets (whereof restricted: 2008: 3; 2009: 0)	3	107
Cash and cash equivalents (whereof restricted: 2008: 570; 2009: 141)	570	312
Accrued investment income (whereof restricted: 2008: 80; 2009: 43)	80	75
Premiums and other receivables		15
Reinsurance recoverable on unpaid claims and policy benefits		10
Acquired present value of future profits (whereof restricted: 2008: 84; 2009: 0)	84	77
Other assets (whereof restricted: 2008: 33; 2009: 27)	33	30
Total assets	10 114	**9 714**
Unpaid claims and claim adjustment expenses		19
Liabilities for life and health policy benefits	1 327	1 259
Policyholder account balances	1 718	1 567
Reinsurance balances payable		11
Deferred and other non-current taxes	162	54
Accrued expenses and other liabilities	525	487
Long-term debt	5 155	5 559
Additional paid-in capital	241	234
Net unrealised investment gains/losses, net of tax	–187	–329
Cumulative translation adjustments, net of tax	1 204	–346
Retained earnings	–31	1 199
Total liabilities and shareholders' equity	10 114	**9 714**

The following table shows the total assets of VIEs of which the Group is the primary beneficiary, but does not hold the majority voting interest for periods ended 31 December 2008 and 2009.

CHF millions	2008	**2009**
Insurance-linked/Credit-linked securitisations	163	164
Investment vehicles	3	
Debt financing	6 097	6 282
Modified coinsurance agreement	3 830	3 351
Other	34	27
Total	10 127	**9 824**

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group holds a significant variable interest as of 31 December 2009:

CHF millions	Assets	Liabilities
Other invested assets	901	
Accrued expenses and other liabilities		438
Total	**901**	**438**

The following table shows the total assets of VIEs in which the Group holds a significant variable interest for periods ended 31 December 2008 and 2009.

CHF millions	2008	**2009**
Insurance-linked/Credit-linked securitisations	6 510	5 325
Investment vehicles	392	272
Debt financing	5 074	5 524
Other	1 721	1 606
Total	13 697	**12 727**

The following table shows the Group's maximum exposure to loss and the liabilities related to VIEs in which the Group holds a significant variable interest as of 31 December 2008 and 2009.

			2008			**2009**
CHF millions	Maximum exposure to loss	Total liabilities	Difference	Maximum exposure to loss	Total liabilities	Difference
Insurance-linked/Credit-linked securitisations	6 255	865	5 390	5 213	179	5 034
Investment vehicles	128		128	95		95
Debt financing	266		266	208		208
Other	991	213	778	1 169	437	732
Total	7 640	1 078	6 562	**6 685**	**616**	**6 069**

The liabilities of CHF 179 million as of 31 December 2009 for insurance-linked and credit-linked securitisations represent the negative fair value of the total return swaps the Group has entered into with the securitisation vehicles. The negative fair value is caused by a decrease in value of some of the assets held as collateral by the vehicles.

When the net asset values of the investment vehicles decrease, the carrying amount of the investment is adjusted accordingly and a loss is recognised in the income statement. Consequently, no liabilities are set up for investment vehicles when losses occur.

The liabilities for the debt financing and the other categories represent the decline in value of VIE assets which are guaranteed by the Group. For VIEs where the variable interests consist of an equity stake, a loss is recognised in the income statement rather than a liability being set up when the net asset value declines. As of 31 December 2009, the liabilities for the other categories amounted to CHF 437 million.

As of 31 December 2009, the consolidation of the VIEs resulted in a minority interest in the balance sheet of CHF 409 million (31 December 2008: CHF 420 million). The minority interest is included in accrued expenses and other liabilities. The net minority interest in income was CHF 10 million and CHF 2 million net of tax for the years ended 31 December 2008 and 2009, respectively. The income statement impacts are generally included in the relevant segment with the underlying movement in income or expenses.

Reconsideration events under the Variable Interest Entities section of the Consolidation Topic required the review of the consolidation assessment of certain VIEs. As a result, the Group consolidated and deconsolidated some VIEs in the first quarter of 2009. The resulting effect on the financial statements is immaterial.

18 Restructuring provision

In 2009, the Group set up total provisions of CHF 271 million, related to the cost savings and efficiency programmes announced in early 2009, and released CHF 31 million, mostly attributable to business acquired from Insurance Solutions and the realignment of the former Financial Markets unit announced in 2007.

The increase of the provision in the Property & Casualty and the Life & Health business segments of CHF 124 million and CHF 54 million, respectively, are related to leaving benefits, office structure simplification costs and cost for the concentration of support resources allocated to the Property & Casualty and the Life & Health business segments.

The Asset Management business segment increased the provision by CHF 93 million, mostly for leaving benefits associated with current de-risking activities.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Total
Balance as of 1 January	73	15	30	118
Increase in provision	124	54	93	271
Release of provision	–22	–3	–6	–31
Costs incurred	–86	–41	–70	–197
Balance as of 31 December	**89**	**25**	**47**	**161**

19 Risk assessment

The section below follows article 663b para. 12 of the Swiss Code of Obligations, which requires disclosure of the Group's performance of a risk assessment.

The Board of Directors is ultimately responsible for the Group's governance principles and policies, including approval for Swiss Re's overall risk tolerance. The Board mainly deals with risk management through two committees:

- The Finance and Risk Committee is responsible for reviewing the Group Risk Policy and capacity limits, as well as monitoring risk tolerance, and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Executive Committee (EC) is responsible for implementing the risk management framework through four further committees:

- The Group Risk and Capital Committee has responsibility for allocating capital and insurance risk capacity, for approving investment risk limits, and for determining changes to the internal risk and capital methodology.
- The Group Asset-Liability Committee oversees the management of Swiss Re's balance sheet, in particular its liquidity, capital and funding positions and related policies. This committee was newly established in 2009.
- The Group Products and Limits Committee determines Swiss Re's product policy and standards, sets reinsurance and counterparty credit risk limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and co-ordination platform for regulatory matters. It ensures a consistent approach to external communication on regulatory issues.

The Chief Risk Officer (CRO), who is a member of the EC, participates in the four committees described above and chairs both the Group Risk and Capital Committee and the Group Regulatory Committee. In addition, the CRO leads the global Risk Management function, which is responsible for risk oversight and control across the Group.

The global Risk Management function operates via dedicated units for property and casualty risk, life and health risk, and financial market and credit risk. Each unit is entrusted with Group-wide responsibility for the identification, assessment, and controlling of their allocated risks and for risk governance at the risk category level.

20 Subsequent events

On 18 January 2010, the Group announced the closing of a US individual life retrocession transaction with Berkshire Hathaway. Under the terms of the contract the Group will, on a 100% quota share basis, reinsure a closed block of yearly renewable term individual life reinsurance business, written prior to 2004, with Berkshire Hathaway Life Insurance Company of Nebraska. The transaction is effective 1 October 2009 and will be reported by the Group in the first quarter of 2010. The Group will continue to provide administration and reporting services for the subject business.

On March 10, 2010, the Group announced preliminary estimates in respect of the earthquake in Chile and European winter storm Xynthia. A magnitude 8.8 earthquake hit Chile on 27 February 2010, causing several hundred fatalities and triggering severe property damage along a coastal stretch of 600 km. Xynthia was a violent European windstorm that crossed Western Europe on 26 – 28 February 2010, reaching its peak intensity over northern Spain and France and triggering massive storm surges along the French Atlantic coast. The Group's preliminary estimate of industry losses for the earthquake in Chile is in the range of USD 4 – 7 billion, and the estimate of the Group's losses, net of retrocession and before tax, is USD 500 million. The Group's preliminary estimate of its losses for Xynthia, net of retrocession and before tax, is USD 100 million. In its release the Group noted that, particularly with respect to the earthquake in Chile, the estimates are preliminary and subject to update as more information becomes available.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Group, which comprise the income statement, balance sheet, statement of shareholders' equity, statement of comprehensive income, statement of cash flow and notes (pages 137 to 220), for the year ended 31 December 2009.

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 (US GAAP) 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 these 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 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 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, the auditor considers the internal control system relevant to the entity'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 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 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 for the year ended 31 December 2009 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

As discussed in Notes 1 and 2 to the consolidated financial statements, Swiss Re Group changed the manner in which it recognises and reports other-than-temporary impairments in 2009.

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 AG

David JA Law
Audit expert
Auditor in charge

Dawn M Kink
Audit expert

Zurich, 12 March 2010

Annual report Swiss Reinsurance Company Ltd

Reinsurance and holding company

Swiss Reinsurance Company Ltd, domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a holding company. The assessment of the market position, profitability and financial strength of Swiss Re's worldwide organisation must focus primarily on the consolidated financial statements.

The following commentary on the 2009 financial year of the parent company thus complements the review of the financial year of the Swiss Re Group.

Financial year 2009

The after-tax profit for the 2009 financial year amounted to CHF 1 070 million, compared to CHF 15 million in the previous year.

The reinsurance business result increased 40% and amounted to a gain of CHF 2.5 billion. Property and casualty business continued to perform well, benefiting from favourable claims experience and benign natural catastrophe losses incurred. Life and health business delivered a substantially improved result driven by a favourable mortality experience and the positive recapture impact of business retroceded from a Swiss Re Group subsidiary. The investment result improved slightly, mainly due to lower valuation adjustments on investments.

Reinsurance result

The total reinsurance result improved substantially to a gain of CHF 2.5 billion, compared to a gain of CHF 1.8 billion in 2008.

Gross premiums earned decreased from CHF 24.3 billion to CHF 14.8 billion. The 2008 premium peak was mainly driven by the initial premium consideration of CHF 7.8 billion received at inception of a life and health portfolio from the Bermuda branch of a Swiss Re Group subsidiary. Excluding this impact, life and health gross premiums earned increased slightly and amounted to CHF 4.6 billion in 2009. Property and casualty gross premiums earned decreased 17% to CHF 10.2 billion, which mainly is the result of portfolio transfers on 1 October 2008 from the Company's European branches to a Luxembourg based reinsurance carrier of the Swiss Re Group.

Property and casualty net claims and claim adjustment expenses decreased during 2009, mainly driven by good claims experience and low natural catastrophe claims.

The development of life and health claims and claim adjustment expenses, as well as life and health benefits, was strongly impacted by portfolio transactions with Swiss Re Group companies. The previous year positions reflect the initial recognition of the technical provision assumed at inception of a portfolio and offset the premium peak described above. In addition to this one-off transaction, the current year improvement was primarily driven by the favourable mortality experience and a reduction in liabilities related to the positive outcome of an arbitration award. A further reduction in the liabilities for life and health policy benefits was driven by the portfolio transaction with the Company's life and health subsidiaries in connection with the US individual life retrocession transaction with Berkshire Hathaway Inc.

Investment result

The investment result amounted to a loss of CHF 0.4 billion, compared to a loss of CHF 0.7 billion in the previous year.

Lower valuation adjustments on fixed income securities, private equity investments and own shares, as well as the absence of losses from structured credit default swaps reported in the previous year, led to a positive result before the allocation of investment return. This effect was to a large extent offset by the lower dividend income from the Company's subsidiaries.

Additionally, the intragroup profit allocation agreement was terminated in 2009, resulting in a smaller investment result, compared to the prior year period.

Included in investment income is a value re-adjustment of CHF 1.1 billion on hedged derivative financial instrument liabilities. This income is compensated by valuation adjustments and realised losses in the amount of CHF 1.3 billion on the respective hedge positions.

Other income and expenses

Other net expenses remained at the previous year's level of CHF 0.8 billion. The increase in net interest expenses mainly reflects the impact of the convertible perpetual capital instrument issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., and a lower net interest income from the Company's subsidiaries. This increase was more than offset by the substantially lower other expenses compared to the prior year, which was negatively affected by a loss incurred in connection with the merger with a Swiss Re Group subsidiary.

Assets

Total assets decreased 5% to CHF 98.1 billion.

This development was mainly driven by a decrease in reinsurance receivables and funds held by ceding companies, both in connection with intragroup business. The decline in other receivables also reflects lower balances with the Company's subsidiaries.

The decrease in fixed income securities was mainly due to reducing the risk profile through an increased allocation to higher quality issuers, short-term investments and cash equivalents.

Liabilities

Total liabilities decreased 8% to CHF 79.4 billion.

The decrease in technical provisions of CHF 13.8 billion primarily reflects the termination of intragroup retrocession arrangements with European subsidiaries in connection with the continuing consolidation of the Group's European business. This results in a realignment of the intragroup retrocession programme impacting the liabilities. The increase in reinsurance recoverables on unpaid claims is mainly due to a loss reserve adverse development reinsurance cover with Berkshire Hathaway Inc. entered in 2009. The reduction of liabilities for life and health policy benefits was a result of the portfolio transaction with the Company's life and health subsidiaries. The increase in reinsurance recoverables on life and health policy benefits was mainly due to an accounting policy change for modified coinsurance treaties.

The convertible perpetual capital instrument with a face value of CHF 3.0 billion issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., is reported under "Debentures".

Furthermore, payables towards Swiss Re Group companies included in "Other liabilities" increased CHF 4.1 billion mainly as a result of a portfolio transaction with the German branch of a Swiss Re Group's Luxembourg entity.

Shareholders' equity

As of 31 December 2008, shareholders' equity amounted to CHF 17.1 billion before allocation of the disposable profit. After the dividend payment of CHF 34 million for 2008, the creation of new shares from the conditional capital for the conversion of a mandatory convertible bond, the issuance of new shares from the conditional capital in connection with employee participation programmes and the inclusion of the profit for the 2009 financial year, shareholders' equity increased to CHF 18.7 billion at the end of 2009.

Other reserves increased by CHF 0.6 billion to CHF 15.5 billion in 2009, due to the creation of new shares for the conversion of a mandatory convertible bond and newly issued shares from options being exercised.

The nominal share capital of the Company increased slightly due to the creation of 7 184 407 new shares from the conditional capital for the conversion of a mandatory convertible bond, and newly issued shares from the conditional capital for employee participation programmes. As of 31 December 2009, the nominal share capital amounted to CHF 37 million.

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Income statement
Swiss Reinsurance Company Ltd

For the years ended 31 December

CHF millions	Notes	2008	2009
Reinsurance	1		
Premiums earned		20 327	**11 188**
Claims and claim adjustment expenses		–13 331	**–9 412**
Life and health benefits		–3 382	**1 725**
Acquisition costs		–2 895	**–1 827**
Other reinsurance result		898	**714**
Operating costs		–941	**–905**
Allocated investment return		1 136	**1 054**
Reinsurance result		1 812	**2 537**
Investments	2		
Investment income		9 482	**3 593**
Investment expenses		–9 007	**–2 918**
Allocated investment return		–1 136	**–1 054**
Investment result		–661	**–379**
Other income and expenses			
Other interest income		313	**74**
Other interest expenses		–554	**–775**
Other income		213	**171**
Other expenses		–848	**–301**
Result from other income and expenses		–876	**–831**
Income before tax expense		275	**1 327**
Tax expense		–260	**–257**
Net income		15	**1 070**

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

Balance sheet
Swiss Reinsurance Company Ltd

As of 31 December

Assets

CHF millions	Notes	2008	2009
Non-current assets			
Investments			
Investment real estate		1 116	**1 091**
Investments in subsidiaries and affiliated companies		17 403	**16 560**
Loans to subsidiaries and affiliated companies		16 188	**15 396**
Mortgages and other loans		756	**722**
Equity securities		1 314	**1 124**
Fixed income securities		18 205	**12 555**
Short-term investments		2 470	**11 021**
Alternative investments		3 473	**2 690**
Assets in derivative financial instruments		2 987	**3 661**
Total investments		63 912	**64 820**
Tangible assets		732	**711**
Intangible assets		59	**47**
Total non-current assets		64 703	**65 578**
Current assets			
Premiums and other receivables from reinsurance	3	8 322	**6 283**
Funds held by ceding companies	3	21 292	**18 362**
Deferred acquisition costs	3	837	**605**
Cash and cash equivalents		3 422	**6 069**
Other receivables		3 878	**580**
Other assets		543	**480**
Accrued income		270	**151**
Total current assets		38 564	**32 530**
Total assets		103 267	**98 108**

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

Liabilities and shareholders' equity

CHF millions	Notes	2008	2009
Liabilities			
Technical provisions			
Unpaid claims	4	41 579	**31 014**
Liabilities for life and health policy benefits	4	13 550	**11 655**
Unearned premiums	4	4 064	**3 079**
Provisions for profit commissions	4	474	**157**
Equalisation provision	4	550	**550**
Total technical provisions		60 217	**46 455**
Non-technical provisions			
Provision for taxation		191	**161**
Provision for currency fluctuation		2 040	**1 555**
Other provisions		363	**444**
Total non-technical provisions		2 594	**2 160**
Debt			
Debentures		4 094	**7 398**
Loans		4 109	**4 851**
Total debt		8 203	**12 249**
Funds held under reinsurance treaties	4	2 327	**3 685**
Reinsurance balances payable	4	3 307	**2 980**
Liabilities from derivative financial instruments		6 523	**4 663**
Other liabilities		2 839	**7 029**
Accrued expenses		178	**167**
Total liabilities		86 188	**79 388**
Shareholders' equity	5		
Share capital		36	**37**
Reserve for own shares		1 446	**1 446**
Other legal reserves		650	**650**
Other reserves		14 871	**15 474**
Retained earnings brought forward		61	**43**
Profit for the financial year		15	**1 070**
Total shareholders' equity		17 079	**18 720**
Total liabilities and shareholders' equity		103 267	**98 108**

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

Notes
Swiss Reinsurance Company Ltd

Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Company Law.

Time period

The 2009 financial year comprises the accounting period from 1 January to 31 December 2009.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Participations are maintained in Swiss francs at historical exchange rates.

Revenues and expenses are translated into Swiss francs at average exchange rates of the year under report.

All exchange rate differences arising from the revaluation of the opening balance sheet, the adjustments from application of year-end or average rates and foreign exchange transactions are booked to a currency fluctuation provision.

Investments

The following assets are carried at cost, less necessary and legally permissible depreciation:
- Investment real estate
- Investments in subsidiaries and affiliated companies
- Equity securities
- Fixed income securities
- Investments in funds
- Alternative investments
- Assets in derivative financial instruments

Subsequent recoveries of previously recorded downward value adjustments may be recognised up to the lower of historical cost or market value at the balance sheet date. The valuation rules prescribed by the Swiss Financial Market Supervisory Authority FINMA are observed.

Assets in derivative financial instruments include reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments.

Short-term investments contain investments with an original duration between three months and one year. Such investments are generally held until maturity and are maintained at their amortised cost values.

Loans to subsidiaries and affiliated companies, mortgages and other loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Tangible assets

Property for own use is valued at the purchase or construction cost less necessary and legally permissible depreciation.

Other tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Intangible assets

Intangible assets, consisting of capitalised development costs for software for internal use, are stated at cost less straight-line amortisation over the estimated useful lives.

Deferred acquisition costs

Deferred acquisition costs consist principally of commissions and are related to the production of new reinsurance business. Deferred acquisition costs for short duration contracts are amortised in proportion to premiums earned. Deferred acquisition costs for long duration contracts are amortised over the life of the underlying contracts.

Other assets

Other assets include deferred expenses on retroactive reinsurance policies, which are amortised through earnings over the expected claims-paying period.

Other current assets

Other current assets are carried at nominal value after deduction of known credit risks if applicable.

Technical provisions

Unpaid claims are based on information provided by clients and own estimates of expected claims experience, which are drawn from empirical statistics. These include provisions for claims incurred but not reported. Unpaid insurance obligations are set aside at the full expected amount of future payment.

Liabilities for life and health policy benefits are determined on the basis of actuarially calculated present values taking experience into account. For external business, liabilities are the greater of cedent-reported information and estimates of own experience drawn from internal studies. With respect to the business ceded by the Company's life and health subsidiaries, a prospective gross premium valuation is applied, taking into account expected future cash flows inherent in the reinsurance contract from the valuation date until expiry of the contract obligations. Cash flows include premiums, claims, commissions, investment income and expenses, with a margin added for prudence to reflect the uncertainties of the underlying best estimates. The gross premium valuation approach could result in a negative liability provision, which is typically set to zero.

Accounting principles for life and health business require that no contract is treated as an asset on the balance sheet, with the exception of specific contracts where an offsetting amount has been paid and is recoverable from the ceding company.

Modified coinsurance arrangements are treated on a gross basis with the separate recognition of the funds withheld, as well as the liabilities for life and health policy benefits. Details on the change of accounting policy for modified coinsurance type treaties are disclosed on page 249.

Premiums written relating to future periods are stated as unearned premiums and are normally calculated by statistical methods. The accrual of commissions is determined correspondingly and is reported under "Deferred acquisition costs".

Provisions for profit commissions are based on contractual agreements with clients and depend on the results of reinsurance treaties.

The equalisation provision is established to achieve a protection of the balance sheet and to break peaks of incurred claims in individual financial years with an exceptionally high claims burden by releasing appropriate amounts from the provision.

The shares of technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective income statement line items. The initial recognition of assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is established through the change in unearned premiums, with the respective consideration accounted for as premiums written. The liability for life and health policy benefits is established as a charge against life and health benefits, with the initial premium consideration recorded as premiums written.

The initial set up of assets and liabilities in respect of property and casualty retroactive treaties with Group external counterparties is accounted for as a balance sheet transaction.

Non-technical provisions

The provision for taxation contains taxes on the basis of the financial year under report.

The provision for currency fluctuation comprises all currency differences arising from the revaluation of the opening balance sheet, the adjustments from application of year-end or average rates and foreign exchange transactions.

Other provisions are determined according to business principles and are based on estimated needs and in accordance with tax regulations.

Debt

Debt is held at redemption value.

Funds held under reinsurance treaties

Funds held under reinsurance treaties mainly contain cash deposits withheld from retrocessionaires, which are stated at redemption value.

Reinsurance balances payable

Reinsurance balances payable are held at redemption value.

Liabilities from derivative financial instruments

Liabilities from derivative financial instruments are generally maintained at the highest commitment amount as per a balance sheet date during the life of the underlying contracts. Premiums received in respect of derivative financial instruments are not realised until expiration or settlement of the contract.

Included in this position are reinsurance contracts or features embedded in reinsurance contracts that fulfil the characteristics of derivative financial instruments. For such contracts, premiums received may be recognised as income prior to contract expiration or settlement, in cases where the recorded commitment has already reached the maximum liability amount potentially payable under the terms of the respective contracts. Decreases in the liability amounts prior to expiration or settlement are only recognised as income for contracts for which hedges are in place. Details on the change of accounting policy for derivative financial instrument liabilities are disclosed on page 249.

Deposit arrangements

Contracts which do not meet risk transfer requirements, defined as transferring a reasonable probability of a significant loss to the reinsurer, are accounted for as deposit arrangements. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

Allocated investment return

The allocated investment return contains the calculated interest generated on the investments covering the technical provisions. The interest rate reflects the currency-weighted, five-year average yield on five-year government bonds.

Management expenses

The overall management expenses are allocated to the reinsurance business, the investment business and to other expenses on an imputed basis.

Tax expense

The tax expense relates to the financial year and includes taxes on income and capital as well as indirect taxes. Value-added taxes are included in the respective expense lines in the income statement.

Notes
Swiss Reinsurance Company Ltd

Additional information on the financial statements

1. Reinsurance result

CHF millions	Gross	Retro	2008 Net	Gross	Retro	2009 Net
Premiums written	23899	−3832	20067	**13776**	**−3614**	**10162**
Change in unearned premiums	418	−158	260	**1033**	**−7**	**1026**
Premiums earned	24317	−3990	20327	**14809**	**−3621**	**11188**
Claims paid and claim adjustment expenses	−19677	4364	−15313	**−18165**	**−1921**	**−20086**
Change in unpaid claims	3508	−1526	1982	**9107**	**1567**	**10674**
Claims and claim adjustment expenses	−16169	2838	−13331	**−9058**	**−354**	**−9412**
Life and health benefits	−3115	−267	−3382	**378**	**1347**	**1725**
Fixed commissions	−3424	855	−2569	**−2656**	**778**	**−1878**
Profit commissions	−380	54	−326	**33**	**18**	**51**
Acquisition costs	−3804	909	−2895	**−2623**	**796**	**−1827**
Other reinsurance income and expenses	139	−25	114	**132**	**−37**	**95**
Result from cash deposits	913	−129	784	**738**	**−119**	**619**
Other reinsurance result	1052	−154	898	**870**	**−156**	**714**
Operating costs			−941			**−905**
Allocated investment return			1136			**1054**
Reinsurance result			1812			**2537**

2. Investment result

CHF millions	2008	2009
Income from investment real estate	100	**103**
Income from subsidiaries and affiliated companies	1790	**466**
Income from equity securities	17	**14**
Income from fixed income securities, mortgages and other loans	892	**632**
Income from short-term investments	47	**25**
Income from alternative investments	6	**35**
Income from investment services	64	**68**
Income from intragroup profit allocation agreement	795	**–**
Valuation re-adjustments on investments	–	**1060**
Realised gains on sale of investments	5771	**1190**
Investment income	9482	**3593**
Investment management expenses	–225	**–231**
Valuation adjustments on investments	–6196	**–856**
Realised losses on sale of investments	–2586	**–1831**
Investment expenses	–9007	**–2918**
Allocated investment return	–1136	**–1054**
Investment result	–661	**–379**

3. Assets from reinsurance

			2008			**2009**
CHF millions	Gross	Retro	Net	Gross	Retro	Net
Premiums and other receivables from reinsurance	8204	118	8322	**5922**	**361**	**6283**
Funds held by ceding companies	21292	–	21292	**18362**	**–**	**18362**
Deferred acquisition costs	1072	–235	837	**861**	**–256**	**605**
Assets from reinsurance	30568	–117	30451	**25145**	**105**	**25250**

4. Liabilities from reinsurance

CHF millions	Gross 2008	Retro 2008	Net 2008	Gross 2009	Retro 2009	Net 2009
Unpaid claims	43 788	–2 209	41 579	**34 836**	**–3 822**	**31 014**
Liabilities for life and health policy benefits	14 504	–954	13 550	**13 887**	**–2 232**	**11 655**
Unearned premiums	5 136	–1 072	4 064	**4 144**	**–1 065**	**3 079**
Provisions for profit commissions	510	–36	474	**183**	**–26**	**157**
Equalisation provision	550	–	550	**550**	**–**	**550**
Funds held under reinsurance treaties	392	1 935	2 327	**302**	**3 383**	**3 685**
Reinsurance balances payable	1 519	1 788	3 307	**1 199**	**1 781**	**2 980**
Liabilities from reinsurance	66 399	–548	65 851	**55 101**	**–1 981**	**53 120**

5. Shareholders' equity

Change in shareholders' equity

CHF millions	2008	2009
Shareholders' equity as of 1 January	18 981	**17 079**
Dividend paid for the previous year	–1 331	**–34**
Capital increase/decrease including premium	–586	**605**
Profit for the financial year	15	**1 070**
Shareholders' equity on 31 December before allocation of disposable profit	17 079	**18 720**
Dividend payment	–34	**–343**[1]
Shareholders' equity on 31 December after allocation of disposable profit	17 045	**18 377**

[1] Board of Directors' proposal to the Annual General Meeting of 7 April 2010, subject to the actual number of shares outstanding and eligible for dividend. The difference between the proposed dividend payment in the previous year and the actual dividend payment in the year under report is described on page 250.

Sources of shareholders' equity after allocation of disposable profit

CHF millions	2008	2009
From nominal capital	36	**37**
From share premium	9 459	**10 063**
From profit allocation	7 251	**7 978**
From other allocations	299	**299**
Shareholders' equity on 31 December after allocation of disposable profit	17 045	**18 377**

6. Compensation, participations and loans of members of governing bodies

The section below is in line with articles 663b^{bis} and 663c para. 3 of the Swiss Code of Obligations, which require disclosure of the elements of compensation paid to Swiss Re Group's Board of Directors and Executive Committee, as well as their shareholdings and loans.

Compensation for acting members of governing bodies

Article 663b^{bis} of the Swiss Code of Obligations requires disclosure of total compensation paid to members of the Board of Directors and the Executive Committee. Compensation to members of the Board of Directors and the highest paid members of the Executive Committee are shown by individual. For a description of the elements of this compensation, see page 122, Compensation.

Board of Directors

Members of the Board of Directors received fees of which in 2008 the Chairman and Vice Chairman received a mandatory 40% in the form of shares with the remainder taken in cash or shares with a four-year deferral period. In 2009 the Chairman and Vice Chairman received half of their fees in the form of a three-year performance share plan and the balance in cash. The remaining members of the Board of Directors receive a mandatory 40% of their fees in shares and the balance is taken in cash or shares with a four-year deferral period.

The performance share plan is measured against total relative shareholder return. For 2009 the performance shares were granted at a reference price of CHF 36.00 prevailing at the time the Board approved the award. The final number of shares to be released after three years can vary between 0% and 150% depending on the relative total shareholder return against a peer group. For further information on this performance plan see page 132, Compensation.

The shares received by the remaining members of the Board of Directors have a four-year deferral period. The share price as of 29 February 2008 of CHF 84.10 and the share price as of 15 May 2009 of CHF 36.00 were used for calculating the number of shares awarded based on the amount of the fee received in shares. There was one additional fee granted in September 2008 where the share price of CHF 64.00 was used to calculate the number of shares awarded.

Total compensation for the members of the Board of Directors was:

CHF thousands	2008	**2009**
Fees and allowances in cash	5 772	4 922
Fees in blocked shares	4 561	1 880
Performance shares[1]		4 000
Funding of pension benefits	167	57
Total	10 500	**10 859**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

During 2009, Walter B. Kielholz, who was formerly the Vice Chairman of the Board of Directors, was nominated Chairman of the Board of Directors with effect as of 1 May 2009. Mathis Cabiallavetta, who joined the Board of Directors in 1 September 2008 as a member was nominated Vice Chairman of the Board of Directors as of 13 March 2009. Individual compensation for the Chairman and the Vice Chairman of the Board of Directors was:

Walter B. Kielholz, Chairman

CHF thousands	2008	**2009**
Fees and allowances in cash	1 302	1 279
Total cash	1 302	**1 279**
Fees in blocked shares	1 244	
Performance shares[1]		2 500
Subtotal	2 546	**3 779**
Funding of pension benefits	167	57
Total	2 713	**3 836**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

In recognition of the difficulties faced by the company in the financial year 2008, Walter B. Kielholz elected to reduce his 2009 fee by 50% of his compensation for 2008.

Mathis Cabiallavetta, Vice Chairman

CHF thousands	2008	**2009**
Fees and allowances in cash	200	1 401
Total cash	200	**1 401**
Fees in blocked shares	133	
Performance shares[1]		1 500
Total	333	**2 901**

[1] These shares were awarded for a full-year cycle between two Annual General Meetings, and therefore also cover a period in 2010.

Individual compensation of the remaining members of the Board of Directors for 2008 was:

2008 CHF thousands	Fees and allowances in cash	Fees in shares	Total
Peter Forstmoser, Chairman	1 980	1 320	3 300
Jakob Baer, Chairman of the Audit Committee	480	320	800
Thomas W. Bechtler, Member	195	130	325
Raymund Breu, Member		325	325
Raymond K.F. Ch'ien, Member[1]	137	91	228
John R. Coomber, Chairman of the Finance and Risk Committee	395	260	655
Rajna Gibson Brandon, Member	195	130	325
Bénédict G.F. Hentsch, Member	195	130	325
Hans Ulrich Maerki, Member	195	130	325
Robert A. Scott, Chairman of the Compensation Committee	255	170	425
Kaspar Villiger, Member	195	130	325
John F. Smith, Jr., Former member[2]	48	48	96
Total	4 270	3 184	7 454

[1] Elected to the Board of Directors at the Annual General Meeting of 18 April 2008.
[2] Retired from the Board of Directors at the Annual General Meeting of 18 April 2008.

Individual compensation of the remaining members of the Board of Directors granted in 2009 was:

2009 CHF thousands	Fees and allowances in cash	Fees in shares	Total
Jakob Baer, Chairman of the Audit Committee	480	320	800
Raymund Breu, Member		365	365
Raymond K.F. Ch'ien, Member	219	146	365
John R. Coomber, Chairman of the Finance and Risk Committee	419	276	695
Rajna Gibson Brandon, Member	207	138	345
Hans Ulrich Maerki, Member		325	325
Robert A. Scott, Chairman of the Compensation Committee	291	194	485
Thomas W. Bechtler, Former member[1]	38	26	64
Peter Forstmoser, Former Chairman[2]	550		550
Bénédict G.F. Hentsch, Former member[1]		64	64
Kaspar Villiger, Former member[3]	38	26	64
Total	**2 242**	**1 880**	**4 122**

[1] Term of office expired as of 13 March 2009 and member did not stand for re-election.
[2] Resigned from the Board of Directors as of 1 May 2009. Amounts include 50% of 2009 fee foregone.
[3] Resigned from the Board of Directors as of 13 March 2009.

Executive Committee

Total compensation for members of the Executive Committee was:

CHF thousands	2008	**2009**
Base salary and allowances	8 417	8 822
Cash variable pay for performance	5 625	11 525
Total cash	14 042	**20 347**
Value Alignment Incentive (VAI)[1]	4 219	11 844
Shares	2 500	
Long-term Incentive plan grant (LTI)	17 500	16 501
Subtotal	38 261	**48 692**
Compensation due to member leaving		1 378
Contractual commitments due to new members	9 124	
Funding of pension benefits	1 084	2 582
Total	48 469	**52 652**

[1] Includes 25% mark-up on nominal value, which will be paid out at vesting after three years.

The fair values of the Value Alignment Incentive (VAI) granted in the reporting year were based on the nominal amount of the grant and a mark-up of 25% on nominal value. Subsequently, the fair values of VAIs granted were updated based on actual results for the years covered by the grants. For a description of the VAI plans see page 123, Compensation.

Amounts reported under shares relate to restricted stock units granted. Executive Committee members may elect the split between cash and incentive shares, and the shares granted are subject to a one-year blocking period.

Members of the Executive Committee are granted Long-term Incentive (LTI) plans. The plans can be settled in cash or shares and the requisite service periods as well the maximum contractual term for each plan is three years. The method to estimate the fair value is based on a risk neutral approach that uses the current share price as an estimate of the share price at the end of the vesting period. In order to determine the fair value, the following key performance indicators were also taken into consideration: three-year average return on equity and three-year earnings per share compound annual growth rate (EPS CAGR). The fair values of the LTI plans were based on the actual results for those years and the forecast years covered by the plans. For further information on LTI plans see page 124, Compensation.

For US GAAP and Statutory reporting purposes, the cost of the incentive shares, VAI and LTI awards are accrued over the period during which they are earned. For the compensation disclosure purposes, the value of awards granted was included as compensation in the year of grant.

Contractual commitments due to new members represent long-term incentives granted to replace agreements with former employers that were forgone upon joining Swiss Re Group.

Certain members of the Board of Directors and the Executive Committee are in a defined contribution scheme and their pension funding compensation in the remuneration tables above reflects the actual employer contributions. Where defined benefit arrangements exist, the funding is determined on an actuarial basis, which can vary substantially from year to year depending on age and years of service of the benefiting members.

Highest paid member of the Executive Committee

In 2008, David J. Blumer, Chief Investment Officer, was the highest paid member of the Executive Committee. In 2009, the highest paid member was Stefan Lippe, Chief Executive Officer. Their respective compensation was:

David J. Blumer, Chief Investment Officer

CHF thousands	2008
Base salary and allowances	854
Cash variable pay for performance	1 500
Total cash	2 354
Shares	2 500
Long-term Incentive plan grant (LTI)	2 500
Subtotal	7 354
Contractual commitments[1]	6 998
Funding of pension benefits	111
Total	14 463

[1] Represents long-term incentives granted by the former employer which were replaced in the form of Swiss Re shares at CHF 86.40 per share.

Stefan Lippe, Chief Executive Officer

CHF thousands	2008[1]	2009
Base salary and allowances	1 334	1 720
Cash variable pay for performance	825	2 500
Total cash	2 159	**4 220**
Value Alignment Incentive (VAI)[2]	844	3 125
Long-term Incentive plan grant (LTI)	2 500	5 000
Subtotal	5 503	**12 345**
Funding of pension benefits		252
Total	5 503	**12 597**

[1] Amounts shown for 2008 reflect the remuneration paid to Stefan Lippe in his role as Chief Operating Officer.
[2] Includes 25% mark-up on nominal value, which will be paid out at vesting after three years.

Compensation of former members of governing bodies

During 2009, there were no compensations paid to former members of governing bodies. In 2008, a residual payment of CHF 10 000 was paid to a former member.

Share ownership, options and related instruments

The disclosure below is in line with article 663c para. 3 of the Swiss Code of Obligations which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and Executive Committee, including shares, options and related instruments held by persons closely related to, and by companies controlled by members of the Board of Directors and Executive Committee.

The numbers of shares held as of 31 December were:

Members of the Board of Directors	2008	2009
Walter B. Kielholz, Chairman	155 301	155 301
Mathis Cabiallavetta, Vice Chairman	1 961	1 961
Jakob Baer, Chairman of the Audit Committee	14 141	23 030
Raymund Breu, Member	16 072	26 214
Raymond K.F. Ch'ien, Member	1 086	5 144
John R. Coomber, Chairman of the Finance and Risk Committee	116 633	124 302
Rajna Gibson Brandon, Member	12 986	16 821
Hans Ulrich Maerki, Member	7 762	16 789
Robert A. Scott, Chairman of the Compensation Committee	11 271	16 663
Peter Forstmoser, Former Chairman	132 398	
Thomas W. Bechtler, Former member	13 081	
Bénédict G.F. Hentsch, Former member	11 301	
Kaspar Villiger, Former member	6 379	
Total	500 372	**386 225**

Members of the Executive Committee	2008	**2009**
Stefan Lippe, Chief Executive Officer[1]	55 371	66 121
David J. Blumer, Chief Investment Officer		27 000
Agostino Galvagni, Chief Operating Officer[2]		10 735
Brian Gray, Chief Underwriting Officer	3 207	15 912
Michel M. Liès, Chief Marketing Officer	51 482	62 931
George Quinn, Chief Financial Officer	17 145	19 703
Raj Singh, Chief Risk Officer		
Jacques Aigrain, Former Chief Executive Officer[3]	249 620	
Andreas Beerli, Former Head of Associated Units and Special Projects[4]	38 178	
Total	415 003	**202 402**

[1] Appointed Chief Executive Officer on 12 February 2009.
[2] Appointed to the Executive Committee on1 May 2009.
[3] Retired from the Executive Committee on 12 February 2009.
[4] Retired from the Executive Committee on 30 June 2009.

Restricted shares

Swiss Re grants restricted shares on an ad hoc basis which are subject to a vesting period with a risk of forfeiture during the vesting period. Restricted shares granted to Raj Singh, Chief Risk Officer, have a three-year vesting period, and shares granted to David J. Blumer, Chief Investment Officer, have a three-year stepped vesting period.

For the year ended 31 December 2009, no restricted shares were held by members of the Board of Directors. For comparative purposes the following unvested restricted shares were held by members of the Board of Directors as of 31 December 2008:

Members of the Board of Directors	As of 31 December 2008
Grant year	2005
Weighted average share price in CHF as of grant date	82.85
Peter Forstmoser, Former Chairman	5 000

The following unvested restricted shares were held by members of the Executive Committee as of 31 December:

Members of the Executive Committee	As of 31 December 2008		As of 31 December 2009	
Grant year	2005	2008	2008	2009
Weighted average share price in CHF as of grant date	82.85	86.29	**86.24**	**16.74**
Stefan Lippe, Chief Executive Officer	8 750			
David J. Blumer, Chief Investment Officer		81 000	54 000	149 342
Brian Gray, Chief Underwriting Officer	750			
Michel M. Liès, Chief Marketing Officer	3 750			
Raj Singh, Chief Risk Officer		4 000	4 000	
Jacques Aigrain, Former Chief Executive Officer	13 750			
Andreas Beerli, Former Head of Associated Units and Special Projects	7 500			
Total	34 500	85 000	**58 000**	**149 342**

Performance shares

In 2009 the Chairman and the Vice Chairman received half of their fees in the form of a performance share plan with a three-year vesting period. The plan is based on the Swiss Re share price at the date of grant and the number of shares to be released upon vesting can vary between 0% and 150% depending on the relative total relative shareholder return ranking of Swiss Re against a selected peer group. For 2009, shares were granted at a reference price of CHF 36.00 and the number of performance shares outstanding as of 31 December were:

Members of the Board of Directors	**2009**
Walter B. Kielholz, Chairman	69 444
Mathis Cabiallavetta, Vice Chairman	41 667
Total	**111 111**

Unvested options

As of 31 December 2009 no unvested options were held by any member of a governing body. All options that were held by members of governing bodies as of 31 December 2008 vested during 2009 and no additional options were granted to members of governing bodies during 2009. For options granted prior to 2009, there was a four-year vesting period, during which there was a risk of forfeiture, and an exercise period of six years. The exchange ratio was 1:1, meaning each option entitled the beneficiary to purchase one share at a non-adjustable strike price. As of 31 December 2008 the following unvested options were held by members of governing bodies:

Members of the Board of Directors	2008
Weighted average strike price in CHF as of grant date	82.85
Walter B. Kielholz, Chairman	20 000
John R. Coomber, Chairman of the Finance and Risk Committee	70 000
Peter Forstmoser, Former Chairman	20 000
Total	110 000

Members of the Executive Committee	2008
Weighted average strike price in CHF as of grant date	93.51
Brian Gray, Chief Underwriting Officer	3 000
Michel M. Liès, Chief Marketing Officer	15 000
George Quinn, Chief Financial Officer	10 000
Jacques Aigrain, Former Chief Executive Officer	100 000
Total	128 000

The expiry year for unvested options held by members of governing bodies was 2015 as of 31 December 2008.

Vested options

The following vested options were held by members of governing bodies as of 31 December:

	Number of options	
Members of the Board of Directors	2008	**2009**
Weighted average strike price in CHF as of grant date	129.72	**120.36**
Walter B. Kielholz, Chairman	230 000	220 000
John R. Coomber, Chairman of the Finance and Risk Committee	256 000	314 000
Peter Forstmoser, Former Chairman	30 000	
Total	516 000	**534 000**

Members of the Executive Committee	Number of options 2008	2009
Weighted average strike price in CHF as of grant date	114.94	**110.44**
Stefan Lippe, Chief Executive Officer	112 400	99 000
Brian Gray, Chief Underwriting Officer	16 200	18 200
Michel M. Liès, Chief Marketing Officer	123 000	128 000
George Quinn, Chief Financial Officer	39 600	46 600
Jacques Aigrain, Former Chief Executive Officer	140 000	
Andreas Beerli, Former Head of Associated Units and Special Projects	101 200	
Total	532 400	**291 800**

The range of expiry years for vested options held by members of governing bodies as of 31 December 2008 and 2009 was 2009 to 2014 and 2010 to 2015, respectively.

Loans to members of governing bodies

The following loans were granted to members of governing bodies as of 31 December:

CHF thousands	2008	2009
Mortgages and loans to members of the Board of Directors		
Walter B Kielholz, Chairman	2 000	2 000
Total mortgages and loans to members of the Executive Committee	6 004	6 699
Highest mortgages and loans to an individual member of the Executive Committee		
Raj Singh, Chief Risk Officer		3 647
Andreas Beerli, Former Head of Associated Units and Special Projects	3 000	
Total mortgages and loans not at market conditions to former members of the Executive Committee	4 528	7 354

All credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are the same as those available to all Swiss Re Group employees in the respective locations. Fixed-rate mortgages have a maturity of five years and interest rates that correspond to the five-year Swiss franc swap rate plus a margin of 10 basis points. Adjustable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. To the extent that fixed or adjustable interest rates are preferential, such values were factored into the compensation sums given to the governing body members.

7. Further notes to the financial statements

Contingent liabilities

Swiss Reinsurance Company Ltd has issued a number of guarantees to various of its subsidiaries in support of their business activities by securing either their overall capital positions or specific transactions. These guarantees are generally not limited by a nominal amount but rather by the exposure of the underlying business.

In addition, as a component of the Group's financing structure, Swiss Reinsurance Company Ltd has guaranteed CHF 7 735 million (2008: CHF 4 798 million) of debt issued by certain of its subsidiaries and letter of credit facilities benefiting various subsidiaries of which an amount of CHF 3 094 million (2008: CHF 4 537 million) was drawn as of the balance sheet date.

Federal securities class action lawsuit

On 14 August 2009, Plumbers' Union Local No.12 Pension Fund, a Swiss Re shareholder, filed a second amended complaint in the federal securities class action lawsuit against Swiss Re, Swiss Re's former Chief Executive Officer and Swiss Re's Chief Financial Officer arising out of Swiss Re's announcement, on 19 November 2007, that it would report a CHF 1.2 billion mark-to-market loss on two credit default swaps. The lawsuit is pending in New York Federal Court. Plaintiff alleges that defendants violated the anti-fraud provisions of the U.S. federal securities laws. Specifically, it contends that Swiss Re made false and misleading statements about its financial condition between March and November 2007, and that it failed to disclose that the Credit Solutions division had engaged in two credit default swaps that exposed the company to financial risk. Plaintiff seeks to certify a class of all U.S. residents or citizens that purchased Swiss Re stock between 1 March 2007 and 19 November 2007. Swiss Re plans to vigorously defend the lawsuit. On 4 September 2009, Swiss Re filed a motion to dismiss and requested oral argument. Plaintiff filed an opposition to that motion on 25 September, to which Swiss Re submitted a reply brief on 9 October. The parties await a date for oral argument and/or the Court's decision on the motion to dismiss.

Arbitration proceeding

In mid 2007, a Swiss Re subsidiary commenced an arbitration proceeding against Lincoln National Reinsurance Company (Barbados) Ltd. ("Lincoln"), seeking relief from an individual disability income indemnity retrocessional agreement of 1 October 2001. In late January 2009, the arbitration panel awarded Swiss Re total rescission of the affected treaty and retained limited jurisdiction to resolve any interim disputes between the parties regarding the implementation of the panel's award. In early February 2009, Swiss Re filed a petition to confirm the arbitral award in the United States District Court for the Northern District of Indiana, Ft. Wayne Division. Lincoln has opposed Swiss Re's petition to confirm the arbitral award on procedural grounds. In July 2009, Lincoln sought clarification of the arbitral award to require Swiss Re to return to Lincoln an amount equal to the original ceding commission, plus interest. By order dated 25 September 2009, the panel denied Lincoln's request for clarification and reaffirmed its order dated 24 January 2009, granting Swiss Re's request for total rescission of the affected treaty. On 15 December 2009, the District Court granted Swiss Re's Petition and entered an order confirming the panel's arbitration ruling.

Unfunded commitments

As a participant in limited investment partnerships, Swiss Reinsurance Company Ltd commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. As of 31 December 2009, total commitments remaining uncalled were CHF 1 587 million (2008: CHF 2 309 million). These commitments were assumed in the context of the absorption of a subsidiary in 2008.

Leasing contracts

Total off-balance sheet commitments from operating leases for the next five years and thereafter are as follows:

CHF millions	2008	2009
2009	18	**–**
2010	15	**17**
2011	10	**11**
2012	5	**6**
2013	5	**6**
After 2014	13	**15**
Total operating leases, net	66	**55**

These commitments pertain to the non-cancellable contract periods and refer primarily to office and apartment space rented by the Company.

In addition, a financial lease of IT hardware is recognised on the balance sheet. The corresponding asset and liability of CHF 15 million (2008: CHF 27 million) are included in tangible assets and other liabilities, respectively.

Security deposits

To secure the technical provisions at the 2009 balance sheet date, securities with a value of CHF 8 456 million (2008: CHF 11 646 million) were deposited in favour of ceding companies, of which CHF 7 617 million (2008: CHF 7 519 million) refer to Group companies.

Securities lending

As of 31 December 2009, securities of CHF 5 347 million (2008: CHF 5 479 million) were lent under securities lending agreements, with the right to be sold or pledged by the borrowing entity. CHF 4 362 million (2008: CHF 4 601 million) of these was lent to Group companies. The securities which were held and lent by investment funds are excluded. The prior year amounts have been revised to reflect securities lent to a Swiss Re Group company which had not been previously included.

Investment funds

As of 31 December 2009, fixed income securities of CHF 2 998 million (2008: CHF 1 811 million) and no equity securities (2008: CHF 2 million) were held in investment funds, which are owned by Swiss Re Group companies. The securities in these funds and their revenues are reported in the corresponding asset category.

Fire insurance value of tangible assets

As of 31 December 2009, the insurance value of tangible assets, comprising the real estate portfolio and other tangible assets, amounted to CHF 2 515 million (2008: CHF 2 515 million).

Obligations towards employee pension funds

Other liabilities include CHF 4 million (2008: CHF 6 million) payable to the employee pension funds.

Public placed debentures

As of 31 December 2009, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Senior bond	2009	CHF	700	4.25%	2013	700
Subordinated perpetual bond	1999	CHF	600	3.75%	2011	600

Investments in subsidiaries

Details on the Swiss Re Group's subsidiaries are disclosed on pages 208 to 217.

Treasury shares

As of 31 December 2009, the Group held 16 950 852 treasury shares (2008: 16 973 828). In the year under report, 2 143 087 treasury shares (2008: 25 495 057) were purchased at an average price of CHF 27.51 (2008: CHF 77.18) and 2 166 063 treasury shares (2008: 20 855 441) were sold at an average price of CHF 29.53 (2008: CHF 84.03).

Deposit account

Deposit arrangements generated the following balances, which are included in:

CHF millions	2008	2009
Reinsurance result	50	**76**
Premiums and other receivables from reinsurance	570	**902**
Funds held by ceding companies	211	**133**
Funds held under reinsurance treaties	392	**302**
Reinsurance balances payable	484	**811**

Claims on and obligations towards Group companies

CHF millions	2008	2009
Premiums and other receivables from reinsurance	3 665	**1 455**
Funds held by ceding companies	18 035	**16 042**
Other receivables	3 733	**383**
Loans	3 534	**4 201**
Funds held under reinsurance treaties	77	**1 595**
Reinsurance balances payable	1 523	**1 025**
Other liabilities	2 362	**6 485**

Conditional capital and authorised capital

The Annual General Meeting, held on 13 March 2009, approved an increase of conditional capital by CHF 16 000 000 in connection with a convertible bond or a similar financial instrument in favour of Berkshire Hathaway Inc. and the creation of authorised capital of CHF 18 000 000 with shareholders' subscription rights.

As of 31 December 2009, Swiss Reinsurance Company Ltd's total conditional capital outstanding amounted to CHF 17 441 974 (2008: CHF 2 160 487). CHF 16 000 000 was reserved for the exercise of conversion rights granted in connection with a convertible bond or a similar financial instrument in favour of Berkshire Hathaway Inc., CHF 839 479 for the exercise of conversion rights and warrants granted in connection with bonds and similar instruments and CHF 602 495 for employee participation purposes.

As of 31 December 2009, authorised capital outstanding with shareholders' subscription rights amounted to CHF 18 000 000 (2008: CHF nil).

Release of undisclosed reserves

In the year under report, undisclosed reserves on investments and on provisions were released by a net amount of CHF 590 million (2008: no net release).

Major shareholders

As of 31 December 2009, there were five shareholders with participation exceeding the 3% threshold of Swiss Reinsurance Company Ltd's share capital.

a. Swiss Reinsurance Company Ltd, Mythenquai 50/60, P.O. Box, 8022 Zurich, Switzerland, held a total of 28 629 654 registered Swiss Re shares or 7.72% of its share capital.

b. Dodge & Cox, 555 California Street, 40th Floor, San Francisco, CA 94104, USA, notified Swiss Reinsurance Company Ltd on 31 October 2008 that it held on behalf of the Dodge & Cox International Stock Fund, through an acquisition, 10 766 995 registered Swiss Re shares, representing 3.05% of the voting rights of Swiss Reinsurance Company Ltd which can be exercised autonomously of the beneficial owners.

c. Berkshire Hathaway Inc., 3555 Farnam Street, Omaha, NE 68131, USA, notified Swiss Reinsurance Company Ltd on 26 March 2009 that it held as of 24 March 2009, through its subsidiary National Indemnity Company, 3024 Harney Street, Omaha, NE 68131, USA, 11 262 000 registered Swiss Re shares or 3.10% of the voting rights of Swiss Reinsurance Company Ltd.

d. Franklin Resources, Inc., 500 E. Broward Blvd., Ft. Lauderdale, FL 33394, USA, known as Franklin Templeton Investments, notified Swiss Re on 6 December 2008 that it held as of 4 December 2008, through an acquisition by a number of its group companies, in the capacity of investment manager for mutual funds and clients, 10 970 364 registered Swiss Re shares, representing 3.11% of the voting rights of Swiss Reinsurance Company Ltd which can be exercised autonomously of the beneficial owners.

e. BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, USA, notified Swiss Reinsurance Company Ltd, Mythenquai 50/60, 8022 Zurich, Switzerland, on 15 December 2009 that it held as of 1 December 2009, following the acquisition of Barclays Global Investors, through a number of its Group companies in the capacity of investment manager for mutual funds and clients 14 420 521 registered Swiss Re shares, representing 3.97% of the voting rights of Swiss Reinsurance Company Ltd which can be exercised autonomously of the beneficial owners.

Personnel information

As of 31 December 2009, Swiss Reinsurance Company Ltd employed a worldwide staff of 3 485 (2008: 3 568). Personnel expenses for the 2009 financial year amounted to CHF 909 million (2008: CHF 892 million).

In connection with the integration of GE Insurance Solutions, restructuring charges of CHF 59 million were recognised in 2006. In 2009, the restructuring provision was fully released (as of 31 December 2008: CHF 1 million).

Management fee contribution

In 2009, management expenses of CHF 153 million (2008: CHF 173 million) were recharged to Group companies and third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

Risk assessment

Article 663b lit.12 of Swiss Company Law requires disclosure of information on the performance of a risk assessment.

The identification, assessment and control of risk exposures of the Swiss Reinsurance Company Ltd on a stand-alone basis are integrated in and covered by the Swiss Re's Group risk management organisation and processes.

Details are disclosed on page 219.

Change of accounting policy for derivative financial instrument liabilities

The Company has amended its valuation principles for liabilities under certain reinsurance contracts classified as derivative financial instruments. This amendment allows for the recognition of decreases in liability amounts prior to contract expiration in cases where the contract liabilities are hedged. As a result in 2009, valuation re-adjustments of derivative financial instrument liabilities in the amount of CHF 1 060 million have been recognised as income which otherwise would have been deferred until contract expiration. This income is offset by valuation adjustments and realised losses of total CHF 1 264 million on the respective hedge positions.

Change of accounting policy for investment assets

The Company has revised its valuation principles to allow for valuation re-adjustments of previously recorded downward value adjustments up to the lower of historical cost or market value at the balance sheet date. In 2009, no valuation re-adjustments have been recognised in connection with this policy change.

Change of accounting policy for modified coinsurance type treaties

In the year under report, the Company revised its accounting policy for modified coinsurance agreements. In the previous years, the portion of policy assets and reserves retained by the ceding company was reported net under life and health policy benefits. As of 2009, such transactions are presented on a gross basis with the separate disclosure of the funds withheld and the life and health policy benefits on the balance sheet.

The following table shows the modified coinsurance business related balances as of 31 December 2008 and 2009:

Assets			2008			**2009**
CHF millions	Gross	Retro	Net	Gross	Retro	Net
Funds held by ceding companies	–	–	–	**1 612**	**–**	**1 612**

Liabilities			2008			**2009**
CHF millions	Gross	Retro	Net	Gross	Retro	Net
Unpaid claims	–	–	–	**309**	**–**	**309**
Liabilities for life and health policy benefits	–122	591	469	**935**	**–853**	**82**
Funds held under reinsurance treaties	–	–	–	**–**	**1 522**	**1 522**

In 2009, the conversion of the in force treaties and the inception of new treaties were recorded through the income statement:

Reinsurance result			**2009**
CHF millions	Gross	Retro	Net
Claims paid and claim adjustment expenses	**1 633**	**–1 701**	**–68**
Change in unpaid claims	**–408**	**–**	**–408**
Life and health benefits	**–1 225**	**1 701**	**476**

Subsequent events

Details on the Swiss Re Group's subsequent events are disclosed on page 220, which might have similar impacts for Swiss Reinsurance Company Ltd.

Proposal for allocation of disposable profit

The Annual General Meeting, to be held in Zurich on 7 April 2010, has at its disposal the following profit:

in CHF	2008	**2009**
Retained earnings brought forward from the previous year	60 976 534	**42 852 555**
Profit for the financial year	15 441 566	**1 070 068 181**
Disposable profit	76 418 100	**1 112 920 736**

Share structure	Number of registered shares	Nominal capital in CHF
For the financial year 2009:		
– eligible for dividend	342 707 001	34 270 700
– not eligible for dividend	27 994 167	2 799 417
Total shares issued	370 701 168	37 070 117

The Board of Directors proposes to the Annual General Meeting to allocate the disposable profit as follows:

in CHF	2008	**2009**
Dividend	33 566 578[1]	**342 707 001[2]**
Allocation to other reserves	–	**720 000 000**
Balance carried forward	42 851 522[1]	**50 213 735**
Disposable profit	76 418 100	**1 112 920 736**

[1] The number of registered shares eligible for dividend at the dividend payment date decreased since the proposal for allocation of profit, dated 19 February 2009, due to the transfer of 10 330 shares for employee participation purposes from eligible to not eligible for dividend. This resulted in a lower dividend of CHF 1 033 compared to the Board of Directors' proposal, and in higher retained earnings brought forward from the previous year by the same amount.
[2] Board of Directors' proposal to the Annual General Meeting of 7 April 2010, subject to the actual number of shares outstanding and eligible for dividend.

Dividend

If the Board of Directors' proposal for allocation of disposable profit is accepted, a dividend of CHF 1.00 per share will be paid.

After deduction of Federal Withholding Tax of 35%, the dividend will be paid from 12 April 2010 by means of dividend order to shareholders recorded in the Share Register or to their deposit banks.

Zurich, 11 March 2010

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Reinsurance Company Ltd
Zurich

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Reinsurance Company Ltd, which comprise the income statement, balance sheet and notes (pages 227 to 249), for the year ended 31 December 2009.

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 2009 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 AG

David JA Law
Audit expert
Auditor in charge

Dawn M Kink
Audit expert

Zurich, 12 March 2010

Financial years 2000 – 2009

CHF millions	2000[1]	2001[1]	2002[1]	2003[1]	2004[1]	2005	2006[2,3]	2007[2,3]	2008[2,3]	**2009[2]**
Income statement										
Revenues										
Premiums earned	22 081	25 219	29 058	30 740	29 439	26 891	29 515	31 664	25 501	**24 606**
Fee income						881	879	955	808	**916**
Net investment income	4 802	5 765	5 494	4 606	4 857	6 137	7 991	10 692	7 881	**6 935**
Net realised investment gains/losses	4 275	2 665	–730	376	1 116	3 474	2 106	–739	–9 482	**733**
Trading revenues			228	472	438	346				
Other revenues	395	455	365	236	243	283	280	302	270	**193**
Total revenues	31 553	34 104	34 415	36 430	36 093	38 012	40 771	42 874	24 978	**33 383**
Expenses										
Claims and claim adjustment expenses	–12 153	–16 266	–14 485	–14 898	–13 853	–14 758	–11 799	–12 065	–10 007	**–9 083**
Life and health benefits	–7 478	–8 532	–10 084	–9 085	–9 331	–8 668	–9 594	–11 112	–9 065	**–9 348**
Return credited to policyholders						–3 019	–2 827	–2 120	2 822	**–4 823**
Acquisition costs	–4 883	–5 658	–6 220	–6 854	–6 325	–5 927	–6 079	–6 499	–5 366	**–4 883**
Amortisation of goodwill	–310	–368	–350	–315	–277					
Other operating costs and expenses	–3 074	–3 384	–3 240	–2 942	–2 940	–3 081	–4 616	–5 891	–4 712	**–4 292**
Total expenses	–27 898	–34 208	–34 379	–34 094	–32 726	–35 453	–34 915	–37 687	–26 328	**–32 429**
Income/loss before income tax expense	3 655	–104	36	2 336	3 367	2 559	5 856	5 187	–1 350	**954**
Income tax expense	–689	–61	–127	–634	–892	–255	–1 296	–1 025	486	**–231**
Net income/loss on ordinary activities	2 966	–165	–91	1 702	2 475	2 304	4 560	4 162	–864	**723**
Interest on convertible perpetual capital instrument										**–217**
Net income/loss	2 966	–165	–91	1 702	2 475	2 304	4 560	4 162	–864	**506**
Balance sheet										
Assets										
Investments	89 584	95 888	86 728	90 653	108 023	130 601	204 238	227 812	163 965	**156 449**
Other assets	53 056	74 342	75 129	79 045	76 417	90 698	87 062	79 475	75 912	**84 155**
Total assets	142 640	170 230	161 857	169 698	184 440	221 299	291 300	307 287	239 877	**240 604**
Liabilities										
Unpaid claims and claim adjustment expenses	59 600	68 618	62 652	63 474	61 619	71 759	95 011	88 528	75 510	**70 721**
Liabilities for life and health policy benefits	29 300	41 370	37 269	37 244	43 239	31 081	44 899	50 026	39 911	**41 292**
Unearned premiums	6 131	6 399	6 754	6 457	5 748	6 563	8 025	7 722	7 802	**6 748**
Other liabilities	19 764	24 200	32 833	39 205	49 361	81 651	98 641	107 749	78 088	**75 811**
Long-term debt	5 058	7 045	5 663	4 807	5 296	5 852	13 840	21 395	18 113	**19 831**
Total liabilities	119 853	147 632	145 171	151 187	165 263	196 906	260 416	275 420	219 424	**214 403**
Shareholders' equity	22 787	22 598	16 686	18 511	19 177	24 393	30 884	31 867	20 453	**26 201**
Earnings/losses per share in CHF	10.39*	–0.57	–0.29	5.48	8.00	7.44	13.49	11.95	–2.61	**1.49**

* Adjusted by 20-for-1 share split.
[1] Numbers are based on the Group's previous accounting standards.
[2] Trading revenues are included in net investment income; long-term debt also includes debt positions from former Financial Markets.
[3] Reflects correction of reclassification discussed in Note 6 to the Group financial statements.

General information

With over 60 office locations in more than 20 countries, Swiss Re operates in a highly dynamic environment. In 2009, we optimised our market presence by establishing local offices focused solely on servicing clients. We have concentrated expertise in key locations and centralised support functions in shared service centres.

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations 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, which may cause Swiss Re's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- Swiss Re's 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 under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- 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 Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to its mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise 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 hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality and morbidity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and regulatory or legal actions;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Note on risk factors

General impact of adverse market conditions
Beginning in 2007, the global financial markets experienced extreme volatility and disruption, due in large part to turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets was exacerbated by adverse macroeconomic trends affecting a number of the principal economies. Volatility and disruption reached unprecedented levels. It is difficult to predict what the impact of market and economic conditions would be on the Group from a general business perspective or from a capital or liquidity perspective were conditions to again deteriorate.

Swiss Re and its subsidiaries are regulated in a number of jurisdictions in which they conduct business. New legislation as well as changes to existing legislation have been proposed in a number of jurisdictions that seek to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law, it is likely that aspects of existing regulatory regimes governing financial services will change. These may include 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, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions. Changes, for example, could impact capital requirements or have other direct or indirect effects on the Group. Changes may also occur in areas of broader application, such as competition policy and tax laws. Any number of these changes could apply to the Group and its operations. These changes could increase the costs of doing business, limit the scope of business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk
Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations and liquidity. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments. With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves 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. The Group is also subject to equity price risk to the extent that the value of life-related benefits under certain life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme for variable annuities, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices, forward prices and volatile movements in exchange rates.

These risks can have a significant effect on investment returns, which in turn may affect both the Group's results of operations and financial condition. The Group is focused on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks, including possible mismatch, that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools. The Group has moved to reduce risk to the portfolio by repositioning the components of the portfolio and, as a result, profitability will potentially be impacted, and unless offset by underwriting returns, will be reduced.

Credit risk
Like other financial institutions, the Group was adversely impacted by the deterioration in the credit markets beginning in 2007. During this period, the unprecedented and severe ratings downgrades that the Group and others experienced, and the absence of a liquid market for credit-related and other securities, resulted in a significant and material reduction in the value of the underlying assets. Although the Group has taken significant steps to de-risk its portfolio and reposition its assets, if the credit markets were again to deteriorate, the Group could experience further losses.

Note on risk factors

Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could face further write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could once again face difficulties in valuing credit-related instruments.

Valuation processes can produce significantly different outcomes, which could create additional uncertainty and differences of opinion among counterparties to swaps and other similar instruments as to obligations in respect of collateral and other terms of such instruments. These differences in opinion, in turn, could result in legal disputes among counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group becomes aware of counterparty valuations either directly, through the exchange of information, or indirectly, for example, through demands to post collateral. These valuations may differ significantly from the Group's estimates. Counterparty valuation estimates for collateral purposes are considered during the independent price verification process and may result in adjustments to initially indicated valuations. Resolution of any dispute in relation to asset valuation in which the Group may become involved with counterparties, in a manner adverse to it, could have a material adverse effect on the Group's financial condition and results of operations.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its reinsurance obligations, and that that would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations 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. The Group also enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the Group's trading operations, it could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to it. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme insurance events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, the economic downturn, continued severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit, changes in interest rates and credit spreads, or by perceptions among market participants of the extent of the Group's liquidity needs.

The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations and through third party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain regulatory capital or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradeable. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks
The Group's general exposure to counterparty risk was heightened during the credit crisis, and this risk could still be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the Group. In addition, trading counterparties, counterparties under swaps and other derivative contracts and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse impact on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated. The Group's most significant single counterparty risk is in respect of Berkshire Hathaway Inc., with which it has a quota share arrangement, an adverse development cover and a retrocession arrangement in respect of a closed block of US individual life reinsurance business.

Risks relating to credit rating downgrades
Ratings are an important factor in establishing the competitive position of reinsurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers, 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. The Group's ratings came under pressure due to the additional asset write-downs it recorded for the fourth quarter of 2008 and the resulting impact on the Group's capital position.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future. Rating agencies may heighten their scrutiny of rated companies, increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings, which cannot be predicted.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from 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 reinsurance only from reinsurers with certain ratings. A further decline in ratings could also impact the availability of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements.

Any rating downgrades could also have a material adverse impact on the Group's costs of borrowing and limit its access to the capital markets. Further negative ratings action could also impact reinsurance contracts.

Legal and regulatory risks
The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is 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. The Group could also be subject to risk from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

A number of lawsuits have been filed against financial service firms raising claims tied to the unprecedented market turmoil. Swiss Re is subject to one such action, which is a putative securities class action filed in the United States District Court for the Southern District of New York in February 2008 against it and certain of its executive officers alleging false and misleading statements in connection with the mark-to-market loss, announced on 19 November 2007. Plaintiff seeks to certify a class of all U.S. residents or citizens that purchased Swiss Re stock between March 1, 2007 and November 19, 2007. Swiss Re plans to vigorously defend the lawsuit. On September 4, 2009, Swiss Re filed a motion to dismiss and requested oral argument.

Note on risk factors

Plaintiff filed an opposition to that motion on September 25, to which Swiss Re submitted a reply brief on October 9. The parties await a date for oral argument and/or the Court's decision on the motion to dismiss. The Group cannot predict whether it could be subject to further claims arising out of the market turmoil.

Insurance, operational and other risks
As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, explosions, fires and pandemics) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identity or anticipate could have a material adverse effect on the Group.

Use of models; accounting matters
The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the 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.

The Group's results may be impacted by changes in standards, or changes in the interpretation of standards, in respect of fair value accounting or impairments. Its results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach on fair value accounting or other accounting matters.

The Group uses non-GAAP financial measures in its external reporting, including in this report. 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 a substitute for measures prepared in accordance with U.S. GAAP. Moreover, these may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

Glossary

Accumulation risk	Risk that arises when a large number of individual risks are correlated such that a single event will affect many or all of these risks.
Acquisition costs	That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.
Admin Re®	Acceptance of a closed block of in-force life and health insurance business either through acquisition or reinsurance, typically assuming the responsibility to administer the underlying policies. Admin Re® can also extend to the acquisition of an entire life insurance company.
Asset-backed security	Securities backed by notes or receivables against assets such as auto loans, credit cards, royalties, student loans and insurance.
Asset-liability management (ALM)	Management of a business in a way that coordinates decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints.
Aviation insurance	Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.
Benefit ratio	Sum of the claims paid and claim adjustment expenses in relation to premiums earned, both of which are net of unit-linked and with-profit business.
Book value per share	The ratio of ordinary shareholders' equity (excluding convertible perpetual capital instrument) to the number of common shares entitled to dividend.
Business interruption	Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".
Capacity	Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Casualty insurance	Branch of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance.
Catastrophe bonds	Risk-based securities that allow (re)insurance companies to transfer peak insurance risks, including natural catastrophes, to institutional investors in the form of bonds. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).
Cession	Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.
Claim	Demand by an insured for indemnity under an insurance contract.
Claims handling	Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.

Glossary

Claims incurred and claim adjustment expenses	All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.
Claims ratio	Sum of claims paid, change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.
Coinsurance	Arrangement by which a number of insurers and/or reinsurers share a risk.
Combined ratio	The ratio is a combination of the non-life claims ratio and the expense ratio.
Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.
Commutation	The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
CPCI	Convertible perpetual capital instrument.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Applies to derivative products. Difference in the value of two options, when the value of the one sold exceeds the value of the one bought.
Directors' and officers' liability insurance (D&O)	Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.
Disability insurance	Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
Earnings per share (EPS)	Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.
Expense ratio	Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.
Guaranteed minimum death benefit (GMDB)	A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

Impairment charge	Adjustment in the accounting value of an asset.
Incurred but not reported (IBNR)	Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.
Industry loss warranties (ILW)	Index-linked catastrophe contracts with a dual trigger that require a minimum industry loss to occur before the coverage responds to the individual company loss.
Insurance-linked securities (ILS)	Bonds for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the bond is a peak or volume insurance risk.
Layer	Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different (re)insurers.
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally accounted for.
Mandatory convertible bond	Bond that has a compulsory conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible into the underlying stock.
Marine insurance	Line of insurance which includes coverage for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.
Mark-to-market	Adjustment of the book value or collateral value of a security, portfolio or account that reflects its current market value.
Motor insurance	Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.
Net reinsurance assets	Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.
Non-life insurance	All classes of insurance business excluding life insurance.

Glossary

Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
Nuclear energy insurance	Property and liability insurance for atomic reactors, power stations or any other plant related to the production of atomic energy or its incidental processes.
Operating revenues	Premiums earned plus net investment income plus other revenues.
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota-share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.

Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Return on investments	Operating income as a percentage of average invested assets. Invested assets include investments, cash and cash equivalents, securities in transit, financial liabilities and exclude policy loans and Legacy assets.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Running yield	Net investment income on fixed income positions, including coupon income and amortisation, as a percentage of the cost of the securities.
Securitisation	Financial transaction, in which future cash flows from assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
Solvency II	New regulatory framework for EU (re)insurance solvency rules scheduled to replace the current Solvency I regime by the end of 2012. Introducing a comprehensive, economic and risk-based regulation, Solvency II includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.
Stop-loss reinsurance	Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.
Surety insurance	Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.
Surplus reinsurance	Form of proportional reinsurance in which risks are reinsured above a specified amount.
Swiss Solvency Test (SST)	Switzerland already introduced an economic and risk-based insurance regulation, similar to the objectives of the Solvency II project in the EU. Since 2008, all (re)insurance companies writing business in Switzerland have had to implement the SST, and as of 1 January 2011, the SST-based target capital requirement will be in force and companies must achieve economic solvency.
Tail VaR	See "Value at risk".
Total return on investments	Operating income plus net unrealised gains/losses on available-for-sale securities as a percentage of average invested assets. Invested assets include investments, cash and cash equivalents, securities in transit, financial liabilities and exclude policy loans and Legacy assets.
Treaty reinsurance	Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.

Glossary

Underwriting result
Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).

Unearned premium
Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.

Unit-linked policy
A life insurance contract which provides policyholder funds which are linked to an underlying investment product or fund. The performance of the policyholder funds is borne by the policyholder.

US GAAP
United States Generally Accepted Accounting Principles are the accounting rules, as issued by the Financial Accounting Standards Board (FASB), its predecessors and other bodies, used to prepare financial statements for publicly traded companies in the United States.

US XXX term insurance
Traditional US life business subject to the NAIC Valuation of Life Insurance Model Regulation or New York Regulation 147 (collectively: 'Regulation XXX'). Regulation XXX states that business retained in the US does not require collateral, provided the reinsurer is licensed in the state of the company ceding business; however, business retroceded to a foreign reinsurer is subject to collateral (apart from funds withheld).

Value at risk (VaR)
Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% Tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.

With-profit policy
An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS). For additional insurance terms, see Swiss Re's online glossary of technical terms at www.swissre.com.

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Corporate calendar

7 April 2010
146th Annual General Meeting

6 May 2010
First quarter 2010 results and
EVM 2009 results

11 June 2010
Investors' Day

5 August 2010
Second quarter 2010 results

4 November 2010
Third quarter 2010 results

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