Swiss Re

Swiss Reinsurance Company Consolidated

2013 Annual Report

CONTENT

Swiss Reinsurance Company Ltd
Swiss Reinsurance Company Ltd ("SRZ"), together with its consolidated subsidiaries (collectively, the "Group"), is a leading and highly diversified global reinsurer and part of the Swiss Re group of companies. The Group operates through offices in more than 20 countries. Founded in Zurich, Switzerland, in 1863, the Group offers financial services products that enable risk-taking essential to enterprise and progress. The Groups's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Reinsurance Company Ltd is rated AA– by Standard & Poor's, Aa3 by Moody's and A+ by A.M. Best.

The structure of the Group was largely reflected in its financial statements beginning with the first quarter of 2012. During 2012, SRZ transferred Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd, and their respective subsidiaries, to Swiss Re Ltd through dividends-in-kind. During 2013, SRZ transferred the shares of Swiss Re Principal Investments Company Ltd to Swiss Re Ltd. Following these transfers, the results of the respective transferred entities are only reported as part of the Swiss Re group of companies.

INCOME STATEMENT

For the years ended 31 December

USD millions	Note	2012	2013
Revenues			
Premiums earned	8	21 496	**24 905**
Fee income from policyholders	8	122	**162**
Net investment income – non-participating	2	3 124	**3 120**
Net realised investment gains – non-participating (total impairments for the years ended 31 December were 197 in 2012 and 34 in 2013, of which 149 and 34, respectively, were recognised in earnings)	2	879	**427**
Net investment result – unit-linked and with-profit	2	223	**249**
Other revenues		80	**71**
Total revenues		25 924	**28 934**
Expenses			
Claims and claim adjustment expenses	8	–6 337	**–7 907**
Life and health benefits	8	–6 952	**–8 665**
Return credited to policyholders		–439	**–631**
Acquisition costs	8	–4 132	**–4 449**
Other expenses		–2 511	**–2 814**
Interest expenses		–748	**–777**
Total expenses		–21 119	**–25 243**
Income before income tax expense		4 805	**3 691**
Income tax expense/benefit	10	–1 122	**–219**
Net income before attribution of non-controlling interests		3 683	**3 472**
Income attributable to non-controlling interests		–136	**–2**
Net income after attribution of non-controlling interests		3 547	**3 470**
Interest on contingent capital instruments		–56	**–67**
Net income attributable to common shareholder		3 491	**3 403**

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

STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

USD millions	2012	2013
Net income before attribution of non-controlling interests	3683	**3472**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses (tax: –322 in 2012 and 954 in 2013)	927	**–2318**
Change in other-than-temporary impairment (tax: –38 in 2012 and –11 in 2013)	74	**21**
Change in foreign currency translation (tax: 43 in 2012 and 41 in 2013)	707	**–347**
Change in adjustment for pension benefits (tax: 61 in 2012 and –131 in 2013)	–180	**457**
Total comprehensive income before attribution of non-controlling interests	5211	**1285**
Interest on contingent capital instruments	–56	**–67**
Comprehensive income attributable to non-controlling interests	–136	**–2**
Total comprehensive income attributable to common shareholder	5019	**1216**

Reclassification out of accumulated other comprehensive income

For the year ended 31 December

2013 USD millions	Unrealised gains/ losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	3059	–27	–3180	–928	**–1076**
Change during the period	–2842	32	–388	530	**–2668**
Amounts reclassified out of accumulated other comprehensive income	–430			58	**–372**
Tax	954	–11	41	–131	**853**
Balance as of period end	**741**	**–6**	**–3527**	**–471**	**–3263**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line. This line also includes a shadow adjustment, please refer to Note 5 "Deferred acquisition costs and acquired present value of future profits".
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

BALANCE SHEET

As of 31 December

Assets

USD millions	Note	2012	2013
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 9 256 in 2012 and 11 155 in 2013 subject to securities lending and repurchase agreements) (amortised cost: 2012: 62 762; 2013: 58 774)		66 827	**59 123**
Trading (including 196 in 2012 and 1 in 2013 subject to securities lending and repurchase agreements)		1 795	**1 522**
Equity securities:			
Available-for-sale, at fair value (including 0 in 2012 and 65 in 2013 subject to securities lending and repurchase agreements) (cost: 2012: 2 263; 2013: 4 594)		2 538	**5 294**
Trading		671	**615**
Policy loans, mortgages and other loans		3 713	**4 340**
Investment real estate		772	**820**
Short-term investments, at amortised cost which approximates fair value (including 3 454 in 2012 and 3 194 in 2013 subject to securities lending and repurchase agreements)		16 103	**17 777**
Other invested assets		12 383	**9 233**
Investments for unit-linked and with-profit business (including equity securities trading: 841 in 2012 and 988 in 2013)		841	**988**
Total investments		105 643	**99 712**
Cash and cash equivalents (including 75 in 2012 and 4 in 2013 subject to securities lending)		8 662	**5 883**
Accrued investment income		743	**690**
Premiums and other receivables		10 157	**10 806**
Reinsurance recoverable on unpaid claims and policy benefits	8	8 175	**6 654**
Funds held by ceding companies		14 427	**13 451**
Deferred acquisition costs	5	3 811	**4 424**
Acquired present value of future profits	5	1 986	**2 085**
Goodwill		4 075	**4 091**
Income taxes recoverable		417	**425**
Deferred tax assets[1]		4 867	**5 023**
Other assets		4 971	**2 973**
Total assets		167 934	**156 217**

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

Liabilities and equity

USD millions	Note	2012	2013
Liabilities			
Unpaid claims and claim adjustment expenses		58 904	**56 338**
Liabilities for life and health policy benefits	3	20 270	**20 324**
Policyholder account balances		6 512	**6 690**
Unearned premiums		7 535	**8 127**
Funds held under reinsurance treaties		3 275	**3 218**
Reinsurance balances payable		3 666	**2 488**
Income taxes payable		498	**593**
Deferred and other non-current taxes[1]		7 863	**6 913**
Short-term debt	6	6 551	**5 992**
Accrued expenses and other liabilities		13 436	**9 551**
Long-term debt	6	16 482	**14 722**
Total liabilities		144 992	**134 956**
Equity			
Contingent capital instruments	6	1 102	**1 102**
Common stock, CHF 0.10 par value			
2012: 344 052 565; 2013: 344 052 565 shares authorised and issued		32	**32**
Additional paid-in capital		8 875	**8 853**
Treasury shares, net of tax		0	**0**
Shares in Swiss Re Ltd, net of tax		–144	**–148**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		3 059	**741**
Other-than-temporary impairment, net of tax		–27	**–6**
Cumulative translation adjustments, net of tax		–3 180	**–3 527**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–928	**–471**
Total accumulated other comprehensive income		–1 076	**–3 263**
Retained earnings		14 129	**14 660**
Shareholder's equity		22 918	**21 236**
Non-controlling interests		24	**25**
Total equity		22 942	**21 261**
Total liabilities and equity		167 934	**156 217**

[1] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

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

STATEMENT OF SHAREHOLDERS' EQUITY

For the years ended 31 December

USD millions	2012	2013
Contingent capital instruments		
Balance as of 1 January	0	**1 102**
Issued	1 102	
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**32**
Issue/cancellation of common shares	–3	
Balance as of period end	32	**32**
Additional paid-in capital		
Balance as of 1 January	8 958	**8 875**
Contingent capital instruments' issuance cost	–18	
Share-based compensation	–29	**13**
Realised gains/losses on treasury shares	–36	**–35**
Dividends on common shares		
Balance as of period end	8 875	**8 853**
Treasury shares, net of tax		
Balance as of 1 January	–1 032	**0**
Cancellation of treasury shares[1]	1 032	
Balance as of period end	0	**0**
Shares in Swiss Re Ltd, net of tax		
Balance as of 1 January	–102	**–144**
Change of shares in Swiss Re Ltd[1]	–42	**–4**
Balance as of period end	–144	**–148**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 223	**3 059**
Effect of change in Group structure[2]	–2 091	
Other changes during the period[3]	927	**–2 318**
Balance as of period end	3 059	**741**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–118	**–27**
Effect of change in Group structure[2]	17	
Other changes during the period	74	**21**
Balance as of period end	–27	**–6**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 924	**–3 180**
Effect of change in Group structure[2]	37	
Other changes during the period[3]	707	**–347**
Balance as of period end	–3 180	**–3 527**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–775	**–928**
Effect of change in Group structure[2]	27	
Change during the period	–180	**457**
Balance as of period end	–928	**–471**

Retained earnings		
Balance as of 1 January	22 229	**14 129**
Effect of change in Group structure[2]	–8 536	
Net income after attribution of non-controlling interests	3 547	**3 470**
Interest on contingent capital instruments, net of tax	–56	**–67**
Dividends on common shares and dividends-in-kind[3]	–2 636	**–2 973**
Cumulative effect of adoption of ASU 2010-26[4], net of tax	–24	
Cancellation of treasury shares[1]	–1 029	
Effect of transfer of Aurora National Life Assurance Company	191	
Effect of new reinsurance agreements[5,6]	443	**101**
Balance as of period end	14 129	**14 660**
Shareholder's equity	22 918	**21 236**
Non-controlling interests		
Balance as of 1 January	1 697	**24**
Effect of change in Group structure[2]	–414	
Change during the period	–1 935	**–1**
Income attributable to non-controlling interests	136	**2**
Effect of transfer of Aurora National Life Assurance Company	540	
Balance as of period end	24	**25**
Total equity	22 942	**21 261**

[1] Based on a resolution adopted at Swiss Reinsurance Company Ltd's Annual General Meeting, held 19 March 2012, to reduce the share capital, the former Swiss Reinsurance Company Ltd shares have been cancelled. The Group presents all transactions related to common shares of Swiss Re Ltd, the parent company of Swiss Reinsurance Company Ltd, in a separate section "Shares in Swiss Re Ltd, net of tax" in its "Statement of equity".

[2] On 27 April 2012, Swiss Reinsurance Company Ltd transferred the shares of Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd through a dividend in-kind to Swiss Re Ltd. Following the transfer, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd ceased to be subsidiaries of Swiss Reinsurance Company Ltd and, therefore, the Corporate Solutions Business Unit and Admin Re® Business Unit were no longer part of the Swiss Reinsurance Company Group.

[3] Includes the impact of the transfer of the shares of Swiss Re Principal Investments Company Ltd through a dividend-in-kind to Swiss Re Ltd. Please refer to Note 1 "Organisation and summary of significant accounting policies".

[4] The Group adopted a new accounting pronouncement, ASU 2010-26 "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" as of 1 January 2012, which required the release of USD 24 million of deferred acquisition costs against retained earnings.

[5] Due to the sale of Admin Re® US business to Jackson National by the Swiss Re Group, certain blocks of business were retained by the Swiss Re Group mainly by way of retrocession to Swiss Reinsurance Company Group legal entities effective 1 July 2012. This resulted in an increase in retained earnings by USD 443 million.

[6] Effective 31 December 2013, a novation of a reinsurance contract to a Group legal entity resulted in an increase in retained earnings of USD 101 million.

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

STATEMENT OF CASH FLOW

For the years ended 31 December

USD millions	2012	2013
Cash flows from operating activities		
Net income attributable to common shareholder	3 491	**3 403**
Add net income attributable to non-controlling interests	136	**2**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	3 305	**3 318**
Net realised investment gains/losses	–1 069	**–637**
Change in:		
Technical provisions, net	–5 047	**–4 809**
Funds held by ceding companies and other reinsurance balances	1 291	**–550**
Reinsurance recoverable on unpaid claims and policy benefits	–179	**908**
Other assets and liabilities, net	–40	**1 546**
Income taxes payable/recoverable	1 195	**–130**
Income from equity-accounted investees, net of dividends received	–340	**–76**
Trading positions, net	–1 350	**–877**
Securities purchased/sold under agreement to resell/repurchase, net	844	**84**
Net cash provided/used by operating activities	2 237	**2 182**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	95 954	**74 527**
Purchases	–94 683	**–70 477**
Net purchase/sale/maturities of short-term investments	–4 259	**–1 954**
Equity securities:		
Sales	1 228	**2 095**
Purchases	–1 868	**–4 403**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net[1]	–483	
Net purchases/sales/maturities of other investments	1 105	**–170**
Net cash provided/used by investing activities	–3 006	**–382**
Cash flows from financing activities		
Issuance/repayment of long-term debt	931	**40**
Issuance/repayment of short-term debt	532	**–2 554**
Proceeds from the issuance of contingent capital instruments, net of issuance cost	1 084	
Purchase/sale of shares in Swiss Re Ltd	–133	**4**
Dividends paid to parent	–2 636	**–1 871**
Net cash provided/used by financing activities	–222	**–4 381**
Total net cash provided/used	–991	**–2 581**
Effect of foreign currency translation	42	**–198**
Change in cash and cash equivalents	–949	**–2 779**
Cash and cash equivalents as of 1 January	11 298	**8 662**
Effect of change in Group structure[2]	–2 138	
Effect of transfer of Aurora National Life Assurance Company	451	
Cash and cash equivalents as of 31 December	8 662	**5 883**

[1] New California Holdings, Inc. was acquired for USD 548 million in cash in 2012. In addition, Swiss Re Private Equity Partners AG, Swiss Re's private equity fund-of-fund business, has been sold to BlackRock, Inc. for USD 65 million in cash. Swiss Re continues to be invested as a limited partner in the funds.
[2] Please refer to Note 1 "Organisation and summary of significant accounting policies".

Interest paid was USD 887 million and USD 939 million for the years ended 31 December 2012 and 2013, respectively.

Tax paid was USD 54 million and USD 352 million for the years ended 31 December 2012 and 2013, respectively.

Effective 1 January 2013, Swiss Reinsurance Company Ltd transferred its shares in Swiss Re Principal Investments Company Ltd through a USD 1 102 million dividend-in-kind to Swiss Re Ltd. The dividend-in-kind mainly consisted of investments in equity investees and equity securities available for sale.

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

SRZ is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of three separate business units: the Swiss Reinsurance Company Group, Swiss Re Corporate Solutions Ltd ("Swiss Re Corporate Solutions") and its subsidiaries (collectively, the "Corporate Solutions Business Unit") and Swiss Re Life Capital Ltd ("Swiss Re Life Capital") and its subsidiaries (collectively, the "Admin Re® Business Unit") as well as other strategic investments.

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

On 25 March 2013, SRZ transferred the shares of Principal Investments through a dividend-in-kind to Swiss Re Ltd. Following the transfer, Principal Investments ceased to be a subsidiary of Swiss Reinsurance Company Ltd. Principal Investments instead became a subsidiary of Swiss Re Ltd. Risks and benefits related to this entity passed to Swiss Re Ltd as of 1 January 2013. Consequently these financial statements were prepared as if Principal Investments had been transferred to Swiss Re Ltd as of 1 January 2013.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of SRZ and its subsidiaries. Voting entities which SRZ directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The 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 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 shareholder's equity.

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

Valuation of financial assets
The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2013, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments
The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between original cost and fair value being recognised in shareholder's 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 in earnings.

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

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are 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. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. 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 shareholder's equity.

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

Derivative financial instruments and hedge accounting
The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. 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 instrument 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 shareholder's 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 and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

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

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

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

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

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

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

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

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

Liabilities for life and health policy benefits
Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net 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 (re)insurance benefits liabilities range from 0.2% to 12.6%. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

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

Policyholder account balances
Policyholder account balances relate to universal life-type contracts and investment contracts. Interest crediting rates for policyholder account balances range from 1.3% to 8.9%.

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

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

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 2.

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

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

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

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

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

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

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

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

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

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

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 balance sheet.

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

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

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

Share-based payment transactions
The Group has a long-term incentive plan, a leadership performance plan, a fixed option plan, a restricted share plan, an employee participation plan and a global share participation plan. These plans are described in more detail in Note 12. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

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

Shares in Swiss Re Ltd
Shares in Swiss Re Ltd are reported at cost in shareholder's equity. They also include stand-alone derivative instruments indexed to the Swiss Re Ltd shares that meet the requirements for classification in shareholder's equity.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 17 March 2014. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In December 2011, the FASB issued "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Topic 210 – Balance Sheet. In January 2013, a scope clarification of ASU 2011-11 was issued, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01). ASU 2011-11 requires additional disclosures on derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are netted in accordance with current US GAAP guidance. The Group adopted this guidance as of 1 January 2013. The additional disclosure requirements are reflected in Note 2.

In July 2012, the FASB issued "Testing Indefinite-Lived Intangible Assets for Impairment" (ASU 2012-02), an update to Topic 350 – Intangibles – Goodwill and Other. The update allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. The Group adopted this guidance as of 1 January 2013. The adoption did not have an impact on the Group's financial statements.

In October 2012, the FASB issued "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution" (ASU 2012-06), an update to Topic 805 – Business Combinations. This ASU gives guidance on the subsequent accounting of an indemnification asset in a government-assisted acquisition. The Group adopted this guidance as of 1 January 2013. The adoption did not have an impact on the Group's financial statements.

In February 2013, the FASB issued "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to Topic 220 – Comprehensive Income. This update supersedes and replaces the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12. The new guidance requires an entity to provide additional information about reclassifications out of accumulated other comprehensive income. The Group adopted this guidance as of 1 January 2013. The additional disclosures are presented below the statement of comprehensive income.

On 17 July 2013, the FASB issued "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes" (ASU 2013-10), an update to Topic 815 – Derivatives and Hedging. This ASU allows explicitly the use of the Fed Funds effective swap rate as a benchmark interest rate for hedge accounting purposes. The Group adopted this guidance as of 17 July 2013. The adoption did not have an impact on the Group's financial statements.

2 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2012	2013
Fixed income securities	1 888	1 932
Equity securities	74	118
Policy loans, mortgages and other loans	94	100
Investment real estate	134	139
Short-term investments	93	100
Other current investments	24	82
Share in earnings of equity-accounted investees	452	193
Cash and cash equivalents	66	45
Net result from deposit-accounted contracts	142	150
Deposits with ceding companies	544	613
Gross investment income	3 511	3 472
Investment expenses	–378	–343
Interest charged for funds held	–9	–9
Net investment income – non-participating	3 124	**3 120**

Dividends received from investments accounted for using the equity method were USD 112 million and USD 117 million for 2012 and 2013, respectively.

Realised gains and losses

Realised gains and losses for fixed income equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2012	2013
Fixed income securities available-for-sale:		
Gross realised gains	1 935	857
Gross realised losses	–336	–623
Equity securities available-for-sale:		
Gross realised gains	154	233
Gross realised losses	–67	–37
Other-than-temporary impairments	–149	–34
Net realised investment gains/losses on trading securities	58	–4
Change in net unrealised investment gains/losses on trading securities	65	–38
Other investments:		
Net realised/unrealised gains/losses	–195	296
Net realised/unrealised gains/losses on insurance-related derivatives	–164	–256
Foreign exchange gains/losses	–422	33
Net realised investment gains/losses – non-participating	**879**	**427**

Proceeds from sales of fixed income securities available-for-sale amounted to USD 90 338 million and USD 70 759 million 2012 and 2013, respectively. Sales of equity securities available-for-sale were USD 1 230 million and USD 2 094 million for 2012 and 2013, respectively.

Investment result – unit-linked and with-profit business
The net investment result on unit-linked and with-profit business credited to policyholders amounted to gains of USD 223 million and USD 249 million for 2012 and 2013, respectively, mainly originating from gains/losses on equity securities.

Impairment on fixed income securities related to credit losses
Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and 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 other-than-temporary impairment related to credit losses recognised in earnings was as follows:

USD millions	2012	**2013**
Balance as of 1 January[1]	515	295
Effect of change in Group structure[2]	–122	
Credit losses for which an other-than-temporary impairment was not previously recognised	10	1
Reductions for securities sold during the period	–145	–52
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	46	9
Impact of increase in cash flows expected to be collected	–49	–35
Impact of foreign exchange movements	5	
Balance as of 31 December	260	**218**

[1] During 2013 the Group revised the other-than-temporary impairment on fixed income securities related to credit losses. The revision had no impact on net income and shareholders' equity of the Group.

[2] Please refer to Note 1 "Organisation and summary of significant accounting policies".

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2012 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 618	606	–34		12 190
US Agency securitised products	3 844	109	–7		3 946
States of the United States and political subdivisions of the states	88	11	–1		98
United Kingdom	9 653	461	–40		10 074
Canada	3 339	756	–1		4 094
Germany	5 224	240	–7		5 457
France	2 855	225	–5		3 075
Other	6 543	383	–35		6 891
Total	43 164	2 791	–130		45 825
Corporate debt securities	13 906	1 271	–31	–18	15 128
Residential mortgage-backed securities	850	37	–23	–14	850
Commercial mortgage-backed securities	2 510	198	–30	–2	2 676
Other asset-backed securities	2 332	29	–6	–7	2 348
Fixed income securities available-for-sale	62 762	4 326	–220	–41	66 827
Equity securities available-for-sale	2263	318	–43		2538

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	4 717	102	–152		4 667
US Agency securitised products	3 554	35	–74		3 515
States of the United States and political subdivisions of the states	731	6	–37		700
United Kingdom	7 659	83	–324		7 418
Canada	2 797	309	–64		3 042
Germany	4 047	86	–37		4 096
France	2 434	99	–11		2 522
Other	6 359	135	–269		6 225
Total	32 298	855	–968		32 185
Corporate debt securities	21 032	739	–441	–3	21 327
Residential mortgage-backed securities	778	54	–11	–3	818
Commercial mortgage-backed securities	2 320	151	–33		2 438
Other asset-backed securities	2 346	27	–16	–2	2 355
Fixed income securities available-for-sale	**58 774**	**1 826**	**–1 469**	**–8**	**59 123**
Equity securities available-for-sale	**4 594**	**761**	**–61**		**5 294**

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

Fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2012	**2013**
Debt securities issued by governments and government agencies	1 432	1 202
Corporate debt securities	177	132
Mortgage- and asset-backed securities	186	188
Fixed income securities trading – non-participating	1 795	**1 522**
Equity securities trading – non-participating	671	**615**

Investments held for unit-linked and with-profit business

Investments held for unit-linked business consist of equity securities trading. As of 31 December 2012 and 2013, these amounted to USD 841 million and USD 988 million, respectively.

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 2012 and 2013, USD 8 536 million and USD 9 792 million, respectively, of fixed income securities available-for-sale were callable.

		2012		**2013**
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	1 885	1 902	2 373	2 358
Due after one year through five years	16 536	16 978	15 358	15 569
Due after five years through ten years	11 769	12 603	10 829	10 951
Due after ten years	27 170	29 763	24 967	24 832
Mortgage- and asset-backed securities with no fixed maturity	5 402	5 581	5 247	5 413
Total fixed income securities available-for-sale	62 762	66 827	**58 774**	**59 123**

Assets pledged

As of 31 December 2013, investments with a carrying value of USD 7 250 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 10 451 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2012 and 2013, securities of USD 12 981 million and USD 14 419 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 4 237 million and USD 1 991 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying value of USD 261 million serves as collateral for short-term senior operational debt of USD 731 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2012 and 2013, the fair value of the government and corporate bond securities received as collateral was USD 4 339 million and USD 7 816 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2012 and 2013 was USD 1 205 million and USD 4 921 million respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2012 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	7 960	–5 644	2 316	–411	1 905
Reverse repurchase agreements	5 897	–3 434	2 463	–2 462	1
Securities borrowing			0		0
Total	13 857	–9 078	4 779	–2 873	1 906

2012 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–8 716	4 990	–3 726	93	–3 633
Repurchase agreements	–3 896	3 434	–462	462	0
Securities lending	–2 135		–2 135	2 062	–73
Total	–14 747	8 424	–6 323	2 617	–3 706

2013 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4 133	–2 877	1 256	–380	**876**
Reverse repurchase agreements	3 953	–1 811	2 142	–2 142	**0**
Securities borrowing			0		**0**
Total	**8 086**	**–4 688**	**3 398**	**–2 522**	**876**

2013 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4 108	2 656	–1 452	157	**–1 295**
Repurchase agreements	–2 009	1 811	–198	198	**0**
Securities lending	–1 792		–1 792	1 655	**–137**
Total	**–7 909**	**4 467**	**–3 442**	**2 010**	**–1 432**

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable setoff in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other Invested Assets", and "Accrued Expenses and Other Liabilities", respectively.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2012 and 2013. As of 31 December 2012 and 2013, USD 26 million and USD 58 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 17 million and USD 3 million, respectively, to declines in value for more than 12 months.

2012 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 840	34			2 840	34
US Agency securitised products	757	7			757	7
States of the United States and political subdivisions of the states	34	1			34	1
United Kingdom	2 741	40			2 741	40
Canada	173	1	2		175	1
Germany	506	7	14		520	7
France	147	5			147	5
Other	1 852	32	32	3	1 884	35
Total	9 050	127	48	3	9 098	130
Corporate debt securities	1 411	23	256	26	1 667	49
Residential mortgage-backed securities	60	2	423	35	483	37
Commercial mortgage-backed securities	175	11	340	21	515	32
Other asset-backed securities	478	6	98	7	576	13
Total	11 174	169	1 165	92	12 339	261

2013 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 342	152			2 342	152
US Agency securitised products	2 105	69	49	5	2 154	74
States of the United States and political subdivisions of the states	522	37	2		524	37
United Kingdom	5 838	324			5 838	324
Canada	801	62	11	2	812	64
Germany	1 630	33	199	4	1 829	37
France	492	9	47	2	539	11
Other	3 137	193	643	76	3 780	269
Total	16 867	879	951	89	17 818	968
Corporate debt securities	9 264	400	344	44	9 608	444
Residential mortgage-backed securities	35	1	252	13	287	14
Commercial mortgage-backed securities	548	28	159	5	707	33
Other asset-backed securities	966	11	131	7	1 097	18
Total	**27 680**	**1 319**	**1 837**	**158**	**29 517**	**1 477**

Mortgages, loans and real estate
As of 31 December 2012 and 2013, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2012	**2013**
Policy loans	270	257
Mortgage loans	656	1 069
Other loans	2 787	3 014
Investment real estate	772	820

The fair value of the real estate as of 31 December 2012 and 2013 was USD 2 531 million and USD 2 546 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 24 million and USD 25 million for 2012 and 2013, respectively. Accumulated depreciation on investment real estate totalled USD 549 million and USD 577 million as of 31 December 2012 and 2013, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

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3 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the year ended 31 December 2013, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and other asset-backed securities (Other ABS) are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain ABS for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both RMBS and CMBS, cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgments may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property.

The category "Other ABS" primarily includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in levels 1 and 2. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available. Level 2 equities include equity investments fair valued pursuant to the fair value option election and certain hedge fund positions; all valued based on primarily observable inputs.

The category "Other invested assets" mainly includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

The Group holds both exchange-traded and over-the-counter (OTC) interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on the internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgments and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

The Group's OTC credit derivatives include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilising observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

The Group also holds complex structured credit contracts, such as credit default swaps (CDS) referencing mortgage-backed securities, certain types of collateralised debt obligation (CDO) transactions, and the products sensitive to correlation between two or more underlying parameters (CDO-squared); all of which are classified within level 3 of the fair value hierarchy. A CDO is a debt instrument collateralised by various debt obligations, including bonds, loans and CDS of differing credit profiles. In a CDO-squared transaction, both the primary instrument and the underlying instruments are represented by CDOs. Generally, for CDO and CDO-squared transactions, the observable inputs such as CDS spreads and recovery rates are modified to adjust for correlation between the underlying debt instruments. The correlation levels are modelled at the portfolio level and calibrated at a transaction level to liquid benchmark rates.

Governance around level 3 fair valuation

The Swiss Re Group's Group Risk & Capital Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's valuation policies and operating parameters (including level 3 measurements). The Group Risk & Capital Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee, which is a management control committee. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the IPV team within a Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values and is empowered to challenge vendor- and model-based valuations.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	11 689	56 296	637		68 622
Debt securities issued by US government and government agencies	11 689	626			12 315
US Agency securitised products		3 953			3 953
Debt securities issued by non-US governments and government agencies		30 989			30 989
Corporate debt securities		14 681	624		15 305
Residential mortgage-backed securities		920			920
Commercial mortgage-backed securities		2 770	13		2 783
Other asset-backed securities		2 357			2 357
Fixed income securities backing unit-linked and with-profit life and health policies					0
Equity securities	3 450	526	74		4 050
Equity securities backing unit-linked and with-profit life and health policies	841				841
Equity securities held for proprietary investment purposes	2 609	526	74		3 209
Derivative financial instruments	261	6 689	1 010	–5 644	2 316
Interest rate contracts	194	5 240			5 434
Foreign exchange contracts	26	415			441
Derivative equity contracts	34	508	636		1 178
Credit contracts		393	223		616
Other contracts	7	133	151		291
Other invested assets	747	1 372	2 071		4 190
Total assets at fair value	16 147	64 883	3 792	–5 644	79 178
Liabilities					
Derivative financial instruments	–273	–5 578	–2 865	4 990	–3 726
Interest rate contracts	–205	–3 977			–4 182
Foreign exchange contracts	–12	–792			–804
Derivative equity contracts	–42	–380	–232		–654
Credit contracts		–412	–271		–683
Other contracts	–14	–17	–2 362		–2 393
Liabilities for life and health policy benefits			–272		–272
Accrued expenses and other liabilities	–885	–2 556	–1 625		–5 066
Total liabilities at fair value	–1 158	–8 134	–4 762	4 990	–9 064

[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.

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	4 182	55 844	619		60 645
Debt securities issued by US government and government agencies	4 182	1 204			5 386
US Agency securitised products		3 530			3 530
Debt securities issued by non-US governments and government agencies		24 471			24 471
Corporate debt securities		20 852	607		21 459
Residential mortgage-backed securities		896			896
Commercial mortgage-backed securities		2 519	12		2 531
Other asset-backed securities		2 372			2 372
Fixed income securities backing unit-linked and with-profit life and health policies					0
Equity securities	6 332	554	11		6 897
Equity securities backing unit-linked and with-profit life and health policies	988				988
Equity securities held for proprietary investment purposes	5 344	554	11		5 909
Derivative financial instruments	31	3 597	505	–2 877	1 256
Interest rate contracts	8	2 377			2 385
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1 266
Credit contracts		18	28		46
Other contracts		93	76		169
Other invested assets	1 476	210	1 791		3 477
Total assets at fair value	**12 021**	**60 205**	**2 926**	**–2 877**	**72 275**
Liabilities					
Derivative financial instruments	–14	–3 100	–994	2 656	–1 452
Interest rate contracts		–2 127			–2 127
Foreign exchange contracts		–428			–428
Derivative equity contracts	–14	–527	–190		–731
Credit contracts		–11	–38		–49
Other contracts		–7	–766		–773
Liabilities for life and health policy benefits			–145		–145
Accrued expenses and other liabilities	–1 634	–1 271	–1 656		–4 561
Total liabilities at fair value	**–1 648**	**–4 371**	**–2 795**	**2 656**	**–6 158**

[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.

Transfers between level 1 and level 2

Transfers between level 1 and level 2 for the year ended 31 December 2012 were as follows:

2012 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)
Assets		
Transfer into[1]	278	2583
Transfer out of[1]	–160	–1590
Liabilities		
Transfer into[1]		–1933
Transfer out of[1]		589

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4, the Group has reassessed the observability of fair value inputs as of 1 January 2012. Yield curves for instruments with maturities above 20 years were deemed observable and related positions were therefore reclassified from level 3 to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

There were no material transfers between level 1 and level 2 for the year ended 31 December 2013.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2012 USD millions	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets				
Balance as of 1 January 2012	1 111	4	8	16
Effect of change in Group structure	–520		–5	
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income	28			
Purchases	50		6	32
Issuances				
Sales	–19			–32
Settlements	–32			–9
Transfers into level 3[1]	18		5	
Transfers out of level 3[1]	–12	–4	–1	–7
Impact of foreign exchange movements				
Closing balance as of 31 December 2012	624	0	13	0

Liabilities				
Balance as of 1 January 2012				
Effect of change in Group structure				
Realised/unrealised gains/losses:				
Included in net income				
Included in other comprehensive income				
Purchases				
Issuances				
Sales				
Settlements				
Transfers into level 3[1]				
Transfers out of level 3[1]				
Impact of foreign exchange movements				
Closing balance as of 31 December 2012				

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer. With the introduction of ASU No. 2011-4 the Group has reassessed the observability of fair value inputs as of 1 January 2012. Yield curves for instruments with maturities above 20 years were deemed observable and related positions were therefore reclassified to level 2. The inputs of one level 2 position were assessed to be unobservable, the respective assets and liabilities were therefore shifted to level 3.

Equity securities held for proprietary investment purposes	Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other invested assets	Total
69	1 471	112	41	986	36	2 041	5 895
						–32	–557
20	7		–192	–430	44	–16	–567
3						124	155
					44	192	324
							0
–18				–34		–214	–317
	–7			–80	–13	–1	–142
1	2		828	37	40	41	972
–1	–1 473	–112	–41	–256		–74	–1 981
						10	10
74	0	0	636	223	151	2 071	3 792

Derivative interest rate contracts	Derivative foreign exchange contracts	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Liabilities for life and health policy benefits	Accrued expenses and other liabilities	Total
–1 075	–66	–170	–1 075	–3 489	–341	–2 331	–8 547
		54		–45			9
		59	582	1 084	68		1 793
							0
							0
–2		–19		–49			–70
2		96				813	911
			7	–90			–83
	–200	–368	–126	–29			–723
1 075	266	116	343	256			2 056
			–2		1	–107	–108
0	0	–232	–271	–2 362	–272	–1 625	–4 762

2013 USD millions	Corporate debt securities	Commercial mortgage-backed securities	Other asset-backed securities
Assets			
Balance as of 1 January 2013	624	13	0
Realised/unrealised gains/losses:			
Included in net income	–2		
Included in other comprehensive income	–2		
Purchases	38		16
Issuances			
Sales	–21		–16
Settlements	–30	–1	
Transfers into level 3			
Transfers out of level 3			
Impact of foreign exchange movements			
Closing balance as of 31 December 2013	**607**	**12**	**0**

Liabilities			
Balance as of 1 January 2013			
Realised/unrealised gains/losses:			
Included in net income			
Included in other comprehensive income			
Purchases			
Issuances			
Sales			
Settlements			
Transfers into level 3			
Transfers out of level 3			
Impact of foreign exchange movements			
Closing balance as of 31 December 2013			

Equity securities held for proprietary investment purposes	Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Other invested assets	Total
74	636	223	151	2 071	3 792
1	–235	44	–138	57	–273
				8	6
		13	12	342	421
			99		99
–64		–182	–51	–568	–902
		–70	3		–98
				134	134
				–280	–280
				27	27
11	**401**	**28**	**76**	**1 791**	**2 926**

Derivative equity contracts	Derivative credit contracts	Other derivative contracts	Liabilities for life and health policy benefits	Accrued expenses and other liabilities	Total
–232	–271	–2 362	–272	–1 625	–4 762
53	–14	1 682	131		1 852
					0
					0
		–62			–62
	160	52			212
–11	87	–76			0
					0
					0
			–4	–31	–35
–190	**–38**	**–766**	**–145**	**–1 656**	**–2 795**

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2012	**2013**
Gains/losses included in net income for the period	1 226	1 579
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	983	1 437

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Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions
Assets
Corporate debt securities
Surplus notes with a mortality underlying
Private placement corporate debt
Private placement credit tenant leases
Derivative equity contracts
OTC equity option referencing correlated equity indices
Derivative credit contracts
Credit default swaps referencing various asset-backed securities (ABS)
Credit correlation tranche transactions
Liabilities
Derivative equity contracts
OTC equity option referencing correlated equity indices
Option contract referencing a private equity underlying
Derivative credit contracts
Credit default swaps referencing various asset-backed securities (ABS)
Credit correlation tranche transactions
Other derivative contracts and liabilities for life and health policy benefits
Variable annuity and fair valued GMDB contracts
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties

[1] Represents average input value for the reporting period.

2012 Fair value	2013 Fair value	Valuation technique	Unobservable input	Range (weighted average)
624	**607**			
168	195	Discounted cash flow model	Illiquidity premium	75 bps (n.a.)
378	341	Corporate spread matrix	Illiquidity premium	15 bps–250 bps (78 bps)
72	68	Discounted cash flow model	Illiquidity premium	75 bps–200 bps (129 bps)
636	**401**			
636	401	Proprietary option model	Correlation	–10%–100% (45%)[1]
223	**28**			
109	22	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	5%–94% (81%)
112	6	Base correlation model	Correlation	40%–88% (64%)[1]
–232	**–190**			
–81	–49	Proprietary option model	Correlation	–10%–100% (45%)[1]
–144	–137	Option model	Volatility	100%
			Growth rate	6% (n.a.)
–271	**–38**			
–86	–7	Credit spreads derived based on a reciprocal of a reference instrument	Up-front credit default swap premium	1%–91% (65%)
–171	–29	Base correlation model	Correlation	40%–88% (64%)[1]
–2 634	**–911**			
–2 287	–677	Discounted cash flow model	Risk margin	4% (n.a.)
			Volatility	4%–42%
			Lapse	0.5%–24%
			Mortality adjustment	–10%–0%
			Withdrawal rate	0%–90%
–170	–125	Discounted cash flow model	Lapse	3%–10%
			Mortality adjustment	80% (n.a.)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's surplus notes, private placement debt securities and private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's credit default swaps referencing ABS is a current up-front credit default swap premium. Where the Group is long protection, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short protection, a significant decrease (increase) in this input in isolation would result in a significantly higher (lower) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's credit correlation tranche transactions is correlation. Where the Group is long correlation, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's option referencing private equity underlying are: volatility and growth rate. Where the Group is long vega, a significant increase (decrease) in volatility in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short vega, a significant increase (decrease) in volatility in isolation would result in a significantly lower (higher) fair value measurement. Where the Group is long delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (i.e. increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs underlying the fair valuation of an embedded derivative bifurcated from the Group's modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Both inputs are not expected to significantly fluctuate over time.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December, respectively, were as follows:

USD millions	2012 Fair value	**2013** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	673	687	291	non-redeemable	n.a.
Hedge funds	1 140	749		redeemable[1]	90–180 days[2]
Private equity direct	96	68		non-redeemable	n.a.
Real estate funds	223	231	97	non-redeemable	n.a.
Total	2 132	**1 735**	**388**		

[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.

The hedge fund investments employ a variety of strategies, including global macro, relative value and event-driven strategies, across various asset classes, including long/short equity and credit investments.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Equity securities trading

The Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement.

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2012	2013
Assets		
Equity securities trading held for proprietary investment purposes	671	615
of which at fair value pursuant to the fair value option	509	544
Other invested assets		9 233
of which at fair value pursuant to the fair value option		57
Liabilities		
Liabilities for life and health policy benefits	–20 270	–20 324
of which at fair value pursuant to the fair value option	–272	–145

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for the years ended 31 December for items measured at fair value pursuant to election of the fair value option including foreign exchange impact were as follows:

USD millions	2012	2013
Equity securities trading held for proprietary investment purposes	54	35
Other invested assets		18
Liabilities for life and health policy benefits	71	125
Total	125	**178**

Fair value changes from equity securities trading are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from other invested assets are reported in "Net investment income – non-participating". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed for the year ended 31 December, were as follows:

2012 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		270	270
Mortgage loans		656	656
Other loans		2787	2787
Investment real estate		2531	2531
Total assets		6244	6244
Liabilities			
Debt	–9970	–13270	–23240
Total liabilities	–9970	–13270	–23240

2013 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		257	257
Mortgage loans		1069	1069
Other loans		3014	3014
Investment real estate		2546	2546
Total assets		**6886**	**6886**
Liabilities			
Debt	–9703	–10998	–20701
Total liabilities	**–9703**	**–10998**	**–20701**

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. The majority of these positions need to be assessed in conjunction with the corresponding insurance business. Considering these circumstances, the Group presents the carrying amount as an approximation for the fair value.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

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 and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2012 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	129 217	4 614	–4 182	432
Foreign exchange contracts	25 739	441	–785	–344
Equity contracts	17 917	1 178	–654	524
Credit contracts	33 204	616	–683	–67
Other contracts	23 129	291	–2 393	–2 102
Total	229 206	7 140	–8 697	–1 557
Derivatives designated as hedging instruments				
Interest rate contracts	2 828	820		820
Foreign exchange contracts	1 609		–19	–19
Total	4 437	820	–19	801
Total derivative financial instruments	233 643	7 960	–8 716	–756
Amount offset				
Where a right of setoff exists		–4 466	4 466	
Due to cash collateral		–1 178	524	
Total net amount of derivative financial instruments		2 316	–3 726	–1 410

2013 **USD millions**	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	83 250	2 385	–2 127	258
Foreign exchange contracts	15 580	252	–417	–165
Equity contracts	20 111	1 266	–731	535
Credit contracts	2 676	46	–49	–3
Other contracts	23 176	169	–773	–604
Total	**144 793**	**4 118**	**–4 097**	**21**
Derivatives designated as hedging instruments				
Interest rate contracts				0
Foreign exchange contracts	1 472	15	–11	4
Total	**1 472**	**15**	**–11**	**4**
Total derivative financial instruments	**146 265**	**4 133**	**–4 108**	**25**
Amount offset				
Where a right of setoff exists		–2 353	2 353	
Due to cash collateral		–524	303	
Total net amount of derivative financial instruments		**1 256**	**–1 452**	**–196**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2012 and 2013.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2012	**2013**
Derivatives not designated as hedging instruments		
Interest rate contracts	–123	–223
Foreign exchange contracts	–547	–584
Equity contracts	–775	–962
Credit contracts	–77	–71
Other contracts	1 085	1 731
Total gain/loss recognised in income	–437	**–109**

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 2012 and 2013, the following hedging relationships were outstanding:

Fair value hedges

The Group enters 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 are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

	2012		**2013**	
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–26	33	–240	255
Foreign exchange contracts	–24	11	2	–1
Total gain/loss recognised in income	–50	44	**–238**	**254**

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 years ended 31 December 2012 and 2013, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 100 million and a loss of USD 57 million, respectively, in shareholder's equity. 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 2012 and 2013 was approximately USD 3 494 million and USD 1 780 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 1 446 million and USD 855 million as of 31 December 2012 and 2013, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 524 million and USD 303 million as of 31 December 2012 and 2013, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 552 million additional collateral would have had to be posted as of 31 December 2013. The total equals the amount needed to settle the instruments immediately as of 31 December 2012 and 2013, respectively.

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 2012 and 2013, 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 2012 and 2013, the total purchased credit protection based on notional values was USD 16 689 million and USD 2 061 million, respectively, of which USD 8 220 million and USD 514 million, respectively, were 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.

The maximum potential payout is based on notional values of the credit derivatives. The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

As of 31 December, the fair values and maximum potential payout of the written credit derivatives outstanding were as follows:

2012 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	9	1 174			1 174
251–500	–1	38			38
501–1 000	–11	96		34	130
Greater than 1 000	–91	213		133	346
Total	–94	1 521	0	167	1 688
Credit Index Products					
Credit spread in basis points					
0–250	–63	14 400			14 400
251–500	30	427			427
Total	–33	14 827	0	0	14 827
Total Return Swaps					
Credit spread in basis points					
No credit spread available	72	773			773
Total	72	773	0	0	773
Total credit derivatives written/sold	–55	17 121	0	167	17 288

2013 USD millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity) 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	–15	59		60	119
251–500					0
501–1 000					0
Greater than 1 000					0
Total	**–15**	**59**	**0**	**60**	**119**
Credit Index Products					
Credit spread in basis points					
0–250	15	96	400		496
251–500					0
Total	**15**	**96**	**400**	**0**	**496**
Total Return Swaps					
Credit spread in basis points					
No credit spread available	1	25			25
Total	**1**	**25**	**0**	**0**	**25**
Total credit derivatives written/sold	**1**	**180**	**400**	**60**	**640**

5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2012	1 247	2 663	13	3 923
Effect of change in Group structure[1]			–17	–17
Cumulative effect of adoption of ASU No. 2010-26		–35		–35
Deferred	2 119	399	23	2 541
Effect of acquisitions/disposals and retrocessions			2	2
Amortisation	–2 266	–367	–28	–2 661
Effect of foreign currency translation	3	53	2	58
Closing balance as of 31 December 2012	1 103	2 713	–5	3 811

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2013	1 103	2 713	–5	3 811
Effect of change in Group structure				0
Deferred	3 217	491	–18	3 690
Effect of acquisitions/disposals and retrocessions		57		57
Amortisation	–2 710	–397	9	–3 098
Effect of foreign currency translation	–19	–19	2	–36
Closing balance as of 31 December 2013	**1 591**	**2 845**	**–12**	**4 424**

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

			2012			**2013**
USD millions	Life & Health Reinsurance	Other	Total	Life & Health Reinsurance	Other	Total
Opening balance	1 674	2 552	4 226	1 358	628	1 986
Effect of change in Group structure[1]		–2 552	–2 552			0
Effect of acquisitions/disposals and retrocessions	–206	615	409	206	–30	176
Amortisation	–201	–18	–219	–151	10	–141
Interest accrued on unamortised PVFP	51	2	53	35	4	39
Effect of foreign currency translation	40		40	3		3
Effect of change in unrealised gains/losses		29	29		22	22
Closing balance	1 358	628	1 986	**1 451**	**634**	**2 085**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

The percentage of PVFP which is expected to be amortised in each of the next five years is 7%, 6%, 6%, 6% and 6%.

6 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2012	**2013**
Senior financial debt	3 753	2 896
Senior operational debt	2 798	3 096
Short-term debt – financial and operational debt	6 551	**5 992**
Senior financial debt	4 952	3 233
Senior operational debt	1 900	708
Subordinated financial debt	4 302	5 367
Subordinated operational debt	5 328	5 414
Long-term debt – financial and operational debt	16 482	**14 722**
Total carrying value	23 033	**20 714**
Total fair value	23 240	**20 701**

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2012	**2013**
Due in 2014	1 959	0[1]
Due in 2015	708	730
Due in 2016	2 136	2 151
Due in 2017	1 428	1 341
Due in 2018	0	0
Due after 2018	10 251	10 500
Total carrying value	16 482	**14 722**

[1] Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2015	EMTN	2001	CHF	150	4.00%	169
2015	EMTN	2010	CHF	500	2.00%	561
2017	EMTN	2011	CHF	600	2.13%	671
2019	Senior notes[1]	1999	USD	234	6.45%	282
2022	Senior notes	2012	USD	250	2.88%	248
2026	Senior notes[1]	1996	USD	397	7.00%	530
2030	Senior notes[1]	2000	USD	193	7.75%	285
2042	Senior notes	2012	USD	500	4.25%	488
Various	Payment undertaking agreements	various	USD	559	various	707
Total senior debt as of 31 December 2013						**3 941**
Total senior debt as of 31 December 2012						6 852

[1] Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	first call in	Book value in USD millions
2024	Subordinated contingent write-off loan notes	2013	USD	750	6.38%	2019	831
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	679
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	234
2047	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 355	4.90%		2 223
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 929	4.77%		3 191
	Subordinated perpetual loan note	2006	EUR	1 000	5.25%	2016	1 376
	Subordinated perpetual loan note	2006	USD	752	6.85%	2016	752
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	826
	2 subordinated perpetual loan notes	2007	AUD	750	various	2017	669
Total subordinated debt as of 31 December 2013							**10 781**
Total subordinated debt as of 31 December 2012							9 630

Interest expense on long-term debt and contingent capital instruments
Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2012	**2013**
Senior financial debt	161	148
Senior operational debt	109	49
Subordinated financial debt	238	286
Subordinated operational debt	251	246
Total	759	**729**

Interest expense on contingent capital instruments was USD 56 million and USD 67 million for the years ended 31 December 2012 and 2013, respectively.

Long-term debt issued in 2013
In March 2013, Swiss Reinsurance Company Ltd issued subordinated contingent write-off loan notes with a scheduled maturity in 2024. The instrument has a face value of USD 750 million, with a fixed coupon of 6.375% per annum until the optional redemption date (1 September 2019). The full principal amount of the instrument is mandatorily written off if Swiss Reinsurance Company Ltd reports a Swiss Solvency Test (SST) ratio of less than 125% to the Swiss Financial Market Supervisory Authority (FINMA).

In October 2013, Swiss Reinsurance Company Ltd issued 32-year subordinated contingent write-off securities with a scheduled maturity in 2045. The instrument has a face value of CHF 175 million, with a fixed coupon of 7.5% per annum until the first optional redemption date (1 September 2020). The full principal amount of the instrument will be written off upon the earlier to occur of: 1) Swiss Reinsurance Company Ltd reporting a Swiss Solvency Test (SST) ratio of less than 135% to FINMA, or 2) the occurrence of an Atlantic hurricane which causes insured industry losses defined in an USD billion amount exceeding those of a 1-in-200 year event, subject to an annual reset assessment to adjust for changes in insured values, while neutralising any impact due to model changes.

Contingent capital instruments issued in 2012
In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through at market conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as “contingent capital instruments”.

7 Unpaid claims and claim adjustment expenses

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

USD millions	2012	**2013**
Non-Life	48 650	45 756
Life & Health	10 254	10 582
Total	58 904	**56 338**

A reconciliation of the opening and closing reserve balances for non-life unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2012	**2013**
Balance as of 1 January	53 827	48 650
Reinsurance recoverable	–6 610	–5 702
Deferred expense on retroactive reinsurance	–320	–229
Effect of change in Group structure[1]	–2 675	0
Net balance as of 1 January	44 222	**42 719**
Incurred related to:		
Current year	7 638	8 954
Prior year	–1 460	–1 282
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	64	151
Total incurred	6 242	7 823
Paid related to:		
Current year	–1 598	–1 717
Prior year	–7 191	–8 438
Total paid	–8 789	–10 155
Foreign exchange	798	220
Effect of acquisitions, disposals, new retroactive reinsurance and other items	246	220
Net balance as of 31 December	42 719	**40 827**
Reinsurance recoverable	5 702	4 873
Deferred expense on retroactive reinsurance	229	56
Balance as of 31 December	48 650	**45 756**

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the purchase method of accounting.

Prior-year development

Net claims development on prior years was favourable overall during 2013, driven by reserve releases from property, liability, accident and health and several of the special lines, especially engineering. In most cases, the releases were the result of better-than-expected claims experience helped, particularly in the case of accident and health, by commutations. These releases come about despite further strengthening for US and UK asbestos and environmental claims, strengthening on motor business in several European countries and adverse development of claims arising from the New Zealand earthquakes, partly offset by favourable development on claims from Hurricane Sandy in the US.

A summary of prior year claims development by lines of business is shown below:

USD millions	2012	**2013**
Line of business:		
Property	–288	–397
Casualty	–688	–468
Specialty	–484	–417
Total	–1 460	**–1 282**

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986 as well as business acquired subsequently through reinsurance arrangements with affiliated companies within the Swiss Re Group, but outside Swiss Reinsurance Company Consolidated, in particular in the area of US asbestos and environmental liability.

At the end of 2013 the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 784 million. During 2013, the Group incurred net losses of USD 320 million and paid net against these liabilities USD 300 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of, asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

The Group maintains an active commutation strategy to reduce exposure. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

8 Insurance information

For the year ended 31 December

Premiums earned and fees assessed against policyholders

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		179	83	262
Reinsurance	16 319	10 756	99	27 174
Intra-group transactions (assumed and ceded)	17		–17	0
Premiums earned before retrocession to external parties	16 336	10 935	165	27 436
Reinsurance ceded to external parties	–4 007	–1 885	–48	–5 940
Net premiums earned	12 329	9 050	117	21 496

Fee income from policyholders, thereof:				
Direct			11	11
Reinsurance		72	39	111
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		72	50	122
Fee income ceded to external parties				0
Net fee income	0	72	50	122

For the year ended 31 December

Premiums earned and fees assessed against policyholders

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		624	288	912
Reinsurance	16 912	10 735	181	27 828
Intra-group transactions (assumed and ceded)	28		–28	0
Premiums earned before retrocession to external parties	16 940	11 359	441	28 740
Reinsurance ceded to external parties	–2 398	–1 392	–45	–3 835
Net premiums earned	**14 542**	**9 967**	**396**	**24 905**
Fee income from policyholders, thereof:				
Direct			21	21
Reinsurance		57	85	142
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		57	106	163
Fee income ceded to external parties		–1		–1
Net fee income	**0**	**56**	**106**	**162**

For the year ended 31 December

Claims and claim adjustment expenses

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	–10 408	–8 468	–255	–19 131
Intra-group transactions (assumed and ceded)	–8	–3	11	0
Claims before receivables from retrocession to external parties	–10 416	–8 471	–244	–19 131
Receivables from retrocession to external parties	1 664	2 210	22	3 896
Net claims paid	–8 752	–6 261	–222	–15 235
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross - with external parties	1 888	–136	–43	1 709
Intra-group transactions (assumed and ceded)	–23	8	15	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 865	–128	–28	1 709
Reinsurance ceded to external parties	581	–398	54	237
Net unpaid claims and claim adjustment expenses; life and health benefits	2 446	–526	26	1 946
Claims and claim adjustment expenses; life and health benefits	–6 306	–6 787	–196	–13 289

Acquisition costs

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–3 559	–2 071	–38	–5 668
Intra-group transactions (assumed and ceded)	–3		3	0
Acquisition costs before impact of retrocession to external parties	–3 562	–2 071	–35	–5 668
Retrocession to external parties	1 246	284	6	1 536
Net acquisition costs	–2 316	–1 787	–29	–4 132

For the year ended 31 December

Claims and claim adjustment expenses

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	–11 947	–8 894	–629	–21 470
Intra-group transactions (assumed and ceded)	–6	–4	10	0
Claims before receivables from retrocession to external parties	–11 953	–8 898	–619	–21 470
Receivables from retrocession to external parties	1 826	1 230	27	3 083
Net claims paid	**–10 127**	**–7 668**	**–592**	**–18 387**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross – with external parties	3 096	–365	–49	2 682
Intra-group transactions (assumed and ceded)	–12	4	8	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	3 084	–361	–41	2 682
Reinsurance ceded to external parties	–841	–46	20	–867
Net unpaid claims and claim adjustment expenses; life and health benefits	**2 243**	**–407**	**–21**	**1 815**
Claims and claim adjustment expenses; life and health benefits	**–7 884**	**–8 075**	**–613**	**–16 572**

Acquisition costs

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	–3 485	–2 007	–8	–5 500
Intra-group transactions (assumed and ceded)	–8		8	0
Acquisition costs before impact of retrocession to external parties	–3 493	–2 007		–5 500
Retrocession to external parties	732	309	10	1 051
Net acquisition costs	**–2 761**	**–1 698**	**10**	**–4 449**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December were as follows:

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	5 583	2 447	191	–46	8 175
Deferred acquisition costs	1 103	2 713	–5		3 811
Liabilities					
Unpaid claims and claim adjustment expenses	48 465	9 505	983	–49	58 904
Liabilities for life and health policy benefits		17 439	2 831		20 270
Policyholder account balances		1 466	5 046		6 512

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	4 752	1 756	193	–47	6 654
Deferred acquisition costs	1 591	2 845	–12		4 424
Liabilities					
Unpaid claims and claim adjustment expenses	45 578	9 869	941	–50	56 338
Liabilities for life and health policy benefits		17 392	2 932		20 324
Policyholder account balances		1 595	5 095		6 690

Reinsurance recoverable on unpaid claims and policy benefits

For the year ended 2013 the Group recorded a reinsurance recoverable of USD 6.7 billion. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounts for 72% of the Group's reinsurance recoverable.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2012	**2013**
Premium receivables invoiced	980	1 143
Receivables invoiced from ceded re/insurance business	264	361
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 320	1 270
Recognised allowance	–80	–70

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The amount of policyholder dividend expense in 2012 and 2013 was USD 9 million and nil, respectively.

9 Premiums written

For the years ended 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		387	104		491
Reinsurance	15 841	10 715	94		26 650
Intra-group transactions (assumed)	24			–24	0
Gross premiums written	15 865	11 102	198	–24	27 141
Intra-group transactions (ceded)			–24	24	0
Gross premiums written before retrocession to external parties	15 865	11 102	174		27 141
Reinsurance ceded to external parties	–3 458	–1 871	–59		–5 388
Net premiums written	12 407	9 231	115	0	21 753

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		643	321		964
Reinsurance	17 548	10 712	174		28 434
Intra-group transactions (assumed)	46			–46	0
Gross premiums written	17 594	11 355	495	–46	29 398
Intra-group transactions (ceded)			–46	46	0
Gross premiums written before retrocession to external parties	17 594	11 355	449		29 398
Reinsurance ceded to external parties	–1 437	–1 383	–49		–2 869
Net premiums written	**16 157**	**9 972**	**400**	**0**	**26 529**

10 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2012	**2013**
Current taxes	465	578
Deferred taxes	657	–359
Income tax expense	1 122	**219**

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2012	**2013**
Income tax at the Swiss statutory tax rate of 21.0%	1 009	775
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	163	6
Impact of foreign exchange movements	3	–8
Tax exempt income/dividends received deduction	–26	–121
Change in valuation allowance	–184	–312
Tax effects of losses not recognised	60	
Basis differences in subsidiaries	–207	–152
Change in statutory tax rates	–44	47
Change in liability for unrecognised tax benefits including interest and penalties	145	–196
Other, net	203	180
Total	1 122	**219**

For 2013, the Group reported a tax expense of USD 219 million. This represents an effective tax rate of 5.9%, compared to an effective tax rate of 23.4% in the prior year. The lower tax rate in the current year is primarily due to lower taxes on the geographical mix of earnings, non-taxable income in Switzerland and the release of uncertain tax liabilities upon effective settlements with local tax authorities.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2012	2013
Deferred tax assets		
Income accrued/deferred	415	442
Technical provisions	533	759
Pension provisions	335	175
Benefit on loss carryforwards	3 312	3 216
Currency translation adjustments	474	505
Other	830	674
Gross deferred tax assets	5 899	5 771
Valuation allowance	–1 032	–748
Total deferred tax assets	4 867	**5 023**
Deferred tax liabilities		
Present value of future profits	–360	–377
Income accrued/deferred	–581	–627
Bond amortisation	–187	–199
Deferred acquisition costs	–676	–708
Technical provisions	–1 979	–2 450
Unrealised gains on investments	–1 107	–364
Untaxed realised gains	–490	–408
Foreign exchange provisions	–288	–123
Other	–716	–568
Total deferred tax liabilities	–6 384	**–5 824**
Liability for unrecognised tax benefits including interest and penalties	–1 479	**–1 089**
Total deferred and other non-current tax liabilities	–7 863	**–6 913**
Net deferred and other non-current taxes	–2 996	**–1 890**

As of 31 December 2013, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 3.4 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2013, the Group had USD 9 749 million net operating tax loss carryforwards, expiring as follows: USD 70 million in 2017, USD 152 million in 2018, USD 6 313 million in 2019 and beyond and USD 3 214 million never expire.

The Group also had capital loss carryforwards of USD 12 million, expiring as follows: USD 1 million in 2016 and USD 11 million never expire.

Net operating tax losses of USD 1 693 million and net capital tax losses of USD 24 million were utilised during the period ended 31 December 2013.

Income taxes paid in 2012 and 2013 were USD 54 million and USD 352 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2012	2013
Balance, beginning of year	1 047	1 214
Effective change to group structure	–13	
Additions based on tax positions related to the current year	240	101
Additions for tax positions related to the prior years	88	88
Reductions for tax positions of prior years	–156	–387
Settlements	–8	–83
Other (including foreign currency translation)	16	19
Balance as of 31 December	1 214	**952**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 856 million and USD 718 million at 31 December 2012 and 31 December 2013, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense for the period ending 31 December 2013 was USD 128 million (USD 56 million for the period ending 31 December 2012). As of 31 December 2012 and 31 December 2013, USD 265 million and USD 137 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2013 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2013 presented in the table above is less than the liability for unrecognised tax benefits reflected in the deferred and other non-current taxes section due to the exclusion of accrued interest and penalties (USD 137 million).

During the year, certain tax positions and audits in Switzerland and Germany were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes of limitation. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2009 – 2013
Belgium	2010 – 2013
Brazil	2008 – 2013
Canada	2008 – 2013
China	2003 – 2013
Denmark	2009 – 2013
France	2008 – 2013
Germany	2007 – 2013
Hong Kong	2007 – 2013
India	2005 – 2013
Ireland	2010 – 2013
Israel	2008 – 2013
Italy	2009 – 2013
Japan	2009 – 2013

Korea	2009 – 2013
Luxembourg	2008 – 2013
Malaysia	1996 – 2013
Mexico	2008 – 2013
Netherlands	2010 – 2013
New Zealand	2008 – 2013
Singapore	2008 – 2013
Slovakia	2009 – 2013
South Africa	2004, 2009 – 2013
Spain	2009 – 2013
Switzerland	2009 – 2013
United Kingdom	2008, 2011 – 2013
United States	2009 – 2013

11 Benefit plans

Defined benefit pension plans and post-retirement benefits
The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 328	1 952	363	5 643
Service cost	106	6	6	118
Interest cost	78	75	13	166
Amendments		2		2
Actuarial gains/losses	231	188	23	442
Benefits paid	–158	–62	–15	–235
Employee contribution	25			25
Acquisitions/disposals/additions		–370	–9	–379
Effect of curtailment and termination benefits	1	–56		–55
Effect of foreign currency translation	80	39	1	120
Benefit obligation as of 31 December	3 691	1 774	382	5 847
Fair value of plan assets as of 1 January	2 983	1 814		4 797
Actual return on plan assets	205	141		346
Company contribution	88	56	15	159
Benefits paid	–158	–62	–15	–235
Employee contribution	25			25
Acquisitions/disposals/additions		–357		–357
Effect of curtailment and termination benefits	1	–56		–55
Effect of foreign currency translation	69	33		102
Fair value of plan assets as of 31 December	3 213	1 569	0	4 782
Funded status	–478	–205	–382	–1 065

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 691	1 774	382	5 847
Service cost	118	7	6	131
Interest cost	72	69	11	152
Amendments				0
Actuarial gains/losses	–338	–8	–47	–393
Benefits paid	–137	–60	–15	–212
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1			1
Effect of foreign currency translation	97	23	4	124
Benefit obligation as of 31 December	**3 530**	**1 805**	**341**	**5 676**
Fair value of plan assets as of 1 January	3 213	1 569		4 782
Actual return on plan assets	221	99		320
Company contribution	227	111	15	353
Benefits paid	–137	–60	–15	–212
Employee contribution	26			26
Acquisitions/disposals/additions				0
Effect of curtailment and termination benefits	1			1
Effect of foreign currency translation	109	23		132
Fair value of plan assets as of 31 December	**3 660**	**1 742**	**0**	**5 402**
Funded status	**130**	**–63**	**–341**	**–274**

Amounts recognised in the balance sheet, as of 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		37		37
Current liabilities		–3	–16	–19
Non-current liabilities	–478	–239	–366	–1 083
Net amount recognised	–478	–205	–382	–1 065

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets	130	44		174
Current liabilities		–2	–16	–18
Non-current liabilities		–105	–325	–430
Net amount recognised	**130**	**–63**	**–341**	**–274**

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 035	343	–68	1 310
Prior service cost/credit	–1	2	–99	–98
Total	1 034	345	–167	1 212

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	522	301	–109	714
Prior service cost/credit	–2	2	–88	–88
Total	**520**	**303**	**–197**	**626**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	106	6	6	118
Interest cost	78	75	13	166
Expected return on assets	–100	–75		–175
Amortisation of:				
Net gain/loss	42	13	–8	47
Prior service cost			–11	–11
Effect of settlement, curtailment and termination	1	10		11
Net periodic benefit cost	127	29	0	156

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	118	7	6	131
Interest cost	72	69	11	152
Expected return on assets	–102	–76		–178
Amortisation of:				
Net gain/loss	57	17	–6	68
Prior service cost			–10	–10
Effect of settlement, curtailment and termination	1			1
Net periodic benefit cost	**146**	**17**	**1**	**164**

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2012 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	126	122	23	271
Prior service cost/credit		2		2
Amortisation of:				
Net gain/loss	–42	–13	8	–47
Prior service cost			11	11
Effect of settlement, curtailment and termination		–10		–10
Effect of change in Group structure[1]		–38		–38
Exchange rate gain/loss recognised during the year		11	2	13
Total recognised in other comprehensive income, gross of tax	84	74	44	202
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	211	103	44	358

2013 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	–457	–31	–46	–534
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	–57	–17	6	–68
Prior service cost			10	10
Effect of settlement, curtailment and termination				0
Effect of change in Group structure[1]				0
Exchange rate gain/loss recognised during the year		6		6
Total recognised in other comprehensive income, gross of tax	**–514**	**–42**	**–30**	**–586**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**–368**	**–25**	**–29**	**–422**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

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 in 2014 are USD 56 million and USD 1 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2014 are USD 11 million and USD 11 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 350 million and USD 5 235 million as of 31 December 2012 and 2013, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2012	**2013**
Projected benefit obligation	4 650	592
Accumulated benefit obligation	4 582	591
Fair value of plan assets	3 937	490

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2012	**2013**	2012	**2013**	2012	**2013**
Assumptions used to determine obligations at the end of the year						
Discount rate	2.0%	2.3%	4.1%	4.4%	3.1%	3.5%
Rate of compensation increase	2.3%	2.3%	2.1%	3.2%	3.4%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.4%	2.0%	4.9%	4.1%	3.5%	3.1%
Expected long-term return on plan assets	3.3%	3.3%	5.1%	4.9%		
Rate of compensation increase	2.3%	2.3%	2.2%	3.1%	3.9%	3.4%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.2%	6.0%
Medical trend – ultimate rate					4.5%	4.5%
Year that the rate reaches the ultimate trend rate					2019	2018

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2013:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	23	–21

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 2012 and 2013 is as follows:

	Swiss plan allocation			Foreign plans allocation		
	2012	**2013**	**Target allocation**	2012	**2013**	**Target allocation**
Asset category						
Equity securities	27%	27%	25%	35%	33%	32%
Debt securities	45%	41%	48%	56%	60%	61%
Real estate	19%	19%	21%	1%	1%	2%
Other	9%	13%	6%	8%	6%	5%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 5 million (0.1% of total plan assets) and USD 7 million (0.1% of total plan assets) as of 31 December 2012 and 2013, 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".

Certain items reported as pension plan assets at fair value in the table below are not within the scope of Note 3, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 3.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2012 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 383		2 383
Debt securities issued by the US government and government agencies		62		62
Debt securities issued by non-US governments and government agencies		788		788
Corporate debt securities		1 474		1 474
Residential mortgage-backed securities		49		49
Commercial mortgage-backed securities		5		5
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	866	547		1 413
Derivative financial instruments	3			3
Real estate	50	20	572	642
Other assets		48	125	173
Total assets at fair value	919	2 998	697	4 614
Cash	168			168
Total plan assets	1 087	2 998	697	4 782

2013 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:		2 562		2 562
Debt securities issued by the US government and government agencies		136		136
Debt securities issued by non-US governments and government agencies		752		752
Corporate debt securities		1 647		1 647
Residential mortgage-backed securities		21		21
Commercial mortgage-backed securities		1		1
Other asset-backed securities		5		5
Equity securities:				
Equity securities held for proprietary investment purposes	1 030	573		1 603
Derivative financial instruments	16			16
Real estate	54	17	631	702
Other assets	136	61	132	329
Total assets at fair value	**1 236**	**3 213**	**763**	**5 212**
Cash	190			190
Total plan assets	**1 426**	**3 213**	**763**	**5 402**

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2012 USD millions	Real estate	Other assets	Total
Balance as of 1 January	549	119	668
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	1	–13	–12
Relating to assets sold during the period		3	3
Purchases, issuances and settlements	10	15	25
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	12	1	13
Closing balance as of 31 December	572	125	697

2013 USD millions	Real estate	Other assets	Total
Balance as of 1 January	572	125	697
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	31	1	32
Relating to assets sold during the period		4	4
Purchases, issuances and settlements	11	–1	10
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	17	3	20
Closing balance as of 31 December	**631**	**132**	**763**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2014 to the defined benefit pension plans are USD 169 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2013, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2014	216	63	16	295
2015	210	66	17	293
2016	210	70	18	298
2017	208	73	19	300
2018	206	75	20	301
Years 2019–2023	982	411	107	1500

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 2012 and in 2013 was USD 65 million and USD 69 million, respectively.

12 Share-based payments

Since 2012 compensation arrangements are part of Swiss Re Group arrangements. Compensation awards for the Group, including those granted prior to 2012, settle in shares of Swiss Re Ltd. Performance measures of the compensation awards are measured at the Swiss Re Group level.

As of 31 December 2012 and 2013, the Group had the share-based compensation plans described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 64 million and USD 121 million in 2012 and 2013, respectively. The related tax benefit was USD 15 million and USD 26 million, respectively.

Stock option plans
Stock option plans include a fixed-option plan and an additional grant to certain members of executive management. No options were granted under these plans from 2007 onwards. Under the fixed-option plan, the exercise price of each option is equal to the market price of the 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:

2013	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	72	958 902
Options sold	68	–713 772
Options forfeited or expired	76	–145 130
Outstanding as of 31 December	**89**	**100 000**
Exercisable as of 31 December	**89**	**100 000**

The weighted remaining contractual life is 2.3 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding option series has been adjusted for the special dividend payout in 2013.

Restricted shares
The Group granted 38 930 and 10 458 restricted shares to selected employees in 2012 and 2013, respectively. Moreover, as an alternative to the Group's cash bonus programme, 273 946 and 295 535 shares were delivered during 2012 and 2013, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2013 is as follows:

	Weighted average grant date fair value in CHF	Number of shares
Non-vested at 1 January	50	485 009
Granted	76	305 993
Delivery of restricted shares	46	–254 939
Forfeitures	59	–7 089
Outstanding as of 31 December	**67**	**528 974**

The weighted average fair value of restricted shares, which equals the market price of the shares on the date of the grant, was CHF 50 and CHF 67 in 2012 and 2013, respectively.

Board level Performance Share Plan
In 2010, the Group granted a share plan for the Chairman and one Vice Chairman of the Board of Directors. Since 2011 no more plan was granted. The plan has a requisite service period of three years and is settled in shares. The plan is measured based on Swiss Re's Total Shareholder Return (TSR), representing the share price performance plus paid dividend in any performance period, against a selected peer group. The final number of shares to be released upon vesting can vary between 0% and 150% of the original grant. The fair value of the 2010 plan is based on the share price as of the date of grant, which was CHF 53.60. The 2010 plan vested in 2013.

Long-term Incentive Plan
Between 2006 and 2011, the Group annually granted a Long-term Incentive plan (LTI) to selected employees with a three-year vesting period. The requisite service period as well as the maximum contractual term for each plan is three years and the final payment, if any, occurs at the end of this performance measurement period. The plans include a payout factor which was derived from Return on Equity (ROE) and Earnings per Share (EPS) targets over the vesting period. The payout ratio can vary between 0 and 2 and the final payment for each plan will depend on whether the performance targets have been achieved over the plan period. The fair values of the plans are based on stochastic models which consider the likelihood of achieving performance targets and the impact of dividends.

The 2010 LTI grant was settled in shares in March 2013. The payout factor was driven by average ROE and average EPS over the vesting period. The share price used for measurement is based on the date of grant and was CHF 48.15.

As of 31 December 2013 the 2011 LTI grant was outstanding. The plan is expected to be settled in shares in March 2014. The payout factor is driven by average ROE and average EPS over the vesting period. The unit grant date fair value was CHF 39.39.

For the year ended 31 December 2013, the outstanding units were as follows:

	LTI 2010	LTI 2011
Non-vested at 1 January	961 350	928 505
Forfeitures		–54 710
Vested [1]	–961 350	
Outstanding as of 31 December	**0**	**873 795**

[1] Refers to the number of units before the application of the payout factor

Leadership Performance Plan
During 2011 the Compensation Committee reviewed the existing long-term incentive scheme, and in March 2012, the LTI was replaced by a new plan called the Leadership Performance Plan (LPP). The LPP plans are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. At grant date the award is split equally into two underlying components - Restricted Share Units (RSU) and Performance Share Units (PSU). The RSU component is measured against a RoE performance condition and will vest within a range of 0–100%. The PSU is based on relative total shareholder return, measured against a pre-defined basket of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013) and the risk free rate based on the average of the 5-year US government rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0% and 2.3% for LPP 2012 and LPP 2013.

For the LPP 2012, the grant date fair value of the RSU component is CHF 42.00 and of the PSU component CHF 35.60. For the LPP 2013, the grant date fair value of the RSU component is CHF 61.19 and of the PSU component CHF 52.59.

For the year ended 31 December 2013, the outstanding units were as follows:

	LPP 2012		LPP 2013	
	RSU	PSU	RSU	PSU
Non-vested at 1 January	482 775	569 180		
Granted			356 560	414 955
Forfeitures	–24 135	–28 460	–6 355	–7 390
Outstanding as of 31 December	**458 640**	**540 720**	**350 205**	**407 565**

Unrecognised compensation costs
As of 31 December 2013, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 56 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 8 172 503 and 5 538 418 as of 31 December 2012 and 2013, respectively.

Employee Participation Plan
The 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 2012, 1 635 890 options were issued to employees. From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. To the outstanding plans the Group contributed USD 36 million and USD 29 million, respectively.

Global Share Participation Plan
In June 2013, the Swiss Re Group introduced the Global Share Participation Plan 2013 which is a share purchase plan that was rolled out globally for the benefit of employees of companies within the Swiss Re Group. The Group makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re Ltd shares.

If the employee is still employed by the Group at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2013, the Group contributed USD 3 million to the plan and authorised 28 218 shares as of 31 December 2013.

13 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 2013	USD millions
2014	80
2015	75
2016	71
2017	65
2018	53
After 2018	311
Total operating lease commitments	**655**
Less minimum non-cancellable sublease rentals	–51
Total net future minimum lease commitments	**604**

The following schedule shows the composition of total rental expenses for all operating leases as of 31 December (except those with terms of a month or less that were not renewed):

USD millions	2012	**2013**
Minimum rentals	60	63
Sublease rental income	–2	–1
Total	58	**62**

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to 10 years. The total commitments remaining uncalled as of 31 December 2013 were USD 2 841 million.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position or results of operations.

14 Information on business segments

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

The Group presents two core operating business segments: Property & Casualty Reinsurance and Life & Health Reinsurance.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance business operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include insurance companies and mutual as well as public sector and governmental entities. As well as traditional reinsurance solutions, the business unit offers insurance linked securities and other insurance related capital market products in both Property & Casualty and Life & Health. Property & Casualty includes the business lines Property, Casualty, including motor, and Specialty. Life & Health includes the life and health sub-segments.

Other
Items not allocated to the business segments are included in the "Other" column which encompasses non-core activities. The "Other" column includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007.

Consolidation
Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. In the periods presented, significant intra-group transactions related to intra-group reinsurance arrangements and certain treasury-related activities are included.

Each segment's balance sheet is closely aligned to the segment's legal entity structure. The assignment of assets and liabilities for entities that span more than one segment are determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. This consideration determined each segment's initial capital position under the new structure.

The segment income statement follows the segmental balance sheets and provides enhanced information regarding investment income, realised investment gains and losses, interest expense, and tax expense and benefit. Investment income is the actual income earned on the invested assets. Investment gains and losses are based on the asset portfolios assigned to the segment. Interest expense is incurred from the segment's capital funding position and tax is derived from legal entity tax obligations.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1 to the Group's annual consolidated financial statements).

a) Business segments – income statement
For the years ended 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	12 329	9 050	117		21 496
Fee income from policyholders		72	50		122
Net investment income – non-participating	1 451	1 365	290	18	3 124
Net realised investment gains – non-participating	259	562	58		879
Net investment result – unit-linked and with-profit		222	1		223
Other revenues	95	1	2	–18	80
Total revenues	14 134	11 272	518	0	25 924
Expenses					
Claims and claim adjustment expenses	–6 306		–36	5	–6 337
Life and health benefits		–6 787	–160	–5	–6 952
Return credited to policyholders		–271	–168		–439
Acquisition costs	–2 316	–1 787	–29		–4 132
Other expenses	–1 325	–833	–353		–2 511
Interest expenses	–111	–586	–51		–748
Total expenses	–10 058	–10 264	–797	0	–21 119
Income/loss before income tax expense	4 076	1 008	–279	0	4 805
Income tax expense/benefit	–934	–231	43		–1 122
Net income/loss before attribution of non-controlling interests	3 142	777	–236	0	3 683
Income attributable to non-controlling interests	–134		–2		–136
Net income/loss after attribution of non-controlling interests	3 008	777	–238	0	3 547
Interest on contingent capital instruments	–18	–38			–56
Net income/loss attributable to common shareholder	2 990	739	–238	0	3 491
Claims ratio in %	51.2				
Expense ratio in %	29.5				
Combined ratio in %	80.7				
Management expense ratio in %		7.9			
Operating margin in %		8.6			

Business segments – income statement
For the years ended 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	14542	9967	396		24905
Fee income from policyholders		56	106		162
Net investment income – non-participating	1098	1442	560	20	3120
Net realised investment gains/losses – non-participating	184	269	–26		427
Net investment result – unit-linked and with-profit		249			249
Other revenues	61		30	–20	71
Total revenues	**15885**	**11983**	**1066**	**0**	**28934**
Expenses					
Claims and claim adjustment expenses	–7884		–23		–7907
Life and health benefits		–8075	–590		–8665
Return credited to policyholders		–286	–345		–631
Acquisition costs	–2761	–1698	10		–4449
Other expenses	–1472	–946	–396		–2814
Interest expenses	–207	–544	–26		–777
Total expenses	**–12324**	**–11549**	**–1370**	**0**	**–25243**
Income/loss before income tax expense	**3561**	**434**	**–304**	**0**	**3691**
Income tax expense/benefit	–249	–30	60		–219
Net income/loss before attribution of non-controlling interests	**3312**	**404**	**–244**	**0**	**3472**
Income attributable to non-controlling interests	–1		–1		–2
Net income/loss after attribution of non-controlling interests	**3311**	**404**	**–245**	**0**	**3470**
Interest on contingent capital instruments	–19	–48			–67
Net income/loss attributable to common shareholder	**3292**	**356**	**–245**	**0**	**3403**
Claims ratio in %	54.2				
Expense ratio in %	29.1				
Combined ratio in %	83.3				
Management expense ratio in %		8.3			
Operating margin in %		5.2			

Business segments – balance sheet
As of 31 December

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets[1]	93 459	63 914	18 120	–7 559	167 934

[1] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	86 463	60 499	16 484	–7 229	156 217

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b) Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2012 USD millions	Property	Casualty	Specialty	Total
Premiums earned	5 795	4 630	1 904	12 329
Expenses				
Claims and claim adjustment expenses	–2 832	–2 818	–656	–6 306
Acquisition costs	–781	–1 128	–407	–2 316
Other expenses	–687	–406	–232	–1 325
Total expenses before interest expenses	–4 300	–4 352	–1 295	–9 947
Underwriting result	1 495	278	609	2 382
Net investment income				1 451
Net realised investment gains/losses				259
Other revenues				95
Interest expenses				–111
Income before income tax expenses				4 076
Claims ratio in %	48.9	60.9	34.4	51.2
Expense ratio in %	25.3	33.1	33.6	29.5
Combined ratio in %	74.2	94.0	68.0	80.7

Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December.

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**6 945**	**5 366**	**2 231**	**14 542**
Expenses				
Claims and claim adjustment expenses	–3 342	–3 563	–979	–7 884
Acquisition costs	–883	–1 408	–470	–2 761
Other expenses	–764	–495	–213	–1 472
Total expenses before interest expenses	**–4 989**	**–5 466**	**–1 662**	**–12 117**
Underwriting result	**1 956**	**–100**	**569**	**2 425**
Net investment income				1 098
Net realised investment gains/losses				184
Other revenues				61
Interest expenses				–207
Income before income tax expenses				**3 561**
Claims ratio in %	48.1	66.4	43.9	54.2
Expense ratio in %	23.7	35.5	30.6	29.1
Combined ratio in %	71.8	101.9	74.5	83.3

c) Life & Health Reinsurance business segment – by line of business
For the years ended 31 December

2012 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 176	2 874	9 050
Fee income from policyholders	72		72
Net investment income – non-participating	899	466	1 365
Net investment income – unit-linked and with-profit	32		32
Net realised investment gains/losses – unit-linked and with-profit	190		190
Net realised investment gains/losses – insurance-related derivatives	–147		–147
Other revenues	1		1
Total revenues before non-participating realised gains/losses	7 223	3 340	10 563
Expenses			
Life and health benefits	–4 625	–2 162	–6 787
Return credited to policyholders	–271		–271
Acquisition costs	–1 299	–488	–1 787
Other expenses	–613	–220	–833
Total expenses before interest expenses	–6 808	–2 870	–9 678
Operating income	415	470	885
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			709
Interest expenses			–586
Income before income tax expenses			1 008
Management expense ratio in %	8.6	6.6	7.9
Operating margin[1] in %	5.9	14.1	8.6

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

Life & Health Reinsurance business segment – by line of business
For the years ended 31 December

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	6 678	3 289	9 967
Fee income from policyholders	56		56
Net investment income – non-participating	915	527	1 442
Net investment income – unit-linked and with-profit	39		39
Net realised investment gains/losses – unit-linked and with-profit	210		210
Net realised investment gains/losses – insurance-related derivatives	–123	6	–117
Other revenues			0
Total revenues before non-participating realised gains/losses	**7 775**	**3 822**	**11 597**
Expenses			
Life and health benefits	–5 216	–2 859	–8 075
Return credited to policyholders	–286		–286
Acquisition costs	–1 207	–491	–1 698
Other expenses	–685	–261	–946
Total expenses before interest expenses	**–7 394**	**–3 611**	**–11 005**
Operating income	**381**	**211**	**592**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			386
Interest expenses			–544
Income before income tax expenses			**434**
Management expense ratio in %	9.0	6.8	8.3
Operating margin[1] in %	5.1	5.5	5.2

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

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

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

USD millions	2012	**2013**
Americas	11 087	12 239
Europe (including Middle East and Africa)	10 431	10 414
Asia-Pacific	6 040	6 250
Total	27 558	**28 903**

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

USD millions	2012	**2013**
United States	8 471	9 476
United Kingdom	2 503	2 520
China	2 416	2 255
Australia	1 734	1 987
France	2 384	1 642
Canada	1 241	1 296
Germany	1 135	1 284
Japan	887	844
Ireland	589	812
Italy	482	549
Switzerland	504	545
Other	5 212	5 693
Total	27 558	**28 903**

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

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15 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	0	0	100	f
Denmark				
Swiss Re Denmark Services A/S, Copenhagen	0	0	100	f
Germany				
Swiss Re Germany AG, Unterföhring bei München	62	55	100	f
Ireland				
Swiss Re International Treasury (Ireland) Ltd., Dublin	0	0	100	f
Liechtenstein				
Elips Life AG, Vaduz	14	12	100	f
Elips Versicherungen AG, Vaduz	6	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	145	129	100	f
Swiss Re Europe S.A., Luxembourg	482	429	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	0	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	8 547	7 600	100	f
Malta				
Bodensee Limited, Sliema	1 136	1010	49	fv
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	291	258	100	f
Swiss Re Investments Ltd, Zurich	1	1	100	f
United Kingdom				
Swiss Re Capital Markets Limited, London	60	53	100	f
Swiss Re GB Limited, London	0	0	100	f
Swiss Re Investment Management Limited, London	0	0	100	f
Swiss Re Services Limited, London	4	3	100	f

Method of consolidation
f full
e equity
fv fair value
[1] Net asset value instead of share capital

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	5	4	100	f
European International Reinsurance Company Ltd., Bridgetown	1	1	100	f
Gasper Funding Corporation, Bridgetown	17	15	100	f
Milvus I Reassurance Limited, Bridgetown	0	0	100	f
Bermuda				
CORE Reinsurance Company Limited, Hamilton	0	0	100	f
Group Ark Insurance Holdings Limited, Hamilton	235	209	14	fv
Swiss Re Global Markets Limited, Hamilton	0	0	100	f
Swiss Re Capital Management (Bermuda) Ltd., Hamilton	0	0	100	f
Swiss Re Investments (Bermuda) Ltd., Hamilton	0	0	100	f
Brazil				
Swiss Re Brasil Resseguros S.A., Sao Paulo	51	45	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	38	34	84	f
United States				
Aurora National Life Assurance Company, Wethersfield	0	0	100	f
Facility Insurance Corporation, Austin	0	0	100	f
Facility Insurance Holding Corporation, Dallas	0	0	100	f
Rialto Re I Inc., Burlington	0	0	100	f
Sterling Re Inc., Burlington	0	0	100	f
Swiss Re America Holding Corporation, Wilmington	0	0	100	f
Swiss Re Atrium Corporation, Wilmington	1	0	100	f
Swiss Re Capital Markets Corporation, New York	0	0	100	f
Swiss Re Financial Products Corporation, Wilmington	2 116	1 882	100	f
Swiss Re Financial Services Corporation, Wilmington	0	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	0	0	100	f
Swiss Re Life & Health America Inc., Hartford	4	4	100	f
Swiss Re Partnership Holding, LLC, Dover	368	327	100	f
Swiss Re Risk Solutions Corporation, Wilmington	0	0	100	f
Swiss Re Solutions Holding Corporation, Wilmington	9	8	100	f
Swiss Re Treasury (US) Corporation, Wilmington	0	0	100	f
Swiss Reinsurance America Corporation, Armonk	6	5	100	f

	Share capital (USD millions)	Share capital (CHF millions)	Affiliation in % as of 31.12.2013	Method of consolidation
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	0	0	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	667	593	100	f
Swiss Re Life & Health Australia Limited, Sydney	787	700	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	126	112	5	fv
India				
Swiss Re Shared Services (India) Private Ltd., Bangalore	2	2	100	f
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	32	28	25	e

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16 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise as a result of the Group's involvement in certain insurance-linked and credit-linked securitisations, swaps in trusts, debt financing and other entities which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, the entity is considered a VIE and needs to be assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called the primary beneficiary and consolidates the VIE. An enterprise is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Group assesses for all its variable interests in VIEs whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. For this, the Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. In a second step, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

Whenever facts and circumstances change, a review is undertaken of the impact these changes could have on the consolidation assessment previously performed. When the assessment might be impacted, a reassessment to determine the primary beneficiary is performed.

Insurance-linked and credit-linked securitisations

The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk through insurance or derivative contracts. In credit-linked securitisations, the securitisation vehicle assumes the credit risk through credit default swaps. The securitisation vehicle generally retains the issuance proceeds as collateral. The collateral held predominantly consists of investment-grade securities.

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, or through protection provided under a total return swap for the principal of the collateral held by the securitisation vehicle.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed. Typically, the Group is considered the primary beneficiary of a securitisation vehicle when the Group acts as a sponsor of risk passed to the VIE and enters at the same time into a total return swap with the VIE to protect the VIE's assets from market risk. Under the total return swap, the Group would incur losses if some or all of the securities held as collateral in the securitisation vehicle decline in value or default. Therefore, the Group's maximum exposure to loss equals the principal amount of the collateral protected under the total return swap.

As of 31 December 2013, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 470 million.

Swaps in trusts
The Group provides risk management services to certain asset securitisation trusts which qualify as VIEs. As the involvement of the Group is limited to interest rate and foreign exchange derivatives, Swiss Re does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles
Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist of investment-grade securities, structured products, hedge fund units, derivatives and others.

The Group consolidates certain debt financing vehicles as it has power over the investment management in the vehicles, which is considered to be the activity that most significantly impacts the entities' economic performance. In addition, the Group absorbs the variability of the investment return so that both criteria for a controlling financial interest are met.

As of 31 December 2013, the total assets of the vehicles in which the Group is the primary beneficiary were USD 6 708 million.

Investment vehicles
Investment vehicles are private equity limited partnerships, in which the Group is invested as part of its investment strategy. Typically, the Group's variable interests arise through limited partner ownership interests in the vehicles. The Group does not own the general partners of the limited partnerships, and does not have any significant kick-out or participating rights. Therefore the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

As of 31 December 2013, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 499 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 8 million.

Other
The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the Group's exposure is either retroceded or hedged. The assets held by the VIEs consist mainly of residential real estate and other.

As of 31 December 2013, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 1 294 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 82 million.

The Group did not provide financial or other support to any VIEs during 2013 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December:

	2012		2013	
USD millions	Carrying value	Whereof restricted:	Carrying value	Whereof restricted:
Fixed income securities available-for-sale	6896	6896	6490	6490
Short-term investments	610	610	61	61
Other invested assets	258	258	8	
Cash and cash equivalents	177	177	162	162
Accrued investment income	44	44	60	60
Other assets	19	1	17	
Total assets	8004	7986	**6798**	**6773**

	Carrying value	Whereof limited recourse:	Carrying value	Whereof limited recourse:
Short-term debt	504	504	62	62
Accrued expenses and other liabilities	76	76	20	20
Long-term debt	5328	5328	5414	5414
Total liabilities	5908	5908	**5496**	**5496**

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2012	**2013**
Fixed income securities:		
Available-for-sale	72	71
Trading	12	15
Other invested assets	1 138	966
Total assets	1 222	**1 052**
Short-term debt	399	417
Accrued expenses and other liabilities	385	422
Total liabilities	784	**839**

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

				2012				**2013**
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/ Credit-linked securitisations	212		842	842	72		90	90
Swaps in trusts	149	240	–[1]	–	96	284	–[1]	–
Investment vehicles	829		829	829	853		853	853
Other	32	544	1 622	1 078	31	555	1 702	1 147
Total	1 222	784	–[1]	–	**1 052**	**839**	**–[1]**	**–**

[1] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 555 million recognised for the "Other" category relate mainly to collateral received.

17 Restructuring provision

In 2013, the Group set up total provisions of USD 46 million, and released USD 2 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 46 million is mostly related to leaving benefits.

Changes in restructuring provisions are disclosed in the "Other expenses" line in the Group's income statement.

For the years ended 31 December, restructuring provision developed as follows:

2012 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Balance as of 1 January	43	2	9	54
Effect of change in Group structure[1]			–9	–9
Increase in provision	7			7
Release of provision	–4			–4
Costs incurred	–14	–1		–15
Balance as of 31 December	32	1	0	33

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Balance as of 1 January	32	1		33
Increase in provision	46			46
Release of provision	–2			–2
Costs incurred	–12	–1		–13
Balance as of 31 December	**64**	**0**	**0**	**64**

[1] Please refer to Note 1 "Organisation and summary of significant accounting policies".

18 Related parties

Insurance activities

The Group assumes and cedes certain re/insurance contracts from/to affiliated companies within the Swiss Re Group, but outside the Swiss Reinsurance Company Group, resulting in the following related party transactions on the income statement and balance sheet:

For the year ended 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	–296	274	56	34
Fee income from policyholders		16		16
Net investment income – non-participating	77	102		179
Other revenues				0
Total revenues	–219	392	56	229
Claims and claim adjustment expenses	431		–28	403
Life and health benefits		–264		–264
Return credited to policyholders		–64		–64
Acquisition costs	58	–19	–26	13
Total expenses	489	–347	–54	88

As of 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums and other receivables	59	145	43	247
Reinsurance recoverable on unpaid claims and policy benefits	271	10	1	282
Funds held by ceding companies	2 097	2		2 099
Deferred acquisition costs	–39		30	–9
Other assets	601			601
Total assets	2 989	157	74	3 220
Unpaid claims and claim adjustment expenses	7 393	115	42	7 550
Liabilities for life and health policy benefits		7		7
Unearned premiums	91		78	169
Funds held under reinsurance treaties			1	1
Reinsurance balances payable	447		1	448
Total liabilities	7 931	122	122	8 175

For the year ended 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums earned	–256	254	86	84
Fee income from policyholders				0
Net investment income – non-participating	74			74
Other revenues		27		27
Total revenues	**–182**	**281**	**86**	**185**
Claims and claim adjustment expenses	301		–46	255
Life and health benefits		–213		–213
Return credited to policyholders				0
Acquisition costs	57	–2	–35	20
Total expenses	**358**	**–215**	**–81**	**62**

As of 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Premiums and other receivables	30	105	4	139
Reinsurance recoverable on unpaid claims and policy benefits	471	24		495
Funds held by ceding companies	1 413	2		1 415
Deferred acquisition costs	–49		7	–42
Other assets	337			337
Total assets	**2 202**	**131**	**11**	**2 344**
Unpaid claims and claim adjustment expenses	6 209	8	48	6 265
Liabilities for life and health policy benefits		6		6
Unearned premiums	77		19	96
Funds held under reinsurance treaties			2	2
Reinsurance balances payable	379			379
Total liabilities	**6 665**	**14**	**69**	**6 748**

Investment activities

The Group conducts various investing activities with affiliated companies in the Swiss Re Group. These include loans, funding agreements and derivatives and result in the following related party transactions on the income statement and balance sheet:

For the year ended 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income/loss – non-participating	–4	52	4	52
Net realised investment gains/losses – non-participating	4	41	3	48

As of 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Policy loans, mortgages and other loans		634	508	1 142
Other invested assets	1		30	31
Accrued investment income		24		24
Accrued expenses and other liabilities			4	4

For the year ended 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income/loss – non-participating		44	5	49
Net realised investment gains/losses – non-participating			17	17

As of 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Policy loans, mortgages and other loans		646	530	1 176
Other invested assets			34	34
Accrued investment income		24		24
Accrued expenses and other liabilities			4	4

Financing activities

The Group enters into various financing activities where it borrows funds from affiliated companies in the Swiss Re Group. These activities result in the following related party transactions on the income statement and balance sheet:

For the year ended 31 December 2012 USD millions	Admin Re®	Other	Total
Net investment income/loss – non-participating		6	6
Net realised investment gains/losses – non-participating		–69	–69
Interest expense	–2	–30	–32

As of 31 December 2012 USD millions	Admin Re®	Other	Total
Policy loans, mortgages and other loans		1 625[1]	1 625
Accrued investment income		4[1]	4
Short-term debt		3 513	3 513
Accrued expenses and other liabilities		1 644[1]	1 644
Long-term debt		196	196

For the year ended 31 December 2013 USD millions	Admin Re®	Other	Total
Net investment income/loss – non-participating		7	7
Net realised investment gains/losses – non-participating		–67	–67
Interest expense		–37	–37

As of 31 December 2013 USD millions	Admin Re®	Other	Total
Policy loans, mortgages and other loans		1 656[1]	1 656
Accrued investment income		5[1]	5
Short-term debt		2 757	2 757
Accrued expenses and other liabilities		1 665[1]	1 665
Long-term debt			0

[1] The balances reported in "Policy loans, mortgages and other loans" and "Accrued investment income", which are offset in "Accrued expenses and other liabilities", are part of two funding transactions of the Swiss Re Group. The counterparty of these balances is Swiss Re Specialised Investments Holdings (UK) Ltd.

Issued in	Instrument	Maturity	Currency	Nominal in millions	Interest rate	Book value in USD millions
2005	Senior loan	2028	GBP	100	1 month LIBOR	166
2008	Senior loan	2028	GBP	240	4.98%	397
2012	Senior loan	2014	GBP	120	2.41%	199
2013	Senior loans	2014	USD	1 995	3 months LIBOR + 0.1%	1 995
Total short-term debt as of 31 December 2013						**2 757**

Operating transactions

The Group enters into various arrangements with affiliated companies in the Swiss Re Group for the provision of services. These activities result in the following related party transactions on the income statement and balance sheet:

For the year ended 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income/loss – non-participating	1	2		3
Other revenues	13	29	1	43
Other expenses	498	50	–59	489
Interest expense	–1			–1

As of 31 December 2012 USD millions	Corporate Solutions	Admin Re®	Other	Total
Other assets[1]	104	32	–2	134
Accrued expenses and other liabilities[1]	–11		84	73

[1] During 2013 the Group revised the balances with affiliated companies within the Swiss Re Group and excluded impact of intragroup expense recharges from Related Parties disclosures. The revision had no impact on net income and shareholder's equity of the Group.

For the year ended 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Net investment income/loss – non-participating				0
Other revenues	11	9		20
Other expenses	450	17	–124	343
Interest expense				0

As of 31 December 2013 USD millions	Corporate Solutions	Admin Re®	Other	Total
Other assets	169	37	8	214
Accrued expenses and other liabilities	125		89	214

As of 31 December 2012 and 2013, the Group's investment in mortgages and other loans included USD 279 million and USD 304 million, respectively, of loans due from employees, and USD 215 million and USD 233 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

19 Risk assessment

Risk management, including the identification, assessment and control of risk exposures of the Group is integrated within, and forms part of, the Swiss Re Group's risk management organisation and processes. Therefore, references below to "Group" are to the Swiss Re Group, to "Business Units" include the Group as a business unit, and to "Reinsurance" are to the Group.

The Board of Directors is ultimately responsible for the Group's governance principles and policies; these include the Group Risk Policy, which establishes both the guiding principles of risk management as well as the overall risk tolerance of the Group.

The Board of Directors generally 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 for monitoring risk tolerance and reviewing top risk issues and exposures.
- The Audit Committee is responsible for overseeing internal controls and compliance procedures.

The Group Executive Committee (Group EC) implements the risk management framework through four sub-committees:
- The Group Risk and Capital Committee has responsibility for establishing the Group's Risk Governance Framework, including setting and monitoring risk capacity limits and determining changes to the internal risk and capital measurement methodology. It also oversees Swiss Re's economic value measurement framework, including the principles for the allocation of capital and funding resources.
- 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.
- The Group Products and Limits Committee determines Swiss Re's product policy and underwriting standards, sets transaction limits, and decides on large or non-standard transactions.
- The Group Regulatory Committee is the central information and coordination platform for regulatory matters and compliance. It ensures a consistent approach to external communication on regulatory issues.

The Group Chief Risk Officer (CRO), who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The Group CRO is a member of the four Group EC committees, serving as the chairman of both the Group Risk and Capital Committee and the Group Regulatory Committee. In addition, the Group CRO leads the Group's Risk Management function, which is responsible for risk oversight and control across the Group.

The Group Risk Management function is comprised of central departments providing shared services (such as Risk Reporting), along with dedicated departments for the Reinsurance, Corporate Solutions, and Admin Re® Business Units.

Each of these Business Unit departments has a dedicated Chief Risk Officer who reports directly to the Group CRO, with a secondary reporting line to the respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Units, establishing the proper risk governance to ensure efficient risk identification, assessment, and control. There are also Regional CROs (Americas, Asia, and EMEA) with reporting duties to the Reinsurance regional management teams. They also provide functional support to the Regional Presidents.Presidents.

For Swiss Re's major legal entities, the Business Unit CROs are supported by designated legal entity CROs who are responsible for overseeing specific risk management issues that arise at the legal entity level.

The central departments support both the Group CRO and the Business Unit CROs in discharging their oversight responsibilities. They do so by providing specialised risk category expertise and accumulation control, risk modelling and reporting services, regulatory relations management, and central risk governance framework development. The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

While in Reinsurance the setting of the reserves is performed by valuation actuaries working with the Business Management Unit, in Corporate Solutions and Admin Re® actuarial management is an integral part of Risk Management. The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management.

Senior managers of Business and corporate Units are responsible for managing operational risks in their areas of activity, based on a centrally coordinated methodology. Their self-assessments are reviewed and challenged by dedicated operational risk managers. Risk management experts also review Swiss Re's underwriting decision processes.

Risk management activities are also supported by Group Internal Audit and Compliance. The 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.

The Compliance function is principally responsible for overseeing the Group's compliance with applicable laws, regulations, rules, and the Code of Conduct, as well as managing compliance risk. It assists the Board of Directors, the Group EC and management in discharging their respective duties to identify, mitigate, and manage compliance risks.

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 Reinsurance Company Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity, comprehensive income and notes (pages 2 to 103), for the year ended 31 December 2013.

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 2013 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.

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

Alex Finn

Bret M. Griffin

Alex Finn	Bret Griffin
Audit expert	
Auditor in charge	

Zürich, 17 March 2014

ANNUAL REPORT SWISS REINSURANCE COMPANY LTD

Reinsurance and sub-holding company
Swiss Reinsurance Company Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company for the Reinsurance Business Unit. The Company is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland.

Financial year 2013
Net income for 2013 amounted to CHF 2 091 million, compared to CHF 3 600 million in the prior year.

The financial year under review showed a reduced reinsurance result, compared to the prior year, mainly driven by an one-off 2012 transaction, reserving assumption updates and a new intragroup retrocession treaty in the Life & Health Reinsurance. The latter covered the recaptured pre-2004 yearly renewable term life business, which was originally retroceded by Swiss Re Life & Health America Inc. to Berkshire Hathaway. The overall negative result impact of Life & Health Reinsurance, compared to 2012, was partially offset by the positive development of Property & Casualty Reinsurance, which was driven by new business written and increased reinsurance retrocessions from other Swiss Re Group companies, following the expiry of a major quota share agreement.

The lower investment result, compared to 2012, was driven by higher valuation adjustments on investments in subsidiaries, partly offset by higher investment income, mostly in connection with dividends received from subsidiaries.

Reinsurance result
Reinsurance result amounted to CHF 257 million in 2013, compared to CHF 1 290 million in 2012.

Premiums earned decreased from CHF 11 579 million in 2012 to CHF 10 493 million in 2013. Excluding the effect of foreign exchange movements, total premiums earned amounted to CHF 10 737 million in 2013.

Property and casualty premiums earned increased from CHF 5 084 million in 2012 to CHF 6 139 million in 2013. The increase was mainly driven by the expiry of a major quota share agreement, resulting in higher net retained business. The quota share expiry also resulted in higher reinsurance retrocessions from other Swiss Re Group companies.

Life and health premiums earned decreased from CHF 6 495 million in 2012 to CHF 4 354 million in 2013. Comparing the two financial years, the reported decrease in premiums earned resulted mainly from an one-off transaction in 2012. The initial impact of the assumption of certain blocks of business from Reassure America Life Insurance Company, before its disposal in 2012, was partly offset by the new intragroup retrocession treaty in 2013 with Swiss Re Life & Health America Inc. Excluding the initial entries of these two one-off transactions, life and health premiums earned increased from CHF 3 518 million in 2012 to CHF 3 978 million in 2013.

Claims and claim adjustment expenses increased from CHF 6 016 million in 2012 to CHF 6 302 million in 2013. Excluding the effect of foreign exchange movements, total claims and claim adjustment expenses amounted to CHF 6 475 million in 2013. Property and casualty claims and claim adjustment expenses remained materially unchanged at CHF 2 724 million in 2013, compared to the prior year, despite higher business volume. This was primarly due to a benign year 2013 in respect of natural catastrophe events and positive development on prior year's claims. Nonetheless, the financial year under review was impacted by flooding in Canada, Central and Eastern Europe and by claims adjustments in asbestos and environmental liabilities. As last year, the Company further strengthened its reserves by increasing the equalisation provision by CHF 400 million.

Life and health claims and claim adjustment expenses increased by CHF 338 million to CHF 3 578 million in 2013, compared to 2012, driven by the additional business from Reassure America Life Insurance Company, following the assumption of certain blocks of business in late 2012, and the new retrocession treaty from Swiss Re Life & Health America Inc.

Life and health benefits increased by CHF 307 million to CHF 2 578 million in 2013, compared to 2012, mainly due to the new retrocession treaty with Swiss Re Life & Health America Inc. and reserving assumption updates. The prior year was impacted by the initial portfolio entry and the setup of a liability for life and health policy benefits relating to the assumed blocks of business from Reassure America Life Insurance Company.

Investment result
Investment result amounted to CHF 2 638 million in 2013, compared to CHF 3 077 million in 2012.

Investment income increased by CHF 1 186 million to CHF 7 419 million in 2013, driven by a dividend received from a subsidiary in liquidation and higher valuation readjustments on derivative financial instruments, mainly related to the life and health variable annuity business. The increase in investment result, compared to the prior year, was partially offset by lower realised gains on sale of fixed income securities and shares in investment funds.

Investment expenses increased from CHF 2 768 million in 2012 to CHF 4 355 million in 2013, driven by a significant valuation adjustment on the investment in a subsidiary in liquidation, following its dividend payment.

Result from other income and expenses
Other net expenses increased by CHF 164 million, impacted by higher administration expenses and increased interest expenses for debt.

Assets
Total assets decreased by 6% to CHF 75 919 million as of 31 December 2013, compared to the prior year. Excluding the effect of foreign exchange movements, total assets amounted to CHF 78 532 million as of 31 December 2013.

In 2013, the Company transferred its real estate portfolio, including own used properties, to a new wholly-owned subsidiary. This transfer was concluded through a contribution in-kind and the setup of an intragroup loan.

Investments in subsidiaries and affiliated companies decreased by CHF 1 878 million in 2013, mainly as a result of a valuation adjustment on the investment in a subsidiary in liquidation and the transfer of the investment in Swiss Re Principal Investments Company Ltd through a dividend in-kind to Swiss Re Ltd, partially offset by capital contributions in cash made to affiliated companies.

Loans to subsidiaries and affiliated companies increased by CHF 3 191 million in 2013, mainly due to the transfer of several loans in context with a received dividend in-kind and a new credit line loan by a subsidiary. Furthermore, a new intragroup loan was setup in connection with the transfer of the real estate portfolio.

In 2013 proceeds from the disposal of short-term investments and shares in investment funds as well as from cash and cash equivalents were primarily reinvested in equity securities and corporate bonds as well as used for the ordinary dividend payment to Swiss Re Ltd.

Assets in derivative financial instruments decreased from CHF 1 700 million as of 31 December 2012 to CHF 354 million as of 31 December 2013, mainly as a result of the lower market value of derivative financial instruments in connection with the hedge of the life and health variable annuities business.

Funds held by ceding companies decreased slightly, mainly due to commutation of property and casualty treaties. The decrease in other assets related mostly to security lending collateral and reverse repurchase transactions.

Liabilities
Total liabilities decreased by 6% to CHF 64 122 million as of 31 December 2013. Excluding the effect of foreign exchange movements, total liabilities amounted to CHF 66 565 million as of 31 December 2013.

Technical provisions increased slightly by 2% to CHF 39 817 million as of 31 December 2013. The increase was mainly driven by the new retrocession treaty with Swiss Re Life & Health America Inc., resulting in additional liabilities for life and health policy benefits. Unpaid claims, however, decreased due to claims settlement and favourable loss experience for 2012 and prior natural catastrophe losses as well as the commutation of intragroup property and casualty treaties. This decrease in unpaid claims was partly offset by claims accruals due to additional business from Swiss Re Group companies and higher retained business, following the expiry of a major quota share agreement. In addition, the equalisation provision was increased by CHF 400 million in 2013.

The decrease in debts from CHF 11 629 million as of 31 December 2012 to CHF 9 518 million as of 31 December 2013 was mainly driven by the net change in loans from the parent company of CHF 936 million, from intragroup companies of CHF 552 million and from external counterparties of CHF 1 350 million, partially offset by the issuance of external subordinated loans of CHF 842 million.

Liabilities from derivative financial instruments decreased from CHF 2 087 million as of 31 December 2012 to CHF 756 million as of 31 December 2013, mainly in connection with the life and health variable annuities business, following the reserving assumption updates.

Shareholder's equity
Shareholder's equity decreased from CHF 12 342 million as of 31 December 2012 to CHF 11 797 million as of 31 December 2013.

The decrease mainly resulted from the ordinary dividend in cash of CHF 1 831 million and from the transfer of its investments in Swiss Re Principal Investments Company Ltd through an extraordinary dividend in-kind of CHF 805 million, partly offset by the net income for 2013 of CHF 2 091 million.

INCOME STATEMENT SWISS REINSURANCE COMPANY LTD

For the years ended 31 December

CHF millions	Notes	2012	2013
Reinsurance	2		
Premiums earned		11 579	**10 493**
Claims and claim adjustment expenses		–6 016	**–6 302**
Life and health benefits		–2 271	**–2 578**
Change in equalisation provision		–400	**–400**
Acquisition costs		–1 581	**–1 604**
Other reinsurance result		419	**1 141**
Operating costs		–828	**–919**
Allocated investment return		388	**426**
Reinsurance result		1 290	**257**
Investments	3		
Investment income		6 233	**7 419**
Investment expenses		–2 768	**–4 355**
Allocated investment return		–388	**–426**
Investment result		3 077	**2 638**
Other income and expenses			
Other interest income		50	**40**
Other interest expenses		–436	**–481**
Other income		229	**269**
Other expenses		–324	**–473**
Result from other income and expenses		–481	**–645**
Income before income tax expense		3 886	**2 250**
Income tax expense		–286	**–159**
Net income		3 600	**2 091**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

BALANCE SHEET SWISS REINSURANCE COMPANY LTD

As of 31 December

Assets

CHF millions	Notes	2012	2013
Non-current assets			
Investments			
Investments in real estate		1 232	**–**
Investments in subsidiaries and affiliated companies		17 214	**15 336**
Loans to subsidiaries and affiliated companies		3 683	**6 874**
Mortgages and other loans		740	**792**
Equity securities		860	**1 524**
Fixed income securities		15 865	**16 317**
Shares in investment funds		3 560	**3 372**
Short-term investments		8 912	**6 379**
Alternative investments		2 082	**1 716**
Assets in derivative financial instruments		1 700	**354**
Total investments		55 848	**52 664**
Tangible assets		673	**63**
Intangible assets		33	**41**
Total non-current assets		56 554	**52 768**
Current assets			
Premiums and other receivables from reinsurance	4	4 980	**5 241**
Funds held by ceding companies	4	12 979	**12 407**
Deferred acquisition costs	4	443	**604**
Cash and cash equivalents		3 194	**2 194**
Other receivables		179	**442**
Other assets		2 245	**1 883**
Accrued income		168	**380**
Total current assets		24 188	**23 151**
Total assets		80 742	**75 919**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

Liabilities and shareholder's equity

CHF millions	Notes	2012	2013
Liabilities			
Technical provisions	5		
Unpaid claims		26 592	**24 255**
Liabilities for life and health policy benefits		9 959	**12 135**
Unearned premiums		2 060	**2 459**
Provisions for profit commissions		159	**168**
Equalisation provision		400	**800**
Total technical provisions		39 170	**39 817**
Non-technical provisions			
Provision for taxation		159	**57**
Provision for currency fluctuation		1 397	**858**
Other provisions		491	**540**
Total non-technical provisions		2 047	**1 455**
Debt			
Debentures		6 073	**6 100**
Loans		5 556	**3 418**
Total debt		11 629	**9 518**
Funds held under reinsurance treaties	5	5 236	**4 460**
Reinsurance balances payable	5	3 197	**2 901**
Liabilities from derivative financial instruments		2 087	**756**
Other liabilities		4 769	**4 986**
Accrued expenses		265	**229**
Total liabilities		68 400	**64 122**
Shareholder's equity	6		
Share capital		34	**34**
Other legal reserves		650	**650**
Legal reserves from capital contributions		8 057	**8 057**
Other reserves		14	**928**
Retained earnings/loss brought forward		–13	**37**
Net income for the financial year		3 600	**2 091**
Total shareholder's equity		12 342	**11 797**
Total liabilities and shareholder's equity		80 742	**75 919**

The accompanying notes are an integral part of Swiss Reinsurance Company Ltd's financial statements.

NOTES
SWISS REINSURANCE COMPANY LTD

1 Significant accounting principles

Basis of presentation
On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations. Based on the transitional provisions, the new provisions have to be implemented for annual accounts from the 2015 financial year onwards, at the latest. Therefore, the Swiss Reinsurance Company Ltd's financial statements for the 2013 financial year have been prepared based on the accounting provisions of the Swiss Code of Obligations in effect until 31 December 2012.

Time period
The 2013 financial year comprises the accounting period from 1 January 2013 to 31 December 2013.

Use of estimates in the preparation of annual accounts
The preparation of the annual accounts requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the related disclosures. Actual results could differ significantly from these estimates.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money-market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Investments
The following assets are carried at cost, less necessary and legally permissible depreciation:
- Investments in real estate
- Investments in subsidiaries and affiliated companies
- Equity securities
- Fixed income securities (other than zero-coupon bonds)
- Shares in investment 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.

Zero-coupon bonds reported under fixed income securities are valued at their amortised cost values.

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. Property and casualty deferred acquisition costs are generally amortised in proportion to premiums earned. Life and health deferred acquisition costs will run-off on a prudent basis, typically linearly in a shorter term than the liabilities. The amortisation schedule can also be determined to be in line with the expected profits of the business so no statutory profits are shown until the deferred acquisition costs is fully amortised.

Other assets
Other assets include deferred expenses on retroactive reinsurance policies, which are amortised through earnings over the expected claims-paying period, as well as receivables in connection with securities lending collateral and reverse repurchase transactions, which are carried at nominal value.

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 business written directly by the Company, or via a branch of the Company, liabilities are based on gross premium valuation or the cedant-reported information. Reference is made to cedant-reported information given the importance of deposit reserves in Europe. If the data the Company receives is sufficiently granular, however, a prospective gross premium valuation approach can also be adopted using assumptions based on estimates of own experience drawn from internal studies. With respect to the business ceded by the Company's subsidiaries, a prospective gross premium valuation is applied. The method is prospective as it takes into account expected future cash flows inherent in the reinsurance contract from the valuation date until expiry of the contract obligations. The assumptions used in the valuation are based on estimates on experience studies. Cash flows include primarily premiums, claims, commissions and expenses, with margins 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 at the reinsurance treaty level, with the exception of a prudent allowance for deferred acquisition costs on financing treaties. The zeroisation was extended to a large block of Corporate Owned Life Insurance business (COLI) assumed from Jackson National Life Reinsurance Company where dedicated policyholder assets are held, which directly support the liability. Zeroisation was applied such that the liability is not lower than the value of the respective assets which led to an increase in reserves of CHF 412 million, compared to the prior year.

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.

Premiums written relating to future periods are stated as unearned premiums and are normally calculated by statistical methods.
The accrual of commissions is determined proportionally 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 lines in the income statement. 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 external counterparties is accounted for as a balance sheet transaction.

Non-technical provisions
The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a time period of up to nine years, based on the average duration of the technical provisions. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

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.

Other liabilities
Other liabilities include payables in connection with repurchase agreements and securities lending transactions, which are held at redemption value.

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
Overall management expenses are allocated to the reinsurance business, the investment business and to other expenses on an imputed basis.

Foreign exchange transaction gains and losses
Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other income, respectively.

Capital and indirect taxes
Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense
The income tax expense relates to the financial year under report.

Balance sheet and income statement classification
The Company has revised the classification between certain balance sheet and income statement categories. Specifically, the shares in investment funds were reclassified in the balance sheet from equity securities and fixed income securities to shares in investments funds and in the income statement from income from equity securities and fixed income securities to income from shares in investment funds. In addition, the securities lending fees were reclassified from other income to investment income and from other expenses to investment expenses respectively. Therefore, the previously reported 2012 figures have been changed accordingly.

2 Reinsurance result

CHF millions	2012 Gross	2012 Retro	2012 Net	2013 Gross	2013 Retro	2013 Net
Premiums written	16 348	–5 680	10 668	**16 223**	**–5 195**	**11 028**
Change in unearned premiums	464	447	911	**–756**	**221**	**–535**
Premiums earned	16 812	–5 233	11 579	**15 467**	**–4 974**	**10 493**
Claims paid and claim adjustment expenses	–8 998	3 162	–5 836	**–10 681**	**3 069**	**–7 612**
Change in unpaid claims	314	–494	–180	**1 994**	**–684**	**1 310**
Claims and claim adjustment expenses	–8 684	2 668	–6 016	**–8 687**	**2 385**	**–6 302**
Life and health benefits	–2 364	93	–2 271	**–1 649**	**–929**	**–2 578**
Change in equalisation provision	–400	–	–400	**–400**	**–**	**–400**
Fixed commissions	–2 875	1 514	–1 361	**–2 664**	**1 219**	**–1 445**
Profit commissions	–256	36	–220	**–226**	**67**	**–159**
Acquisition costs	–3 131	1 550	–1 581	**–2 890**	**1 286**	**–1 604**
Other reinsurance income and expenses	140	–78	62	**192**	**–95**	**97**
Result from deposits	737	–380	357	**819**	**225**	**1 044**
Other reinsurance result	877	–458	419	**1 011**	**130**	**1 141**
Operating costs			–828			**–919**
Allocated investment return			388			**426**
Reinsurance result			1 290			**257**

3 Investment result

CHF millions	2012	2013
Income from real estate	106	**107**
Income from subsidiaries and affiliated companies	2 564	**3 413**
Income from equity securities	33	**30**
Income from fixed income securities, mortgages and other loans	586	**720**
Income from shares in investment funds	112	**30**
Income from derivative financial instruments	10	**1**
Income from short-term investments	59	**61**
Income from alternative investments	68	**133**
Income from investment services	60	**80**
Valuation readjustments on investments	1 212	**1 566**
Realised gains on sale of investments	1 423	**1 278**
Investment income	6 233	**7 419**
Expenses from derivative financial instruments	–	**–4**
Investment management expenses	–247	**–226**
Valuation adjustments on investments	–2 160	**–3 768**
Realised losses on sale of investments	–361	**–357**
Investment expenses	–2 768	**–4 355**
Allocated investment return	–388	**–426**
Investment result	3 077	**2 638**

4 Assets from reinsurance

CHF millions	Gross	Retro	2012 Net	Gross	Retro	**2013** Net
Premiums and other receivables from reinsurance	4820	160	4980	**5417**	**–176**	**5241**
Funds held by ceding companies	12979	–	12979	**12407**	**–**	**12407**
Deferred acquisition costs	1166	–723	443	**1325**	**–721**	**604**
Assets from reinsurance	18965	–563	18402	**19149**	**–897**	**18252**

5 Liabilities from reinsurance

CHF millions	Gross	Retro	2012 Net	Gross	Retro	**2013** Net
Unpaid claims	32664	–6072	26592	**29309**	**–5054**	**24255**
Liabilities for life and health policy benefits	12144	–2185	9959	**13268**	**–1133**	**12135**
Unearned premiums	4541	–2481	2060	**4988**	**–2529**	**2459**
Provisions for profit commissions	193	–34	159	**215**	**–47**	**168**
Equalisation provision	400	–	400	**800**	**–**	**800**
Funds held under reinsurance treaties	19	5217	5236	**–**	**4460**	**4460**
Reinsurance balances payable	1498	1699	3197	**1681**	**1220**	**2901**
Liabilities from reinsurance	51459	–3856	47603	**50261**	**–3083**	**47178**

6 Change in shareholder's equity

CHF millions	2012	**2013**
Shareholder's equity as of 1 January	17751	**12342**
Ordinary cash dividend paid for the previous year	–1028	**–1831**
Ordinary dividend in-kind paid for the previous year	–5810	**–805**
Extraordinary cash dividend paid	–1438	**–**
Capital reduction due to cancellation of treasury shares	–733	**–**
Net income for the financial year	3600	**2091**
Shareholder's equity on 31 December before proposed dividend payments	12342	**11797**
Proposed dividend payments	–1831	**–2756**[1]
Shareholder's equity on 31 December after proposed dividend payments	10511	**9041**

[1] Details on the proposed dividend payment for the financial year 2013 are disclosed on page 122.

7 Contingent liabilities

Swiss Reinsurance Company Ltd has issued a number of guarantees to several 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 Swiss Re Group's financing structure, the Company has guaranteed CHF 3 027 million (2012: CHF 3 774 million) of debt issued by certain subsidiaries and letter of credit facilities benefiting various subsidiaries and affiliated companies of which no amount was utilised as of 31 December 2013 and 2012, respectively.

In the context with the establishment of a new real estate subsidiary of Swiss Reinsurance Company Ltd in 2013 and hence following the Merger Act article 75 the Company remains liable for claims arising before this transaction for a period of three years by a joint-and-several liability with a new subsidiary, unless waived by the counterparties.

8 Unfunded commitments

As a participant in limited investment partnerships, the Company commits itself to making available certain amounts of investment funding, callable by the partnerships in general for periods of up to 10 years. As of 31 December 2013, total commitments remaining uncalled were CHF 1 360 million (2012: CHF 1 711 million).

9 Leasing contracts

Total off-balance-sheet commitments from operating leases for the next five years and thereafter are as follows:

CHF millions	2012	**2013**
2013	21	**–**
2014	20	**24**
2015	18	**19**
2016	13	**16**
2017	10	**13**
After 2018	21	**24**
Total operating leases, net	103	**96**

These commitments pertain to the non-cancellable contract periods and refer primarily to office and apartment space rented by the Company.

In 2013, a new financial lease of IT hardware was recognised on the balance sheet with a value of CHF 9 million.

10 Security deposits

To secure the technical provisions at the 2013 balance sheet date, securities with a value of CHF 16 057 million (2012: CHF 16 318 million) were deposited in favour of ceding companies, of which CHF 5 399 million (2012: CHF 4 866 million) referred to affiliated companies.

In 2012, a real estate portfolio with a carrying amount of CHF 673 million serves as collateral for short-term senior operational debt of CHF 650 million with an external counterparty. In the context with the establishment of a new real estate subsidiary in 2013 the real estate portfolio and the short-term loan were transferred.

11 Securities lending and repurchase agreements

To enhance the performance of its investment portfolio, the Company enters into securities lending and repurchase transactions. In the context of such transactions securities are transferred to the counterparty.

Additionally, the Company performs the role of the collateral clearer for the Swiss Re Group, centrally managing collateral for the Swiss Re Group, providing funding diversification, enabling secured cash investment and yield enhancement. As such the Company acts as principal in collateral transactions, borrowing securities from its affiliated companies and entering into lending and borrowing as well as repurchase and reverse repurchase agreements with third parties. As a matter of policy, the Company requires that collateral, consisting of cash or securities, is provided to cover the assumed counterparty risk associated with such transactions.

An overview of the fair value of securities transferred under securities lending and repurchase agreements is provided in the following table as of 31 December:

CHF millions	2012	**2013**
Fair value of securities transferred to third parties	9 143	**11 461**
Fair value of securities transferred to affiliated companies	7 608	**10 505**
Total	16 751	**21 966**

12 Fire insurance value of tangible assets

As of 31 December 2013, the insurance value of tangible assets amounted to CHF 169 million, compared to CHF 2 506 million in 2012. The 2013 insurance value only comprised other tangible assets, whereas in 2012 this value included also the insurance value of CHF 2 329 million of the real estate portfolio, which was fully transferred to a new established subsidiary.

13 Obligations towards employee pension fund

As of 31 December 2013, other liabilities included CHF 127 million (2012: CHF 5 million) payable to the employee pension fund.

14 Public placed debentures

As of 31 December 2013, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Subordinated bond	2013	CHF	175	7.500%	2020	175
Subordinated bond	2013	USD	750	6.375%	2019	667
Subordinated bond	2012	CHF	320	7.250%	2017	320
Subordinated bond	2012	USD	750	8.250%	2018	667
Subordinated bond	2012	EUR	500	6.625%	2022	613
Senior bond	2011	CHF	600	2.125%	2017	600
Senior bond	2010	CHF	500	2.000%	2015	500

15 Investments in subsidiaries

Details on the Company's subsidiaries are disclosed on pages 88 to 90.

16 Share capital

The share capital of the Company amounted to CHF 34 million. It is divided into 344 052 565 registered shares, each with a nominal value of CHF 0.10. The shares were fully paid-in and held directly by Swiss Re Ltd.

17 Deposit arrangements

The following balances were related to deposit accounted reinsurance contracts:

CHF millions	2012	**2013**
Reinsurance result	22	**77**
Premiums and other receivables from reinsurance	153	**177**
Funds held by ceding companies	672	**652**
Funds held under reinsurance treaties	19	**–**
Reinsurance balances payable	1 032	**1 005**

18 Claims on and obligations towards affiliated companies

CHF millions	2012	**2013**
Premiums and other receivables from reinsurance	1 119	**865**
Funds held by ceding companies	7 165	**6 906**
Other receivables	119	**369**
Other assets	26	**164**
Loans	4 906	**3 418**
Funds held under reinsurance treaties	5 034	**4 279**
Reinsurance balances payable	1 216	**1 253**
Other liabilities	3 801	**4 021**

19 Release of undisclosed reserves

In the year under report, undisclosed reserves on investments or on provisions were released by a net amount of CHF 1 147 million (2012: CHF 233 million).

20 Major shareholders

As of 31 December 2013 and 2012, the Company was a fully owned subsidiary of Swiss Re Ltd.

21 Conditional capital and authorised capital

As of 31 December 2013, the Company had the following conditional capital and authorised capital:

Conditional capital for Equity-Linked Financing Instruments

The share capital of the Company shall be increased by an amount not exceeding CHF 5 000 000 through the issuance of a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, through the voluntary or mandatory exercise of conversion and/or option rights granted in connection with bonds or similar instruments including loans or other financial instruments by the Company or Group companies of Swiss Reinsurance Company Ltd (hereinafter collectively the "Equity-Linked Financing Instruments"). Existing shareholders' subscription rights are excluded.

Authorised capital
The Board of Directors is authorised to increase the share capital of the Company at any time up to 25 March 2015 by an amount not exceeding CHF 8 500 000 through the issuance of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non exercised subscription rights will be determined by the Board of Directors.

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

With respect to a maximum of CHF 3 500 000 through the issuance of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital referred to above, the Board of Directors may exclude or restrict the subscription rights of the existing shareholders for the use of shares in connection with (i) mergers, acquisitions (including take-over) of companies, parts of companies or holdings, equity stakes (participations) or new investments planned by the Company and/or Group companies of Swiss Reinsurance Company Ltd, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities, and/or (ii) improving the regulatory capital position of the Company or Group companies of Swiss Reinsurance Company Ltd in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so (including by way of private placements).

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the above-mentioned authorised capital
The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 25 March 2015.

22 Personnel information

As of 31 December 2013, Swiss Reinsurance Company Ltd employed a worldwide staff of 4 173 (2012: 3 878). Personnel expenses for the 2013 financial year amounted to CHF 1 252 million (2012: CHF 1 058 million).

23 Management fee contribution

In 2013, management expenses of CHF 806 million (2012: CHF 574 million) were recharged to affiliated companies of the Company and invoiced to third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

24 Risk assessment

Article 663b sub-para. 12 of the Swiss Code of Obligations requires disclosure of information on the performance of a risk assessment.

The identification, assessment and control of risk exposures of Swiss Reinsurance Company Ltd on a stand-alone basis are integrated in and covered by Swiss Re's Group risk management organisation and processes.

Details are disclosed on page 102 to 103.

PROPOSAL FOR ALLOCATION OF DISPOSABLE PROFIT

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 28 March 2014 to approve the following allocation and dividend payment:

CHF millions	2012	**2013**
Retained earnings/loss brought forward	–13	**37**
Net income for the financial year	3 600	**2 091**
Disposable profit	3 587	**2 128**
Allocation to other reserves	–3 550	**–2 100**
Retained earnings after allocation	37	**28**

CHF millions	2012	**2013**
Other reserves brought forward	14	**1 733**
Allocation from retained earnings	3 550	**2 100**
Cash dividend	–1 831	**–2 756**
Dividend in-kind of Swiss Re Principal Investments Company Ltd	–	**–805**[1]
Other reserves after allocation and dividend payment	1 733	**272**

[1] The dividend in-kind was resolved by the Extraordinary General Meeting on 25 March 2013.

Dividend

If the Board of Directors' proposal for allocation and dividend payment is accepted, a cash dividend of CHF 2 756 million will be paid out of other reserves.

Zurich, 17 March 2014

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 109 to 121), for the year ended 31 December 2013.

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 2013 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 17 March 2014

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 the Group's actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group'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 due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group'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 the Group's balance sheet equivalent to their 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 the Group's hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;

- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. The Group 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

The recent temporary federal government shutdown in the United States and politicised discussions over increasing the U.S. debt limit, the market reaction to prospects of a tapering of the Federal Reserve's asset purchase programme, and recent pessimistic global growth forecasts by the Organisation of Economic Cooperation and Development and the International Monetary Fund, among others, highlight the continued uncertainties around the post-crisis recovery and the risks that the world economy continues to face. In the European Union, it remains unclear whether proposals for a single resolution mechanism and other components of a banking union, as well as actions of the European Central Bank, will create the conditions necessary for increased bank lending and greater economic growth. As a result of the foregoing, bank funding and capital markets continue to be volatile.

The volatility in the financial and credit markets could increase the severity and duration of economic recession, cause more economic turmoil in the near term, cause further disruptions in the global financial markets and impact foreign currency exchange rates. These developments in turn could have an adverse impact on the investment results of Swiss Reinsurance Company Ltd ("Swiss Re") and its subsidiaries' (collectively, the "Group"), its ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to the Group and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on the Group's Life & Health business.

The foregoing developments could have material adverse effects on the Group's industry and on the Group.

Regulatory changes

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 and/or recently adopted in a number of jurisdictions that are expected 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 and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These 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.

Legislative initiatives directly impacting the Group's industry include the establishment of a pan- European regulator for insurance companies, the European Insurance and Occupational Pension Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, Swiss Re is subject to the Swiss Solvency Test, and will be subject to Solvency II, which is expected to enter into force on 1 January 2016. In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to the Markets in Financial Instruments Directive (MiFID), in respect of derivatives could have a significant impact on the Group.

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important," a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, published a methodology for identifying global systemically important insurers (G-SIIs) and on a framework for supervision of internationally active insurance groups. Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs is expected in July 2014. The Group could be subject to one or both of the resulting regimes, once implemented. In particular, the Group believes that there is a reasonable likelihood that it will be designated as a G-SII when the initial reinsurance designations are issued.

Significant policy decisions on a range of regulatory changes that could affect us and our operations remain undecided. The Group cannot predict which legislative and regulatory initiatives ultimately will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. Certain of these initiatives could have a material impact on the Group's business.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, 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, liquidity and capital position. 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 values of life-related benefits under certain products and 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 discontinued writing new variable annuity business and has in place an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, 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 and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus 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.

Credit risk
Although the Group has taken significant steps to de-risk its portfolio and reposition its assets, if the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience further losses. 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 also 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. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

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 this 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. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities. 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 loss 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, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange 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 or increase 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-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action 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 effect 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.

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. 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 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 increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings, which it would otherwise have expected.

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 decline in ratings could also impact the availability and terms 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
In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

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, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, such as market abuse regulations, anti-bribery legislation, anti-money laundering legislation and trade sanctions legislation. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures, and interest and penalties. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising 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 affect its business.

Insurance, operational and other risks
As part of the Group's ordinary course of 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, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies; competitive conditions; cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; 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 identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

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, and such actual data could deviate from the Group's estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. 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 accounting standards, or changes in the interpretation of accounting standards. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters. Changes in accounting standards could impact future reported results or require restatement of past reported results.

The Group uses non-GAAP financial measures in its external reporting. These measures are not prepared in accordance with US 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 US 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.

Risks related to realignment of the Swiss Re corporate structure
Following the realignment of the corporate structure of Swiss Re Ltd in 2012, the asset base, liquidity position, capital profile and/or other characteristics of the Group of relevance to its counterparties have changed. Most importantly, the Group is now a wholly owned subsidiary of Swiss Re Ltd. Furthermore, the Group represents only two of the four principal operating segments of the Swiss Re Ltd group. With a changed legal entity profile, the Reinsurance business unit and its constituent subsidiaries are impacted differently than under the Group's historical structure, including, without limitation, in respect of legal and regulatory requirements (including as to capital and liquidity), ratings considerations, and lender and other counterparty considerations.

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