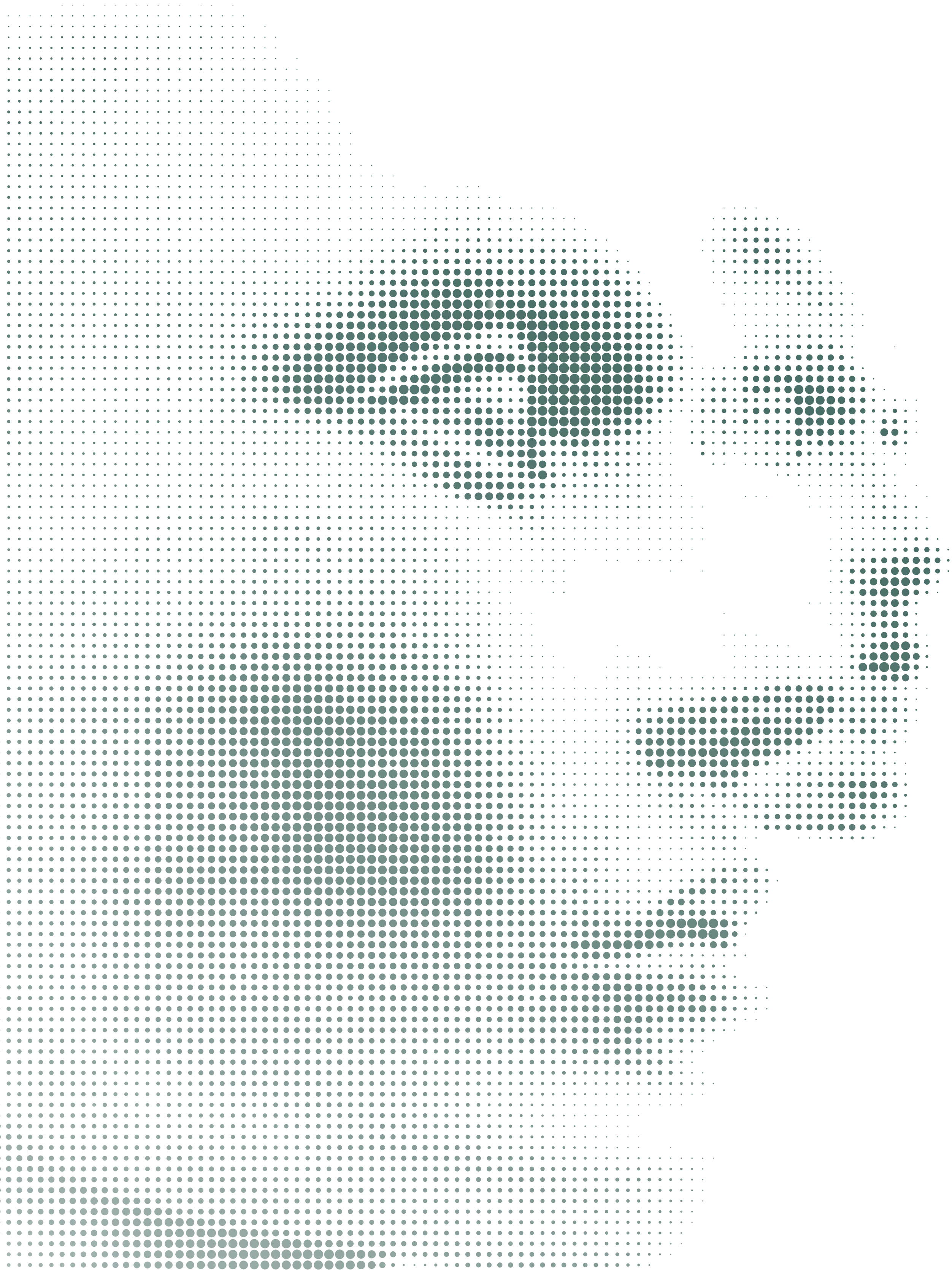
Swiss Re

Swiss Re Group
Third Quarter 2014 Report



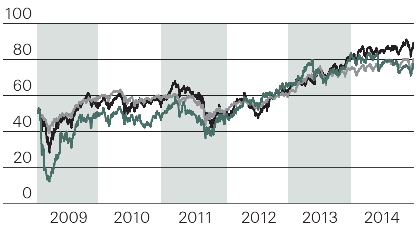
Key information

Financial highlights
For the three months ended 30 September

USD millions, unless otherwise stated	2013	2014	Change in %
Group			
Net income attributable to common shareholders	1 072	**1 227**	14
Premiums earned and fee income	7 475	**8 312**	11
Earnings per share in CHF	2.93	**3.21**	10
Shareholders' equity (31.12.2013/30.09.2014)	32 952	**34 725**	5
Return on equity[1] in % (annualised)	14.3	**14.8**	
Return on investments in % (annualised)	3.5	**3.5**	
Number of employees[2] (31.12.2013/30.09.2014)	11 574	**11 742**	
Property & Casualty Reinsurance[3]			
Net income attributable to common shareholders	784	**842**	7
Premiums earned	3 951	**4 305**	9
Combined ratio in %	81.5	**76.7**	
Return on equity[1] in %	28.6	**28.0**	
Life & Health Reinsurance[3]			
Net income attributable to common shareholders	35	**160**	357
Premiums earned and fee income	2 452	**2 873**	17
Operating margin in %	5.6	**9.2**	
Return on equity[1] in %	2.5	**9.6**	
Corporate Solutions			
Net income attributable to common shareholders	71	**103**	45
Premiums earned	791	**903**	14
Combined ratio in %	95.8	**90.5**	
Return on equity[1] in %	10.8	**15.4**	
Admin Re®			
Net income attributable to common shareholders	151	**54**	–64
Premiums earned and fee income	281	**231**	–18
Return on equity[1] in %	10.3	**3.5**	

[1] Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff
[3] In the second quarter of 2014, the Reinsurance Business Unit revised the allocation of certain intra-group cost recharges between Property & Casualty and Life & Health. For more information please refer to Note 2.

Share price (CHF)



Financial strength ratings

As of 31 October 2014	Standard & Poor's	Moody's	A.M.Best
Rating	AA–	Aa3	A+
Outlook	Stable	Stable	Stable
Last update	18 December 2013	10 December 2013	31 January 2014

Share information
As of 31 October 2014

Share price in CHF	77.70
Market capitalisation in CHF millions	26 589

Share performance

in %	1 January 2009 – 31 October 2014 (p.a.)	Year to 31 Oct 2014
Swiss Re	7.7	–5.3
Swiss Market Index	8.4	7.7
STOXX Europe 600 Insurance Index	10.4	4.9

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Swiss Re Ltd
Swiss Re Ltd is the holding company of the Swiss Re Group. Its shares are listed in accordance with the Main Standard on the SIX Swiss Exchange and trade under the symbol SREN.

Letter to shareholders

Swiss Re's true value

3.3

Group net income (USD billions)
First nine months of 2014

Dear shareholders

The first nine months of this year have highlighted again the importance of being able to understand and manage complex risks, as we experienced a more volatile economic environment together with heightened geopolitical instability and the largest outbreak of the infectious disease Ebola.

Managing risks is our core purpose and fulfilling this role is the best way to deliver a successful financial performance and, ultimately, a good return on your investment in Swiss Re.

In this period, Swiss Re has again shown its ability to generate solid financial results in a challenging and volatile environment. Strong underwriting in Property & Casualty Reinsurance drove our nine-month result, supported by a benign natural catastrophe and man-made loss experience. And while the nine-month Life & Health Reinsurance result may not seem particularly strong in terms of net income, it masks the agility the segment is showing in both generating profitable new business as well as addressing problematic old business.

At Corporate Solutions we continue to deliver profitable growth, with higher top-line and bottom-line results in the quarter and over the nine months. We're also making substantial progress in expanding Corporate Solutions' footprint in high growth markets, notably with the acquisition of Sun Alliance (China). The acquisition will allow us to sell insurance to corporate clients directly from mainland China as soon as the transaction is approved by the authorities.

Shortly after the third quarter ended, Admin Re® announced the sale of its US subsidiary Aurora in order to continue to focus activities on profitable business in the UK, where it can capture economies of scale.

Looking at concrete numbers, our net income over the nine months stands at USD 3.3 billion, or USD 1.2 billion higher than at the half-year mark. The return on equity for the nine-month period, on an annualised basis, was 13.3%.

A quarterly result or even a nine-month result is only a snapshot in the context of our long-term business. In order to measure our success on this long-term basis, and for your convenience, we've included a chart to show progress towards our current financial targets, which run from 2011–2015, along with the Group results summary. On page 8 you'll see we're on track on all three targets.

Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

This is also the view we have and the basis on which we manage our business. We're already looking beyond 2015 and thinking about how to carry our success into the future.

Based on these discussions we'll present our next set of targets in February 2015 with our 2014 full-year results. These multi-year targets will cover the period starting from 2016 onwards.

Having the long term of our business in mind, responsibility and sustainability are key pillars of our future success. Swiss Re has been recognised before as a company committed to applying its knowledge and expertise to provide sustainable solutions for a more resilient world and making more risks insurable. For over a decade, this commitment has been recognised by the Dow Jones Sustainability Indices (DJSI) in various ways. We're proud to report that this year, Swiss Re has again been named leader of our sector by the DJSI for 2014. This is recognition of the profound degree to which we embed sustainability into our core business processes and practices. It is an achievement for which all our investors, particularly those focused on the long term, can take heart.

Our long-term view may also explain why we see some of the recent developments in our industry the way we do. Many have commented, for example, on the appearance of new investors entering our sector and trying their hand at reinsurance, mostly in natural catastrophes. While this represents a challenge to incumbents, we want to point out the many opportunities we all have to make currently uninsured risks insurable. In addition, economic growth and wealth are increasing, and so is the frequency of extreme weather events. These factors will drive growth in re/insurance demand to come.

Our goal is to leverage our expertise and knowledge to develop innovative insurance solutions – solutions which are agile and adaptive enough for the challenges and opportunities we and our clients will face. This, in return, will continue to make us successful in the future – not only with our clients and in our re/insurance markets but also with you, our investors.

To help us succeed, and as part of our ongoing drive to further diversify and partially renew our board composition, two new members, Philip K. Ryan and Trevor Manuel, have been proposed for election to our Board. Philip's in-depth financial markets and insurance expertise, combined with his background as a member of the Swiss Re America Holding Corporation Board, will be key to ensure we continue to be successful in the mature and growing markets of the Americas. As a South African native, Trevor's first-hand knowledge about the opportunities and challenges in the African High Growth Markets will be an important differentiator as we push for greater insurance penetration in these countries.

The opportunities ahead make our business truly exciting. Perhaps more than in any other business, re/insurance and its ability to manage the many risks we face is closely linked to working with our clients and as a result creating shareholder value and ultimately more resilient societies.

We thank you for your support.

Zurich, 7 November 2014

Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

Key events

3 July 2014
Swiss Re Investors' Day 2014: Focus stays on successful strategy execution, delivering the financial targets and capital management
With the current strategy delivering consistently strong results over the last three years, Swiss Re remains fully committed to its 2011–2015 financial targets. At its annual Investors' Day in London, Swiss Re provided a detailed update on the strategic initiatives which are the building blocks to its success. By focusing on underwriting excellence, combined with research & development and capital strength, Swiss Re seeks to continue to outperform in core areas while expanding where opportunities exist, for example in high growth markets.

3 July 2014
Corporate Solutions agrees to acquire Sun Alliance Insurance (China) Limited
Swiss Re Corporate Solutions agreed to acquire 100% of Chinese insurer Sun Alliance Insurance (China) Limited for GBP 71 million (approx. USD 120 million). Sun Alliance Insurance (China) Limited is currently a subsidiary of RSA Insurance Group plc. The acquisition, when completed, will enable Swiss Re Corporate Solutions to offer corporate insurance directly from mainland China. The acquisition is subject to approval from the China Insurance Regulatory Commission (CIRC).

6 August 2014
Swiss Re posts another strong quarterly profit of USD 802 million
Swiss Re Group reported net income of USD 2.0 billion for the first half of 2014. All business segments contributed positively in the second quarter to this result, with strong underwriting performance by Property & Casualty Reinsurance, steady growth from Corporate Solutions and excellent gross cash generation by Admin Re®. Asset Management also demonstrated excellent year-to-date performance with an investment result of USD 2.2 billion.

11 September 2014
Swiss Re named as the insurance sector leader in the 2014 Dow Jones Sustainability Indices
Swiss Re was named as the insurance industry sector leader in the Dow Jones Sustainability Indices for 2014. This was the eighth time since 2004 that Swiss Re led the insurance sector in these rankings. The award highlights Swiss Re's long-term commitment to sustainable business and the efforts to continuously and progressively embed sustainability into key business processes and operations.

15 September 2014
Monte Carlo — Differentiation and client services are key to value creation
Swiss Re continues to be fully committed to its strategy and its 'smarter together' brand promise. It aspires to be the preferred reinsurance partner to its clients. Strong customer relationship management and close interactions with clients across the value chain are seen as key differentiators. Through cutting edge in-house research & development, Swiss Re provides applied expertise to its clients and thus enhances its value proposition.

21 October 2014
Admin Re® agrees to sell US subsidiary Aurora to RGA
Swiss Re Admin Re® announced the sale of its US subsidiary Aurora National Life Assurance Company to Reinsurance Group of America, Incorporated (RGA). RGA agreed to acquire 100% of the stock of Aurora National Life Assurance Company, a wholly owned life insurance subsidiary of Swiss Re. Aurora was part of the US business retained by Admin Re® following the sale of its US Admin Re® holding company Reassure America Life Insurance Company (REALIC) to Jackson National Life Insurance Co in September 2012.

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Our business

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions. Our clients include insurance companies, corporations, the public sector and policyholders. Our knowledge and capital strength enable the risk-taking on which economies depend.

THE SWISS RE GROUP

BUSINESS UNIT			NET PREMIUMS EARNED AND FEE INCOME (USD BILLIONS)		NET INCOME (USD MILLIONS)	
			YTD	Q3	YTD	Q3
Reinsurance We cover reinsurance needs in the areas of Property & Casualty and Life & Health.	Reinsurance Property & Casualty	2014	11.7	4.3	2385	842
		2013	10.7	4.0	2239	784
	Reinsurance Life & Health	2014	8.4	2.9	272	160
		2013	7.3	2.5	420	35
Corporate Solutions We offer innovative, high-quality insurance capacity to mid-sized and large multinational corporations.		2014	2.6	0.9	249	103
		2013	2.1	0.8	227	71
Admin Re® We acquire closed in-force life and health books of business, which we administer through Admin Re®.		2014	0.7	0.2	219	54
		2013	1.0	0.3	338	151
Total (after consolidation)		2014	23.4	8.3	3255	1227
		2013	21.1	7.5	3238	1072

RETURN ON EQUITY YTD (1 JAN – 30 SEPT)	RETURN ON EQUITY Q3 (1 JULY – 30 SEPT)	OPERATING PERFORMANCE YTD (1 JAN – 30 SEPT)	OPERATING PERFORMANCE Q3 (1 JULY – 30 SEPT)
25.1% (25.2% in 2013)	28.0% (28.6% in 2013)	82.7% (83.6% in 2013) **Combined ratio**	76.7% (81.5% in 2013) **Combined ratio**
5.9% (8.5% in 2013)	9.6% (2.5% in 2013)	8.8% (8.2% in 2013) **Operating margin**	9.2% (5.6% in 2013) **Operating margin**
12.2% (10.6% in 2013)	15.4% (10.8% in 2013)	92.9% (93.8% in 2013) **Combined ratio**	90.5% (95.8% in 2013) **Combined ratio**
4.9% (7.1% in 2013)	3.5% (10.3% in 2013)	615m (USD 255m in 2013) **Gross cash generation**	142m (USD 85m in 2013) **Gross cash generation**
13.3% (13.6% in 2013)	14.8% (14.3% in 2013)	3.3bn (USD 3.2bn in 2013) **Group net income**	1.2bn (USD 1.1bn in 2013) **Group net income**

Group results

Swiss Re reported another quarter of strong and sustainable earnings. The profit for the first nine months of 2014 amounted to USD 3.3 billion, of which USD 1.2 billion were generated in the third quarter. Property & Casualty Reinsurance contributed with continued strong underwriting while the Corporate Solutions result reflected sustained organic growth. Life & Health Reinsurance reported business growth in Asia and in Europe, while gross cash generation by Admin Re® was strong.

Net income for Reinsurance was USD 2.7 billion for the first nine months of the year, in line with the prior-year period. Property & Casualty accounted for USD 2.4 billion, a slight increase over the prior-year period due to benign claims experience and higher investment returns. Life & Health contributed USD 272 million year-to-date, 35% less than in the same period in 2013. The decrease was mainly attributable to realised losses in the current period. Net income for Reinsurance in the third quarter was 22% higher in 2014 at USD 1.0 billion. Property & Casualty contributed USD 842 million, a 7% increase year-on-year. Life & Health earnings rose to USD 160 million, as the 2013 period saw a number of adverse one-off impacts.

Corporate Solutions delivered net income of USD 249 million year-to-date, compared to USD 227 million in the prior-year period. The result for the first nine months of 2014 reflected continued profitable business growth across most lines of business and lower than expected natural catastrophe losses compared to the same period in 2013, partially offset by a larger number of man-made losses. Net income for the third quarter increased by 45% to USD 103 million.

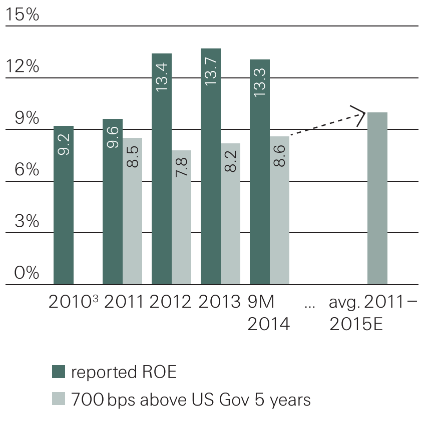
Admin Re® reported net income of USD 219 million for the first nine months of 2014, compared to USD 338 million in the prior-year period, when the result was supported by one-off tax benefits. This change was also reflected in the net income for the quarter, which decreased by 64% to USD 54 million.

Earnings per share for the year to date were CHF 8.52 or USD 9.51, compared to CHF 8.84 or USD 9.44 for the same period of 2013.

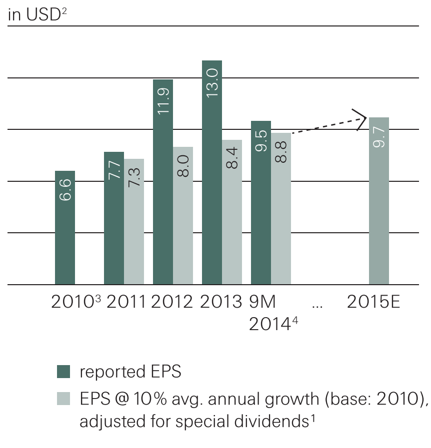
Shareholders' equity increased to USD 34.7 billion as of 30 September 2014 from USD 33.0 billion at the end of 2013, reflecting continuously strong earnings and the payment to shareholders of USD 3.1 billion for the 2013 regular and special dividends. The annualised return on equity was 13.3% for the nine months and 14.8% for the three months ended 30 September 2014, compared to 13.6% and 14.3% for the same periods in 2013 respectively.

Group financial targets – On track
Delivering the 2011–2015 financial targets remains Swiss Re's top priority

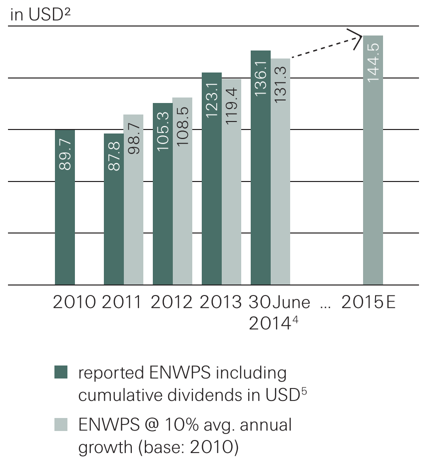
ROE 700 bps above risk free average over 5 years (2011–2015)



EPS growth 10% average annual growth rate, adjusted for special dividends[1]



ENW per share growth plus dividends 10% avg. annual growth rate over 5 years



1 Earnings per share compound annual growth rate of 10% has been adjusted to 5% for 2014 to account for the distribution of excess capital through the special dividend of USD 1.6 billion in April 2014. Methodology is in line with the approach taken for the special dividend of USD 1.5 billion paid in April 2013
2 Assumes constant foreign exchange rate
3 Excludes convertible perpetual capital instrument
4 Targets shown are for full year 2014
5 Cumulative dividends included in ENW per share were translated from CHF to USD using the foreign exchange rate of the dividend payment date; dividends included for 2011: USD 3.10 (CHF 2.75), 2012: USD 6.40 (CHF 3.00, or USD 3.30, in addition to the 2011 dividend), 2013: USD 14.50 (CHF 7.50, or USD 8.05, in addition to the 2011 and 2012 dividends), 2014: USD 23.50 (CHF 8.00, or USD 9.03, in addition to the 2011, 2012 and 2013 dividends)

Income statement

USD millions, for the three months ended 30 September	2013	2014	Change in %
Revenues			
Premiums earned	7349	**8184**	11
Fee income from policyholders	126	**128**	2
Net investment income – non-participating	995	**1002**	1
Net realised investment gains/losses – non-participating	4	**104**	
Net investment result – unit-linked and with-profit	701	**233**	–67
Other revenues	2	**11**	
Total revenues	9177	**9662**	5
Expenses			
Claims and claim adjustment expenses	–2588	**–2778**	7
Life and health benefits	–2351	**–2589**	10
Return credited to policyholders	–755	**–274**	–64
Acquisition costs	–1255	**–1563**	25
Administrative expenses	–739	**–746**	1
Other expenses	–109	**112**	
Interest expenses	–198	**–185**	–7
Total expenses	–7995	**–8023**	
Income before income tax expense	1182	**1639**	39
Income tax expense/benefit	–93	**–395**	
Net income before attribution of non-controlling interests	1089	**1244**	14
Income attributable to non-controlling interests	0	**0**	
Net income after attribution of non-controlling interests	1089	**1244**	14
Interest on contingent capital instruments	–17	**–17**	
Net income attributable to common shareholders	1072	**1227**	14

Book value per common share increased to USD 98.27 or CHF 93.90 at the end of September 2014, compared to USD 93.08 or CHF 82.76 at the end of 2013. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group totalled USD 23.4 billion over the first nine months of 2014, compared to USD 21.1 billion for the same period of 2013. This increase was led by the USD 11.7 billion contribution from Property & Casualty Reinsurance, with another USD 8.4 billion from Life & Health. With respect to the third quarter, premiums earned and fee income were USD 8.3 billion for 2014, compared to USD 7.5 billion year-on-year. The increase over 2013 was largely driven by growth across all regions in both Reinsurance segments.

The Property & Casualty Reinsurance combined ratio was 82.7% for the first three quarters of 2014, compared to 83.6% in the same period of 2013. On a quarterly basis, the third quarter combined ratio improved to 76.7% from 81.5% in the same period of 2013. The strong results were mainly driven by lower natural catastrophe and man-made losses, supported by favourable prior accident year development.

The Corporate Solutions combined ratio in the nine months ended 30 September was 92.9% and 93.8% in 2014 and 2013, respectively. The third quarter figure was 90.5%, compared to 95.8% in the same period of 2013. The stronger results were mainly due to lower than expected natural catastrophe losses in 2014, partially offset by man-made losses and higher expenses.

The operating margin for the Life & Health Reinsurance business was 8.8% for the first nine months of 2014, compared to 8.2% for the same period in 2013. On the quarter view the figures were 9.2% in 2014 and 5.6% in 2013. The third quarter of 2013 was impacted by reserve strengthening for group disability business in Australia.

Admin Re® generated gross cash of USD 615 million for the first nine months of 2014, compared to USD 255 million in the same period of 2013. The third quarter accounted for USD 142 million, compared to USD 85 million in the third quarter of 2013. The increase was mainly driven by favourable mortality and longevity experience.

The return on investments was 3.7% in the first nine months of 2014, compared to 3.6% for the same period of 2013, and 3.5% in the third quarter of 2014, stable year-on-year.

The Group's non-participating net investment income was USD 3.1 billion compared to USD 2.9 billion in the first nine months of 2014 and 2013, respectively. The increase primarily related to higher net investment income from long-term fixed income investments. The running yield for the 2014 nine month period was 3.4%, compared to 3.2% in 2013. Non-participating net investment income of USD 1.0 billion for the third quarter remained stable year-on-year. Increased income from long-term fixed income securities in the current period was offset by a decrease in income from equities and alternative investments. The running yield for the third quarter of 2014 was 3.2%, compared to 3.3% in the same period of 2013.

The Group reported non-participating net realised gains of USD 548 million for the first three quarters of 2014 compared to USD 463 million for the same period in 2013. The prior period included a write-down of own-used property while the current period saw higher realised gains from sales of equities and alternative investments, offset by mark-to-market losses on interest rate derivatives. For the third quarter, non-participating net realised gains were USD 104 million, compared to USD 4 million in the same period of 2013.

The Group reported a tax expense of USD 817 million on a pre-tax income of USD 4.1 billion for the nine months ended 30 September 2014, compared to a charge of USD 494 million on a pre-tax income of USD 3.8 billion for the same period in 2013. This translated into an effective tax rate in the current and prior-year reporting periods of 19.8% and 13.1%, respectively. The higher tax rate in the current period resulted from the impact of tax on profits earned in higher tax jurisdictions, lower tax in the prior year due to the enactment of UK legislation and lower one-off tax benefits in the current period compared to the prior period.

Continued progress against the 2011–2015 financial targets

The Group is on track to achieve its 2011–2015 financial targets (see charts on page 8).

Our Group strategy has produced very strong results over the target period, and we expect that it will continue to be successful through 2015. We seek to outperform in core areas while expanding where opportunities exist, such as in selected high growth markets. We continue to focus on underwriting excellence, combined with research & development and capital strength, to meet our goals.

The coverage period for the 2011–2015 financial targets will come to an end in December next year. In February 2015, Swiss Re plans to announce a new set of financial targets from 2016 onwards.

Reinsurance

The Reinsurance Business Unit, which comprises the segments Property & Casualty Reinsurance and Life & Health Reinsurance, reported a net income of USD 2.7 billion in the first nine months of 2014. Summaries of each segment's performance are below.

Property & Casualty Reinsurance

In Property & Casualty Reinsurance we have been strengthening our client relationships, notably through our research & development activities and at various industry events. Predictive modelling in the casualty business and for winter storms are two leading examples of how we are making our expertise available to our clients.

Net income
Net income was USD 2.4 billion for the nine months ended 30 September 2014, compared to USD 2.2 billion in 2013. Net income for the third quarter alone was USD 842 million, compared to USD 784 million in 2013.

The nine-month result reflected good underwriting results supported by very benign natural catastrophe and man-made loss experience as well as net reserve releases from prior accident years.

Net income for the third quarter was 7% higher than in 2013, again driven by a strong underwriting result due to comparatively benign natural catastrophe experience. The third quarter of 2014 also benefited from a release of a premium tax provision in Asia.

Net premiums earned
Net premiums earned were USD 11.7 billion for the first nine months of 2014, up from USD 10.7 billion for the same period of 2013. The increase was mainly driven by lower external retrocession volumes and growth in Asia coming from large quota share treaties written at the end of 2013.

For the same reasons, net premiums earned for the third quarter of 2014 increased by 9% to USD 4.3 billion, compared to USD 4.0 billion in the same period of 2013.

Combined ratio
The combined ratio for the first nine months of 2014 was 82.7%, compared to 83.6% in the same period of 2013. The improvement was mainly driven by better natural catastrophe experience and exceptionally low administrative expenses, partly offset by lower prior-year reserve releases in 2014.

The impact from natural catastrophes in the first three quarters of 2014 was 6.6 percentage points below the expected level of 9.4 points. The favourable development of prior accident years improved the combined ratio by 3.5 percentage points compared to 7.7 percentage points for 2013.

The combined ratio for the third quarter was 76.7% compared to 81.5% in the prior-year period.

Administrative expense ratio
The administrative expense ratio decreased to 7.0% in the first nine months of 2014 compared to 10.2% in 2013, mainly driven by the release of a premium tax provision in Asia in the third quarter of 2014 and by premium growth year on year. The administrative expense ratio was 3.3% for the third quarter alone, compared to 10.8% in the same period of 2013.

Lines of business
The property combined ratio improved to 67.6% for the first nine months of 2014 compared to 72.2% for the same period of 2013.

The figure was 60.8% for the third quarter of 2014, compared to 58.8% in 2013, mainly due to lower expenses quarter over quarter. Both periods benefited from better than expected natural catastrophe experience.

The casualty combined ratio was 106.2% for the first nine months of 2014 compared to 104.4% for the same period of 2013.

The third quarter combined ratio was 102.1% compared to 121.3% in 2013. The decrease was mainly driven by lower expenses. In addition, the comparative period of 2013 was impacted by reserve strengthening for US asbestos and for motor in the UK and France, as well as by losses from the hailstorms in Germany.

The specialty combined ratio for the first nine months of 2014 improved to 62.5% compared to 69.7% for the same period of 2013.

It was 57.3% in the third quarter, compared to 70.9% in the prior-year period. The improvement was mainly due to positive claims experience across all lines and lower expenses following the premium tax provision release. This was partially offset by a new large loss in aviation, while the third quarter of 2013 was affected by a large loss in marine.

Investment result
The return on investments was 3.6% in the first nine months of 2014 compared to 2.9% in the same period of 2013, reflecting an increase in the investment result of USD 219 million, which was driven by the negative impact of losses on foreign exchange remeasurement in the prior period.

The return on investments was 2.8% in the third quarter of 2014 compared to 3.2% in the same period of 2013, reflecting a decrease in the investment result of USD 51 million. The current year result was negatively impacted by mark-to-market losses on interest rate derivatives.

Insurance-related investment results are not included in the figures above.

Shareholders' equity
Common shareholders' equity stands at USD 12.5 billion at the end of the third quarter of 2014 compared to USD 11.7 billion as of 30 September 2013 and to USD 12.8 billion at the end of 2013. The increase compared to the first nine months of 2013 is mainly driven by higher net income. The annualised return on equity for the first nine months of 2014 was 25.1%.

Outlook
Property natural catastrophe rates have been under pressure since June 2013, largely due to the lack of natural catastrophes and excess capital from both traditional and alternative sources.

Despite pressure on casualty rates and program consolidation, we expect to continue generating profitable business with new clients. Casualty rates in the US primary market are expected to see small increases while other lines lack clear direction.

Our expertise, knowledge and services position us well to support our clients in mature and high growth markets, especially with large transactions and tailor-made solutions. Our superior risk selection is a key driver for success in a softening market environment.

Life & Health Reinsurance

In Life & Health Reinsurance we continue to grow through profitable new business opportunities. For example, the US Medical team signed a sizeable deal in the third quarter demonstrating our ability to succeed in the USD 3 trillion healthcare industry. In Asia, Swiss Re has also recently increased its share of a health contract in Asia for coverage of hospital cash business.

Net income
Net income for the nine months ended 30 September 2014 was USD 272 million compared to USD 420 million in 2013. The decrease was driven mainly by realised losses from an interest rate hedge in the current period, partially offset by lower interest expenses and higher operating income as the prior year was impacted by the reserve strengthening for Australia group disability business. In addition the current year benefited from higher volumes and more favourable experience in the Americas.

The net income for the third quarter of 2014 was USD 160 million, compared to USD 35 million in the same period of 2013, mainly because of better than expected mortality in the Americas. The third quarter of 2013 included the reserve strengthening in Australia.

Net premiums earned and fee income
Net premiums earned and fee income for the first nine months of 2014 amounted to USD 8.4 billion, compared to USD 7.3 billion in 2013. The increase was driven by volume growth and new business in Asia, a large longevity transaction in the UK and regular rate increases in the US yearly-renewable term business. The 2013 figure also includes only two quarters in which the recaptured US life business is reflected.

Premiums earned and fee income for the third quarter of 2014 alone were USD 2.9 billion compared to USD 2.5 billion in 2013. The improvement was driven mainly by growth in Asia, EMEA and rate increase in Americas.

Operating margin ratio
The operating margin for the first nine months of 2014 was 8.8% compared to 8.2% in the same period of 2013. The operating margin for the third quarter alone improved to 9.2% compared to 5.6% in 2013. The 2013 results included reserve strengthening in Australia group disability business, with an impact of 4.2%, while 2014 benefited from favourable mortality experience in the Americas.

Administrative expense ratio
The administrative expense ratio was 6.9% for the first nine months of 2014 compared to 2013 where the administrative expense ratio was 7.4%. The improvement was primarily due to higher premiums which offset an increase in expenses. For the third quarter alone the administrative expense ratio fell to 6.8% compared to 7.0% in 2013.

Lines of business
For the nine months ended 30 September 2014 operating income for the life business was USD 482 million, compared to USD 371 million in 2013. Operating income for the third quarter alone was USD 215 million, compared to USD 131 million in the same period of 2013. The 2014 third quarter results benefited from favourable mortality experience and new business growth in Asia, while the prior year was impacted by reserve updates in the UK.

Operating income for the health business for the nine months ended 30 September 2014 was USD 367 million, compared to USD 306 million in 2013.

Operating income for the third quarter was USD 84 million, compared to USD 24 million in the same period of 2013. Assumption changes for termination rates of the disability business in the Americas impacted the third quarter 2014 result, whereas the third quarter 2013 result included reserve strengthening for Australia group disability business of USD 121 million.

Investment result
The return on investments was 3.3% in the first nine months of 2014 compared to 4.1% in the same period of 2013, reflecting a decrease in the investment result of USD 186 million. The decrease was driven by mark-to-market losses on an interest rate hedge in the current period as well as gains related to foreign exchange re-measurement in the prior period.

The return on investments for the third quarter of 2014 was 3.3% compared to 3.6% in the same period of 2013. The result in the current period was driven by increased net investment income from corporate and government bonds related to the asset re-balancing completed in 2013. This was partly offset by reduced net investment income from alternative investments.

Insurance-related investment results are not included in the figures above.

Shareholders' equity
Common shareholders' equity stands at USD 6.7 billion at the end of the third quarter of 2014 compared to USD 5.6 billion as of 30 September 2013 and to USD 5.5 billion as of the end of 2013. The increase compared to the first nine months of 2013 is mainly driven by an increase in unrealised gains from a continued decline in interest rates and net income for the quarter. The annualised return on equity was 5.9% for the first nine months of 2014 compared to 8.5% for the same period in 2013.

Outlook

Growth in the traditional Life & Health Reinsurance business in mature markets will remain stagnant with cession rates decreasing as primary insurers retain more risk. The low interest rate environment will continue to have an unfavourable impact on the growth of long-term life business for our cedents. We will continue to pursue large transaction opportunities, including longevity deals, which we believe will allow us to write new business at attractive returns.

We are pursuing opportunities presented by major demographic and socio-economic trends, such as in high growth markets where growth remains dynamic, and particularly in health.

We are also improving our capabilities in product design and manufacturing to help close the protection gap. Our aim is for all future new business to continue to meet our return on equity hurdle rates.

Our planned asset reallocation programme was largely completed in 2013, resulting in increased net investment income in the first nine months of 2014. We have completed most of our debt restructuring plan and will continue to look for optimisation opportunities in capital management.

As previously reported, Swiss Re has been focusing on a number of management actions to improve the profitability of its in-force Life & Health business. Along with progress on other actions, we have meanwhile made substantial progress in negotiations with certain clients in respect of the pre-2004 US individual life business. Swiss Re now expects to conclude these negotiations during the fourth quarter of 2014 and to incur a pre-tax US GAAP charge of approximately USD 550 million, slightly higher than the previously communicated estimate of USD 500 million. These negotiations, once finalised, are expected to support higher earnings for L&H Re going forward and to contribute to achieving our return on equity target of 10%–12% for this segment by 2015.

Corporate Solutions

Corporate Solutions presented its strategic initiatives for future growth beyond 2015 at the Investors' Day in July, with the focus on expansion into Primary Lead and moving more significantly into High Growth Markets. As part of the High Growth Markets strategic initiative, Corporate Solutions has announced in July the agreement to acquire Sun Alliance Insurance (China) Limited, subject to regulatory approval. The acquisition will enable Corporate Solutions to offer corporate insurance directly from mainland China. During the quarter, Corporate Solutions successfully issued subordinated debt of USD 500 million, in line with implementation of the Group target capital structure.

Performance
Net income was USD 249 million in the first nine months of 2014, compared to USD 227 million in the same period of 2013. The 2014 result was driven by continued earned premium growth, lower than expected natural catastrophe losses and favourable prior-year development, offset by increased expenses supporting the growth. For the third quarter net income was USD 103 million, compared to USD 71 million in the same period of 2013.

Net premiums earned
Net premiums earned increased 23.2% to USD 2.6 billion in the first nine months of 2014 compared to USD 2.1 billion in the same period of 2013, driven by continued successful organic growth across most lines of business and the expiry of a major quota share agreement at the end of 2012. Gross premiums written, net of internal fronting for the Reinsurance Business Unit, increased 8.3% to USD 2.8 billion in the first nine months of 2014 compared to the same period of 2013.

Combined ratio
The combined ratio improved by 0.9 percentage points to 92.9% in the first nine months of 2014 from 93.8% in the same period of 2013. Natural catastrophe experience in 2014 was lower than expected but offset by a larger number of man-made losses. The combined ratio for the third quarter of 2014 was 90.5%, compared to 95.8% in the third quarter of 2013.

Lines of business
The property combined ratio for the first nine months of 2014 was 83.0%, compared to 94.4% in the same period of 2013. The improvement reflects continued profitable business growth and lower than expected natural catastrophe losses, offset by large to medium sized man-made losses. In the third quarter of 2014 the combined ratio was 64.7% compared to 97.5% in the same period of 2013. The third quarter result in 2013 included higher natural catastrophe losses due to hurricanes in the Gulf of Mexico.

The casualty combined ratio deteriorated by 4.4 percentage points to 110.9% in the first nine months of 2014, mainly due to unfavourable prior-year development. For the third quarter of 2014 the combined ratio was 116.3% compared to 102.1% in the same period of 2013, also due to unfavourable prior-year development.

The credit combined ratio improved to 71.9% in the first nine months of 2014 compared to 72.2% in the same period of 2013. The credit combined ratio for the third quarter of 2014 was 64.1% compared to 75.7% in the third quarter of 2013, driven by continued strong business performance and the absence of large losses.

In other specialty, the combined ratio deteriorated by 14.2 percentage points to 97.3% in the first nine months of 2014 from 83.1% in the same period of 2013. The deterioration was driven by a reduction in favourable prior-year development and a larger number of man-made losses. The combined ratio for other specialty in the third quarter of 2014 was 119.8% compared to 92.6% in the third quarter of 2013, driven by a large space loss.

Investment result
The return on investments was 2.9% in the first nine months of 2014 compared to 2.5% in the same period of 2013, driven by higher realised gains from the sales of equities in the current period and the negative impact of foreign exchange losses in the prior period. The return on investments was 2.5% in the third quarter of 2014, compared to 2.4% in the same period of 2013. Net investment income increased to USD 29 million in the third quarter of 2014, mainly due to additional income from corporate bonds related to the asset re-balancing completed in 2013.

Net realised gains were USD 20 million compared to USD 15 million in the third quarter of 2013. Net realised gains in the current quarter were driven by gains from the sale of equities, while the prior period included realised losses from sales of fixed income.

Insurance-related investment results are not included in the figures above.

Corporate Solutions also offers insurance protection against weather perils and other risks which are accounted for as derivatives. The insurance in derivative form realised gains of USD 27 million in the first nine months of 2014 compared to a gain of USD 75 million in the same period of 2013. In the third quarter of 2014, the business realised a gain of USD 21 million compared to USD 27 million in 2013.

Shareholders' equity
Common shareholders' equity remained stable at USD 2.7 billion since the end of 2013. Annualised return on equity was 12.2% in the first nine months of 2014, compared to 10.6% in the same period of 2013. The annualised return on equity for the third quarter of 2014 was 15.4%, compared to 10.8% in the third quarter of 2013.

Outlook
Pricing trends for commercial insurance are generally softening. Differences exist between geographies and types of business. Corporate Solutions believes it is well positioned to navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach.

Admin Re®

Admin Re® reported net income of USD 219 million in the first nine months of 2014, driven by realised gains, income recognised from the reinsurance agreement from business acquired in June 2014, and lower finance costs following the establishment of an external credit facility in April 2014. This compares to USD 338 million in the same period of 2013, when tax impacts from changes to the tax regime and lower tax rates in the period in the UK benefited the result.

Net income in the third quarter of 2014 was USD 54 million compared to USD 151 million in the same period of 2013. The 2014 result was driven by realised gains. The tax-related effects mentioned above drove prior-year result.

Operating revenues
Premiums, fee income and other revenues for the first nine months of 2014 were USD 732 million compared to USD 1.0 billion in the same period of 2013. The year-over-year decrease was mainly due to the acceleration of premiums in 2013 from a block of business in the US following the transfer of the liability.

Operating revenues in the third quarter of 2014 were USD 232 million. This compares to USD 282 million in the prior-year period with the decrease due to lower annuity business following legislation changes in the UK, with offsetting impacts in life and health benefits in the quarter and no impact to net income.

Gross cash generation
Gross cash generation reflects the statutory surplus from life companies less working capital requirements. Admin Re® generated gross cash of USD 615 million in the first nine months of 2014 compared with USD 255 million in the prior-year period. The substantial increase in 2014 was driven by the release of USD 225 million in surplus reserves held against the risk of credit default, USD 142 million following the finalisation of the 2013 UK statutory results, in the first quarter of 2014 and the third quarter increase following the 2014 UK half-year statutory valuation.

Gross cash generation for the third quarter was USD 142 million, compared with USD 85 million in the third quarter of 2013. The quarterly increase was driven by the finalisation of the 2014 half-year UK statutory valuation and by favourable mortality and longevity experience.

Investment result
The return on investments was 5.0% in the first nine months of 2014 compared to 5.1% in the same period of 2013, reflecting a decrease in the investment result of USD 8 million. This was driven by reduced gains from the sale of government bonds, partially offset by additional net investment income stemming from the asset re-balancing completed in the prior period.

The return on investments was 5.2% for the third quarter of 2014 compared to 5.0% in the same period of 2013.

Net investment income increased by USD 5 million to USD 223 million in the third quarter of 2014, mainly due to increased income from corporate bonds as a result of the asset re-balancing in 2013.

Net realised gains increased by USD 22 million to USD 82 million in the third quarter of 2014 primarily due to realised gains from the sale of corporate bonds in the current period.

Insurance-related investment results are not included in the figures above.

Expenses
Administrative expenses were USD 274 million in the first nine months of 2014, compared to USD 297 million in the prior-year period. The decrease year-over-year was primarily due to higher deal-related costs in the first nine months of 2013.

Administrative expenses were USD 100 million in the third quarter of 2014, an increase of USD 8 million compared to the third quarter of 2013 mainly due to movements in the GBP to USD foreign exchange rates.

Shareholders' equity
Shareholders' equity was USD 6.1 billion as of 30 September 2014, an increase of USD 285 million since 1 January 2014, driven mainly by an increase in unrealised gains. This was partially offset by dividend payments to the Group of USD 407 million in June 2014 and foreign exchange movements. The annualised return on equity was 4.9% for the nine-month period, compared to 7.1% in 2013, with the decrease driven by lower net income in 2014.

Outlook
Admin Re® aims to pursue selective growth opportunities in the UK. All transactions must meet Group investment criteria and hurdle rates. Admin Re® has benefited from greater financial flexibility and a lower weighted average cost of capital following the establishment of a credit facility of GBP 550 million in April 2014. Overall the Business Unit aims to improve efficiency, achieve capital and tax synergies, and actively manage its asset portfolios and blocks of business. Through these actions Admin Re® aims to generate approximately USD 900 million in cash from 2014 through 2016, and to pay the same amount in dividends to the Group.

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Income statement (unaudited)

USD millions	Note	Three months ended 30 September 2013	2014	Nine months ended 30 September 2013	2014
Revenues					
Premiums earned	3	7 349	**8 184**	20 649	**23 044**
Fee income from policyholders	3	126	**128**	403	**379**
Net investment income – non-participating business	6	995	**1 002**	2 943	**3 121**
Net realised investment gains/losses – non-participating business (total impairments for the three months ended 30 September were 20 in 2013 and 18 in 2014, of which 20 and 18, respectively, were recognised in earnings)[1]	6	4	**104**	463	**548**
Net investment result – unit-linked and with-profit business	6	701	**233**	2 486	**880**
Other revenues		2	**11**	13	**17**
Total revenues		9 177	**9 662**	26 957	**27 989**
Expenses					
Claims and claim adjustment expenses	3	–2 588	**–2 778**	–7 057	**–7 896**
Life and health benefits	3	–2 351	**–2 589**	–6 874	**–7 750**
Return credited to policyholders		–755	**–274**	–2 712	**–1 037**
Acquisition costs	3	–1 255	**–1 563**	–3 509	**–4 377**
Other expenses		–848	**–634**	–2 450	**–2 240**
Interest expenses		–198	**–185**	–573	**–564**
Total expenses		–7 995	**–8 023**	–23 175	**–23 864**
Income before income tax expense		1 182	**1 639**	3 782	**4 125**
Income tax expense		–93	**–395**	–494	**–817**
Net income before attribution of non-controlling interests		1 089	**1 244**	3 288	**3 308**
Income/loss attributable to non-controlling interests		0	**0**	–1	**–1**
Net income after attribution of non-controlling interests		1 089	**1 244**	3 287	**3 307**
Interest on contingent capital instruments		–17	**–17**	–49	**–52**
Net income attributable to common shareholders		1 072	**1 227**	3 238	**3 255**
Earnings per share in USD					
Basic	10	3.12	**3.59**	9.44	**9.51**
Diluted	10	2.87	**3.29**	8.66	**8.73**
Earnings per share in CHF[2]					
Basic	10	2.93	**3.21**	8.84	**8.52**
Diluted	10	2.68	**2.95**	8.11	**7.83**

[1] Total impairments for the nine months ended 30 September were USD 38 million in 2013 and USD 31 million in 2014, of which USD 38 million and USD 31 million, respectively, were recognised in earnings.
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

Statement of comprehensive income (unaudited)

USD millions	Three months ended 30 September 2013	2014	Nine months ended 30 September 2013	2014
Net income before attribution of non-controlling interests	1 089	**1 244**	3 288	**3 308**
Other comprehensive income, net of tax:				
Change in unrealised gains/losses	213	**356**	–2 534	**2 083**
Change in other-than-temporary impairment	3		21	**4**
Change in foreign currency translation	362	**–533**	–128	**–353**
Change in adjustment for pension benefits	152	**41**	192	**45**
Total comprehensive income before attribution of non-controlling interests	1 819	**1 108**	839	**5 087**
Interest on contingent capital instruments	–17	**–17**	–49	**–52**
Comprehensive income attributable to non-controlling interests			–1	**–1**
Total comprehensive income attributable to common shareholders	1 802	**1 091**	789	**5 034**

Reclassification out of accumulated other comprehensive income

For the three months ended 30 September

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 July	1 660	–10	–4 099	–913	–3 362
Change during the period	373	4	280	179	836
Amounts reclassified out of accumulated other comprehensive income	–74			14	–60
Tax	–86	–1	81	–41	–47
Balance as of period end	1 873	–7	–3 738	–761	–2 633

2014 USD millions	Unrealised gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 July	3 349	–2	–3 717	–530	**–900**
Change during the period	740		–389	45	**396**
Amounts reclassified out of accumulated other comprehensive income	–262			8	**–254**
Tax	–122		–144	–12	**–278**
Balance as of period end	**3 705**	**–2**	**–4 250**	**–489**	**–1 036**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

For the nine months ended 30 September

2013 USD millions	Unrealised gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	Accumulated other comprehensive income
Balance as of 1 January	4 407	–28	–3 609	–953	–183
Change during the period	–2 824	32	–135	200	–2 727
Amounts reclassified out of accumulated other comprehensive income	–690			44	–646
Tax	980	–11	6	–52	923
Balance as of period end	1 873	–7	–3 738	–761	–2 633

2014 USD millions	Unrealised gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	1 622	–6	–3 897	–534	**–2 815**
Change during the period	3 829	6	–193	36	**3 678**
Amounts reclassified out of accumulated other comprehensive income	–971			29	**–942**
Tax	–775	–2	–160	–20	**–957**
Balance as of period end	**3 705**	**–2**	**–4 250**	**–489**	**–1 036**

[1] Reclassification adjustment included in net income is presented in the "Net realised investment gains/losses – non-participating business" line.
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

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Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2013	30.09.2014
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale, at fair value (including 11 720 in 2013 and 15 200 in 2014 subject to securities lending and repurchase agreements) (amortised cost: 2013: 76 349; 2014: 82 524)		77 761	**87 203**
Trading (including 1 in 2013 and 0 in 2014 subject to securities lending and repurchase agreements)		1 535	**2 232**
Equity securities:			
Available-for-sale, at fair value (including 65 in 2013 and 579 in 2014 subject to securities lending and repurchase agreements) (cost: 2013: 6 110; 2014: 3 166)		7 076	**3 754**
Trading		615	**53**
Policy loans, mortgages and other loans		2 895	**3 100**
Investment real estate		825	**835**
Short-term investments, at amortised cost which approximates fair value (including 4 425 in 2013 and 4 895 in 2014 subject to securities lending and repurchase agreements)		20 989	**16 383**
Other invested assets		11 164	**10 060**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 585 in 2013 and 4 100 in 2014, equity securities trading: 21 180 in 2013 and 20 303 in 2014)		27 215	**26 054**
Total investments		150 075	**149 674**
Cash and cash equivalents (including 4 in 2013 and 171 in 2014 subject to securities lending)		8 072	**7 078**
Accrued investment income		1 018	**1 001**
Premiums and other receivables		12 276	**13 373**
Reinsurance recoverable on unpaid claims and policy benefits		8 327	**7 194**
Funds held by ceding companies		12 400	**11 425**
Deferred acquisition costs	5	4 756	**4 999**
Acquired present value of future profits	5	3 537	**3 355**
Goodwill		4 109	**4 005**
Income taxes recoverable		490	**184**
Deferred tax assets		5 763	**5 357**
Other assets		2 697	**2 612**
Total assets		213 520	**210 257**

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

Liabilities and equity

USD millions	Note	31.12.2013	30.09.2014
Liabilities			
Unpaid claims and claim adjustment expenses		61 484	**59 136**
Liabilities for life and health policy benefits	7	36 033	**34 675**
Policyholder account balances		31 177	**30 175**
Unearned premiums		10 334	**11 899**
Funds held under reinsurance treaties		3 551	**3 315**
Reinsurance balances payable		2 370	**2 114**
Income taxes payable		660	**507**
Deferred and other non-current tax liabilities		8 242	**8 936**
Short-term debt	9	3 818	**1 966**
Accrued expenses and other liabilities		8 152	**7 697**
Long-term debt	9	14 722	**15 090**
Total liabilities		180 543	**175 510**
Equity			
Contingent capital instruments		1 102	**1 102**
Common shares, CHF 0.10 par value			
2013: 370 706 931; 2014: 370 706 931 shares authorised and issued[1]		35	**35**
Additional paid-in capital		4 963	**1 801**
Treasury shares, net of tax		–1 099	**–1 189**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 622	**3 705**
Other-than-temporary impairment, net of tax		–6	**–2**
Cumulative translation adjustments, net of tax		–3 897	**–4 250**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–534	**–489**
Total accumulated other comprehensive income		–2 815	**–1 036**
Retained earnings		30 766	**34 012**
Shareholders' equity		32 952	**34 725**
Non-controlling interests		25	**22**
Total equity		32 977	**34 747**
Total liabilities and equity		213 520	**210 257**

[1] Please refer to Note 10 "Earnings per share" for details on the number of shares authorised and issued.

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

Statement of equity (unaudited)

For the year ended 31 December and the nine months ended 30 September

USD millions	2013	2014
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	7 721	**4 963**
Share-based compensation	14	**–44**
Realised gains/losses on treasury shares	–12	**11**
Dividends on common shares[1]	–2 760	**–3 129**
Balance as of period end	4 963	**1 801**
Treasury shares, net of tax		
Balance as of 1 January	–995	**–1 099**
Purchase of treasury shares	–290	**–226**
Issuance of treasury shares, including share-based compensation to employees	186	**136**
Balance as of period end	–1 099	**–1 189**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 407	**1 622**
Changes during the period	–2 785	**2 083**
Balance as of period end	1 622	**3 705**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–28	**–6**
Changes during the period	22	**4**
Balance as of period end	–6	**–2**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 609	**–3 897**
Changes during the period	–288	**–353**
Balance as of period end	–3 897	**–4 250**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–953	**–534**
Changes during the period	419	**45**
Balance as of period end	–534	**–489**
Retained earnings		
Balance as of 1 January	26 322	**30 766**
Net income after attribution of non-controlling interests	4 511	**3 307**
Interest on contingent capital instruments, net of tax	–67	**–52**
Purchase of non-controlling interests		**–9**
Balance as of period end	30 766	**34 012**
Shareholders' equity	32 952	**34 725**
Non-controlling interests		
Balance as of 1 January	24	**25**
Changes during the period	–1	**–4**
Income attributable to non-controlling interests	2	**1**
Balance as of period end	25	**22**
Total equity	32 977	**34 747**

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

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

Statement of cash flow (unaudited)

For the nine months ended 30 September

USD millions	2013	2014
Cash flows from operating activities		
Net income attributable to common shareholders	3238	**3255**
Add net income attributable to non-controlling interests	1	**1**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items[1]	328	**293**
Net realised investment gains/losses	–2344	**–704**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net[1]	–823	**–1301**
Funds held by ceding companies and under reinsurance treaties[1]	616	**429**
Reinsurance recoverable on unpaid claims and policy benefits	886	**998**
Other assets and liabilities, net[1]	126	**–399**
Income taxes payable/recoverable	111	**403**
Income from equity-accounted investees, net of dividends received	–86	**–42**
Trading positions, net	–160	**94**
Securities purchased/sold under agreement to resell/repurchase, net	–483	**1941**
Net cash provided/used by operating activities	1410	**4968**
Cash flows from investing activities		
Fixed income securities:		
Sales	68718	**45726**
Maturities	2748	**2945**
Purchases	–65867	**–57264**
Net purchase/sale/maturities of short-term investments	–1753	**3976**
Equity securities:		
Sales	1990	**6168**
Purchases	–4655	**–2266**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		**–166**
Net purchases/sales/maturities of other investments	359	**–728**
Net cash provided/used by investing activities	1540	**–1609**
Cash flows from financing activities		
Issuance/repayment of long-term debt	–89	**1516**
Issuance/repayment of short-term debt	–1581	**–2424**
Purchase/sale of treasury shares	–224	**–204**
Dividends paid to shareholders	–2760	**–3129**
Net cash provided/used by financing activities	–4654	**–4241**
Total net cash provided/used	–1704	**–882**
Effect of foreign currency translation	–152	**–112**
Change in cash and cash equivalents	–1856	**–994**
Cash and cash equivalents as of 1 January	10837	**8072**
Cash and cash equivalents as of 30 September	8981	**7078**

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

Interest paid was USD 740 million and USD 695 million for the nine months ended 30 September 2013 and 2014, respectively.

Tax paid was USD 366 million and USD 396 million for the nine months ended 30 September 2013 and 2014, respectively.

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

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Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients.

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group's audited financial statements for the year ended 31 December 2013.

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.

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 30 September 2014, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 6 November 2014. This is the date on which the financial statements are available to be issued.

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

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

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

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

2 Information on business segments

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

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

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1 to the Group's annual consolidated financial statements).

The Group operating segments are outlined below.

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

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

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

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

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

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

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

a) Business segments – income statement
For the three months ended 30 September

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	3 951	2 439	791	168			7 349
Fee income from policyholders		13		113			126
Net investment income – non-participating	279	363	20	287	48	–2	995
Net realised investment gains/losses – non-participating	–5	7	43	13	–54		4
Net investment result – unit-linked and with-profit		104		597			701
Other revenues	13			1	94	–106	2
Total revenues	4 238	2 926	854	1 179	88	–108	9 177
Expenses							
Claims and claim adjustment expenses	–2 088		–498		–2		–2 588
Life and health benefits		–2 023		–328			–2 351
Return credited to policyholders		–114		–641			–755
Acquisition costs	–705	–407	–122	–21			–1 255
Other expenses	–428	–197	–138	–92	–87	94	–848
Interest expenses	–70	–124		–11	–7	14	–198
Total expenses	–3 291	–2 865	–758	–1 093	–96	108	–7 995
Income/loss before income tax expense	947	61	96	86	–8		1 182
Income tax expense/benefit	–158	–14	–25	65	39		–93
Net income before attribution of non-controlling interests	789	47	71	151	31	0	1 089
Income/loss attributable to non-controlling interests							0
Net income after attribution of non-controlling interests	789	47	71	151	31	0	1 089
Interest on contingent capital instruments	–5	–12					–17
Net income attributable to common shareholders	784	35	71	151	31	0	1 072
Claims ratio in %	52.8		62.9				54.5
Expense ratio in %	28.7		32.9				29.4
Combined ratio in %	81.5		95.8				83.9
Management expense ratio in %		7.0					
Operating margin in %		5.6					

Business segments – income statement
For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	4 305	2 858	903	118			8 184
Fee income from policyholders		15		113			128
Net investment income – non-participating	276	367	23	307	22	7	1 002
Net realised investment gains/losses – non-participating	–69	43	46	62	22		104
Net investment result – unit-linked and with-profit		49		184			233
Other revenues	16		1	1	87	–94	11
Total revenues	**4 528**	**3 332**	**973**	**785**	**131**	**–87**	**9 662**
Expenses							
Claims and claim adjustment expenses	–2 264		–513		–1		–2 778
Life and health benefits		–2 214		–375			–2 589
Return credited to policyholders		–59		–215			–274
Acquisition costs	–897	–501	–128	–37			–1 563
Other expenses	–143	–221	–176	–100	–79	85	–634
Interest expenses	–64	–113	–2	–5	–3	2	–185
Total expenses	**–3 368**	**–3 108**	**–819**	**–732**	**–83**	**87**	**–8 023**
Income before income tax expense	**1 160**	**224**	**154**	**53**	**48**	**0**	**1 639**
Income tax expense/benefit	–313	–52	–51	1	20		–395
Net income before attribution of non-controlling interests	**847**	**172**	**103**	**54**	**68**	**0**	**1 244**
Income/loss attributable to non-controlling interests							0
Net income after attribution of non-controlling interests	**847**	**172**	**103**	**54**	**68**	**0**	**1 244**
Interest on contingent capital instruments	–5	–12					–17
Net income attributable to common shareholders	**842**	**160**	**103**	**54**	**68**	**0**	**1 227**
Claims ratio in %	52.5		56.8				53.3
Expense ratio in %	24.2		33.7				25.8
Combined ratio in %	76.7		90.5				79.1
Management expense ratio in %		6.8					
Operating margin in %		9.2					

Business segments – income statement
For the nine months ended 30 September

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	10 655	7 221	2 090	683			20 649
Fee income from policyholders		43		360			403
Net investment income – non-participating	833	1 060	74	876	115	–15	2 943
Net realised investment gains/losses – non-participating	152	173	120	110	–92		463
Net investment result – unit-linked and with-profit		196		2 290			2 486
Other revenues	44		1	1	224	–257	13
Total revenues	11 684	8 693	2 285	4 320	247	–272	26 957
Expenses							
Claims and claim adjustment expenses	–5 810		–1 245		–2		–7 057
Life and health benefits		–5 724		–1 150			–6 874
Return credited to policyholders		–221		–2 491			–2 712
Acquisition costs	–2 003	–1 183	–284	–39			–3 509
Other expenses	–1 091	–614	–431	–297	–243	226	–2 450
Interest expenses	–148	–420		–34	–17	46	–573
Total expenses	–9 052	–8 162	–1 960	–4 011	–262	272	–23 175
Income/loss before income tax expense	2 632	531	325	309	–15		3 782
Income tax expense/benefit	–378	–76	–98	29	29		–494
Net income before attribution of non-controlling interests	2 254	455	227	338	14	0	3 288
Income/loss attributable to non-controlling interests	–1						–1
Net income after attribution of non-controlling interests	2 253	455	227	338	14	0	3 287
Interest on contingent capital instruments	–14	–35					–49
Net income attributable to common shareholders	2 239	420	227	338	14	0	3 238
Claims ratio in %	54.5		59.6				55.4
Expense ratio in %	29.1		34.2				29.8
Combined ratio in %	83.6		93.8				85.2
Management expense ratio in %		7.4					
Operating margin in %		8.2					

Business segments – income statement
For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	11 678	8 399	2 574	393			23 044
Fee income from policyholders		41		338			379
Net investment income – non-participating	814	1 196	67	956	80	8	3 121
Net realised investment gains/losses – non-participating	325	–68	121	143	27		548
Net investment result – unit-linked and with-profit		53		827			880
Other revenues	39	1	2	1	256	–282	17
Total revenues	**12 856**	**9 622**	**2 764**	**2 658**	**363**	**–274**	**27 989**
Expenses							
Claims and claim adjustment expenses	–6 335		–1 542		–19		–7 896
Life and health benefits		–6 715		–1 035			–7 750
Return credited to policyholders		–77		–960			–1 037
Acquisition costs	–2 502	–1 420	–341	–114			–4 377
Other expenses	–816	–666	–508	–274	–229	253	–2 240
Interest expenses	–190	–356	–2	–21	–16	21	–564
Total expenses	**–9 843**	**–9 234**	**–2 393**	**–2 404**	**–264**	**274**	**–23 864**
Income before income tax expense	**3 013**	**388**	**371**	**254**	**99**	**0**	**4 125**
Income tax expense/benefit	–612	–79	–122	–35	31		–817
Net income before attribution of non-controlling interests	**2 401**	**309**	**249**	**219**	**130**	**0**	**3 308**
Income/loss attributable to non-controlling interests	–1						–1
Net income after attribution of non-controlling interests	**2 400**	**309**	**249**	**219**	**130**	**0**	**3 307**
Interest on contingent capital instruments	–15	–37					–52
Net income attributable to common shareholders	**2 385**	**272**	**249**	**219**	**130**	**0**	**3 255**
Claims ratio in %	54.3		59.9				55.3
Expense ratio in %	28.4		33.0				29.2
Combined ratio in %	82.7		92.9				84.5
Management expense ratio in %		6.9					
Operating margin in %		8.8					

Business segments – balance sheet
As of 31 December

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

Business segments – balance sheet
As of 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	32 723	31 153	5 061	20 449	49		89 435
Equity securities	1 673	787	688		659		3 807
Other investments	9 329	1 634	38	1 820	6 587	–5 413	13 995
Short-term investments	7 554	4 626	2 558	1 402	243		16 383
Investments for unit-linked and with-profit business		947		25 107			26 054
Cash and cash equivalents	4 625	178	647	1 326	302		7 078
Deferred acquisition costs	1 870	2 805	323	1			4 999
Acquired present value of future profits		1 351		2 004			3 355
Reinsurance recoverable	3 881	1 708	7 775	292		–6 462	7 194
Other reinsurance assets	12 076	8 568	2 454	3 578	4	–1 882	24 798
Goodwill	1 984	2 004	17				4 005
Other	9 400	4 022	1 028	1 019	609	–6 924	9 154
Total assets	**85 115**	**59 783**	**20 589**	**56 998**	**8 453**	**–20 681**	**210 257**
Liabilities							
Unpaid claims and claim adjustment expenses	42 526	10 226	11 629	1 190	29	–6 464	59 136
Liabilities for life and health policy benefits		16 864	242	17 570		–1	34 675
Policyholder account balances		1 541		28 634			30 175
Other reinsurance liabilities	12 828	1 877	4 428	502	7	–2 314	17 328
Short-term debt	718	3 551			568	–2 871	1 966
Long-term debt	4 609	9 711	497	888		–615	15 090
Other	11 557	8 532	1 119	2 125	2 219	–8 412	17 140
Total liabilities	**72 238**	**52 302**	**17 915**	**50 909**	**2 823**	**–20 677**	**175 510**
Shareholders' equity	**12 855**	**7 481**	**2 674**	**6 089**	**5 630**	**–4**	**34 725**
Non-controlling interests	22						22
Total equity	**12 877**	**7 481**	**2 674**	**6 089**	**5 630**	**–4**	**34 747**
Total liabilities and equity	**85 115**	**59 783**	**20 589**	**56 998**	**8 453**	**–20 681**	**210 257**

b) Property & Casualty Reinsurance business segment – by line of business
For the three months ended 30 September

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	2 064	1 326	561	3 951
Expenses				
Claims and claim adjustment expenses	–738	–1 137	–213	–2 088
Acquisition costs	–245	–335	–125	–705
Other expenses	–231	–137	–60	–428
Total expenses before interest expenses	–1 214	–1 609	–398	–3 221
Underwriting result	850	–283	163	730
Net investment income				279
Net realised investment gains/losses				–5
Other revenues				13
Interest expenses				–70
Income before income tax expenses				947
Claims ratio in %	35.8	85.7	38.0	52.8
Expense ratio in %	23.0	35.6	32.9	28.7
Combined ratio in %	58.8	121.3	70.9	81.5

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**1 964**	**1 713**	**628**	**4 305**
Expenses				
Claims and claim adjustment expenses	–811	–1 213	–240	–2 264
Acquisition costs	–282	–500	–115	–897
Other expenses	–102	–36	–5	–143
Total expenses before interest expenses	**–1 195**	**–1 749**	**–360**	**–3 304**
Underwriting result	**769**	**–36**	**268**	**1 001**
Net investment income				276
Net realised investment gains/losses				–69
Other revenues				16
Interest expenses				–64
Income before income tax expenses				**1 160**
Claims ratio in %	41.2	70.8	38.2	52.5
Expense ratio in %	19.6	31.3	19.1	24.2
Combined ratio in %	60.8	102.1	57.3	76.7

Property & Casualty Reinsurance business segment – by line of business
For the nine months ended 30 September

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	5 117	3 897	1 641	10 655
Expenses				
Claims and claim adjustment expenses	–2 508	–2 676	–626	–5 810
Acquisition costs	–613	–1 031	–359	–2 003
Other expenses	–572	–360	–159	–1 091
Total expenses before interest expenses	–3 693	–4 067	–1 144	–8 904
Underwriting result	1 424	–170	497	1 751
Net investment income				833
Net realised investment gains/losses				152
Other revenues				44
Interest expenses				–148
Income before income tax expenses				2 632
Claims ratio in %	49.0	68.7	38.1	54.5
Expense ratio in %	23.2	35.7	31.6	29.1
Combined ratio in %	72.2	104.4	69.7	83.6

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**5 095**	**4 796**	**1 787**	**11 678**
Expenses				
Claims and claim adjustment expenses	–2 210	–3 474	–651	–6 335
Acquisition costs	–779	–1 351	–372	–2 502
Other expenses	–454	–268	–94	–816
Total expenses before interest expenses	**–3 443**	**–5 093**	**–1 117**	**–9 653**
Underwriting result	**1 652**	**–297**	**670**	**2 025**
Net investment income				814
Net realised investment gains/losses				325
Other revenues				39
Interest expenses				–190
Income before income tax expenses				**3 013**
Claims ratio in %	43.4	72.4	36.4	54.3
Expense ratio in %	24.2	33.8	26.1	28.4
Combined ratio in %	67.6	106.2	62.5	82.7

c) Life & Health Reinsurance business segment – by line of business
For the three months ended 30 September

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 640	799	2 439
Fee income from policyholders	13		13
Net investment income – non-participating	226	137	363
Net investment income – unit-linked and with-profit	20		20
Net realised investment gains/losses – unit-linked and with-profit	84		84
Net realised investment gains/losses – insurance-related derivatives	–24	1	–23
Other revenues			0
Total revenues before non-participating realised gains/losses	1 959	937	2 896
Expenses			
Life and health benefits	–1 280	–743	–2 023
Return credited to policyholders	–114		–114
Acquisition costs	–305	–102	–407
Other expenses	–129	–68	–197
Total expenses before interest expenses	–1 828	–913	–2 741
Operating income	131	24	155
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			30
Interest expenses			–124
Income before income tax expenses			61
Management expense ratio in %	6.9	7.3	7.0
Operating margin[1] in %	7.1	2.6	5.6

[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 three months ended 30 September

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 817	1 041	2 858
Fee income from policyholders	15		15
Net investment income – non-participating	232	135	367
Net investment income – unit-linked and with-profit	21		21
Net realised investment gains/losses – unit-linked and with-profit	28		28
Net realised investment gains/losses – insurance-related derivatives	4	1	5
Other revenues			0
Total revenues before non-participating realised gains/losses	**2 117**	**1 177**	**3 294**
Expenses			
Life and health benefits	–1 408	–806	–2 214
Return credited to policyholders	–59		–59
Acquisition costs	–277	–224	–501
Other expenses	–158	–63	–221
Total expenses before interest expenses	**–1 902**	**–1 093**	**–2 995**
Operating income	**215**	**84**	**299**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			38
Interest expenses			–113
Income before income tax expenses			**224**
Management expense ratio in %	7.7	5.4	6.8
Operating margin[1] in %	10.4	7.1	9.2

[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.

Life & Health Reinsurance business segment – by line of business
For the nine months ended 30 September

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	4 861	2 360	7 221
Fee income from policyholders	43		43
Net investment income – non-participating	669	391	1 060
Net investment income – unit-linked and with-profit	26		26
Net realised investment gains/losses – unit-linked and with-profit	170		170
Net realised investment gains/losses – insurance-related derivatives	–105	4	–101
Other revenues			0
Total revenues before non-participating realised gains/losses	5 664	2 755	8 419
Expenses			
Life and health benefits	–3 763	–1 961	–5 724
Return credited to policyholders	–221		–221
Acquisition costs	–870	–313	–1 183
Other expenses	–439	–175	–614
Total expenses before interest expenses	–5 293	–2 449	–7 742
Operating income	371	306	677
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			274
Interest expenses			–420
Income before income tax expenses			531
Management expense ratio in %	7.9	6.4	7.4
Operating margin[1] in %	6.8	11.1	8.2

[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.

Life & Health Reinsurance business segment – by line of business
For the nine months ended 30 September

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	5 354	3 045	8 399
Fee income from policyholders	41		41
Net investment income – non-participating	736	460	1 196
Net investment income – unit-linked and with-profit	28		28
Net realised investment gains/losses – unit-linked and with-profit	25		25
Net realised investment gains/losses – insurance-related derivatives	39	–2	37
Other revenues	1		1
Total revenues before non-participating realised gains/losses	**6 224**	**3 503**	**9 727**
Expenses			
Life and health benefits	–4 318	–2 397	–6 715
Return credited to policyholders	–77		–77
Acquisition costs	–874	–546	–1 420
Other expenses	–473	–193	–666
Total expenses before interest expenses	**–5 742**	**–3 136**	**–8 878**
Operating income	**482**	**367**	**849**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			–105
Interest expenses			–356
Income before income tax expenses			**388**
Management expense ratio in %	7.7	5.5	6.9
Operating margin[1] in %	7.8	10.5	8.8

[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.

3 Insurance information

For the three months ended 30 September

Premiums earned and fees assessed against policyholders

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		160	697	195		1 052
Reinsurance	4 543	2 518	117	49		7 227
Intra-group transactions (assumed and ceded)	–50	64	50	–64		0
Premiums earned before retrocession to external parties	4 493	2 742	864	180		8 279
Reinsurance ceded to external parties	–542	–303	–73	–12		–930
Net premiums earned	3 951	2 439	791	168	0	7 349
Fee income from policyholders, thereof:						
Direct				94		94
Reinsurance		13		19		32
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		13		113		126
Fee income ceded to external parties						0
Net fee income	0	13	0	113	0	126

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		189	725	156		1 070
Reinsurance	4 510	2 903	212	41		7 666
Intra-group transactions (assumed and ceded)	–8	69	8	–69		0
Premiums earned before retrocession to external parties	4 502	3 161	945	128		8 736
Reinsurance ceded to external parties	–197	–303	–42	–10		–552
Net premiums earned	**4 305**	**2 858**	**903**	**118**	**0**	**8 184**
Fee income from policyholders, thereof:						
Direct				91		91
Reinsurance		16		22		38
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		16		113		129
Fee income ceded to external parties		–1				–1
Net fee income	**0**	**15**	**0**	**113**	**0**	**128**

For the nine months ended 30 September

Premiums earned and fees assessed against policyholders

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		462	1 891	759		3 112
Reinsurance	12 347	7 624	339	141		20 451
Intra-group transactions (assumed and ceded)	–159	185	159	–185		0
Premiums earned before retrocession to external parties	12 188	8 271	2 389	715		23 563
Reinsurance ceded to external parties	–1 533	–1 050	–299	–32		–2 914
Net premiums earned	10 655	7 221	2 090	683	0	20 649
Fee income from policyholders, thereof:						
Direct				297		297
Reinsurance		43		63		106
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		43		360		403
Fee income ceded to external parties						0
Net fee income	0	43	0	360	0	403

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		574	2 066	509		3 149
Reinsurance	12 209	8 541	486	125		21 361
Intra-group transactions (assumed and ceded)	–141	208	141	–208		0
Premiums earned before retrocession to external parties	12 068	9 323	2 693	426		24 510
Reinsurance ceded to external parties	–390	–924	–119	–33		–1 466
Net premiums earned	**11 678**	**8 399**	**2 574**	**393**	**0**	**23 044**
Fee income from policyholders, thereof:						
Direct				271		271
Reinsurance		42		67		109
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		42		338		380
Fee income ceded to external parties		–1				–1
Net fee income	**0**	**41**	**0**	**338**	**0**	**379**

For the three months ended 30 September

Claims and claim adjustment expenses

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–2 449	–2 302	–1 333	–527		–6 611
Intra-group transactions (assumed and ceded)	–810	–57	810	57		0
Claims before receivables from retrocession to external parties	–3 259	–2 359	–523	–470		–6 611
Receivables from retrocession to external parties	399	287	128	17		831
Net claims paid	–2 860	–2 072	–395	–453	0	–5 780
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	48	65	1 002	147	–2	1 260
Intra-group transactions (assumed and ceded)	994	15	–994	–15		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 042	80	8	132	–2	1 260
Reinsurance ceded to external parties	–270	–31	–111	–7		–419
Net unpaid claims and claim adjustment expenses; life and health benefits	772	49	–103	125	–2	841
Claims and claim adjustment expenses; life and health benefits	–2 088	–2 023	–498	–328	–2	–4 939

Acquisition costs

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–889	–443	–117	–22		–1 471
Intra-group transactions (assumed and ceded)	21		–21			0
Acquisition costs before impact of retrocession to external parties	–868	–443	–138	–22		–1 471
Retrocession to external parties	163	36	16	1		216
Net acquisition costs	–705	–407	–122	–21	0	–1 255

For the three months ended 30 September

Claims and claim adjustment expenses

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–2 259	–2 229	–609	–530		–5 627
Intra-group transactions (assumed and ceded)	–156	–60	156	60		0
Claims before receivables from retrocession to external parties	–2 415	–2 289	–453	–470		–5 627
Receivables from retrocession to external parties	209	319	93	11		632
Net claims paid	**–2 206**	**–1 970**	**–360**	**–459**	**0**	**–4 995**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	–19	–190	119	86	–1	–5
Intra-group transactions (assumed and ceded)	221	–3	–221	3		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	202	–193	–102	89	–1	–5
Reinsurance ceded to external parties	–260	–51	–51	–5		–367
Net unpaid claims and claim adjustment expenses; life and health benefits	**–58**	**–244**	**–153**	**84**	**–1**	**–372**
Claims and claim adjustment expenses; life and health benefits	**–2 264**	**–2 214**	**–513**	**–375**	**–1**	**–5 367**

Acquisition costs

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–940	–547	–127	–37		–1 651
Intra-group transactions (assumed and ceded)	7		–7			0
Acquisition costs before impact of retrocession to external parties	–933	–547	–134	–37		–1 651
Retrocession to external parties	36	46	6			88
Net acquisition costs	**–897**	**–501**	**–128**	**–37**	**0**	**–1 563**

For the nine months ended 30 September

Claims and claim adjustment expenses

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–7 677	–6 546	–2 431	–1 638		–18 292
Intra-group transactions (assumed and ceded)	–1 198	–274	1 201	271		0
Claims before receivables from retrocession to external parties	–8 875	–6 820	–1 230	–1 367		–18 292
Receivables from retrocession to external parties	1 340	987	334	55		2 716
Net claims paid	–7 535	–5 833	–896	–1 312	0	–15 576
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 184	57	948	303	–2	2 490
Intra-group transactions (assumed and ceded)	1 300	126	–1 303	–123		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	2 484	183	–355	180	–2	2 490
Reinsurance ceded to external parties	–759	–74	6	–18		–845
Net unpaid claims and claim adjustment expenses; life and health benefits	1 725	109	–349	162	–2	1 645
Claims and claim adjustment expenses; life and health benefits	–5 810	–5 724	–1 245	–1 150	–2	–13 931

Acquisition costs

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–2 562	–1 445	–313	–42		–4 362
Intra-group transactions (assumed and ceded)	36	–1	–36	1		0
Acquisition costs before impact of retrocession to external parties	–2 526	–1 446	–349	–41		–4 362
Retrocession to external parties	523	263	65	2		853
Net acquisition costs	–2 003	–1 183	–284	–39	0	–3 509

For the nine months ended 30 September

Claims and claim adjustment expenses

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–7 690	–6 822	–1 546	–1 600	–6	–17 664
Intra-group transactions (assumed and ceded)	–319	–183	319	183		0
Claims before receivables from retrocession to external parties	–8 009	–7 005	–1 227	–1 417	–6	–17 664
Receivables from retrocession to external parties	813	902	273	48		2 036
Net claims paid	**–7 196**	**–6 103**	**–954**	**–1 369**	**–6**	**–15 628**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 358	–588	–139	359	–13	977
Intra-group transactions (assumed and ceded)	303	11	–303	–11		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 661	–577	–442	348	–13	977
Reinsurance ceded to external parties	–800	–35	–146	–14		–995
Net unpaid claims and claim adjustment expenses; life and health benefits	**861**	**–612**	**–588**	**334**	**–13**	**–18**
Claims and claim adjustment expenses; life and health benefits	**–6 335**	**–6 715**	**–1 542**	**–1 035**	**–19**	**–15 646**

Acquisition costs

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–2 612	–1 561	–338	–116		–4 627
Intra-group transactions (assumed and ceded)	23	–1	–23	1		0
Acquisition costs before impact of retrocession to external parties	–2 589	–1 562	–361	–115		–4 627
Retrocession to external parties	87	142	20	1		250
Net acquisition costs	**–2 502**	**–1 420**	**–341**	**–114**	**0**	**–4 377**

Reinsurance receivables

Reinsurance receivables as of 31 December 2013 and 30 September 2014 were as follows:

USD millions	2013	**2014**
Premium receivables invoiced	1 482	1 996
Receivables invoiced from ceded re/insurance business	446	667
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 273	810
Recognised allowance	–101	–97

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the nine months ended 30 September 2013 and 2014, the relative percentage of participating insurance of the life and health policy benefits was 8%. The amount of policyholder dividend expense for the three months ended 30 September 2013 and 2014 was USD 43 million and USD 19 million, respectively. For the nine months ended 30 September 2013 and 2014, the policyholder dividend expense amounted to USD 108 million and USD 73 million, respectively.

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4 Premiums written

For the three months ended 30 September

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		119	878	197			1 194
Reinsurance	3 648	2 508	161	50			6 367
Intra-group transactions (assumed)	63	64	214			–341	0
Gross premiums written	3 711	2 691	1 253	247		–341	7 561
Intra-group transactions (ceded)	–214		–63	–64		341	0
Gross premiums written before retrocession to external parties	3 497	2 691	1 190	183			7 561
Reinsurance ceded to external parties	–140	–300	–28	–12			–480
Net premiums written	3 357	2 391	1 162	171	0	0	7 081

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		137	790	156			1 083
Reinsurance	3 578	2 841	320	41			6 780
Intra-group transactions (assumed)	109	70	119			–298	0
Gross premiums written	3 687	3 048	1 229	197		–298	7 863
Intra-group transactions (ceded)	–119		–109	–70		298	0
Gross premiums written before retrocession to external parties	3 568	3 048	1 120	127			7 863
Reinsurance ceded to external parties	–16	–301	–28	–10			–355
Net premiums written	**3 552**	**2 747**	**1 092**	**117**	**0**	**0**	**7 508**

For the nine months ended 30 September

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		484	2 013	783			3 280
Reinsurance	13 814	7 642	398	141			21 995
Intra-group transactions (assumed)	285	185	367			–837	0
Gross premiums written	14 099	8 311	2 778	924		–837	25 275
Intra-group transactions (ceded)	–367		–285	–185		837	0
Gross premiums written before retrocession to external parties	13 732	8 311	2 493	739			25 275
Reinsurance ceded to external parties	–736	–1 042	–123	–32			–1 933
Net premiums written	12 996	7 269	2 370	707	0	0	23 342

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		602	2 115	519			3 236
Reinsurance	13 718	8 581	664	125			23 088
Intra-group transactions (assumed)	297	209	254			–760	0
Gross premiums written	14 015	9 392	3 033	644		–760	26 324
Intra-group transactions (ceded)	–254		–297	–209		760	0
Gross premiums written before retrocession to external parties	13 761	9 392	2 736	435			26 324
Reinsurance ceded to external parties	–171	–920	–90	–33			–1 214
Net premiums written	**13 590**	**8 472**	**2 646**	**402**	**0**	**0**	**25 110**

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

As of 31 December 2013 and 30 September 2014, the DAC were as follows:

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2013	1 103	2 713	219	2	2	4 039
Deferred	3 217	491	504			4 212
Effect of acquisitions/disposals and retrocessions		57				57
Amortisation	–2 710	–397	–406			–3 513
Effect of foreign currency translation	–19	–19	2	–1	–2	–39
Closing balance as of 31 December 2013	1 591	2 845	319	1	0	4 756

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2014	1 591	2 845	319	1		4 756
Deferred	2 778	374	347			3 499
Effect of acquisitions/disposals and retrocessions		–2				–2
Amortisation	–2 463	–344	–341			–3 148
Effect of foreign currency translation	–36	–68	–2			–106
Closing balance as of 30 September 2014	**1 870**	**2 805**	**323**	**1**	**0**	**4 999**

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 2013 and 30 September 2014, the PVFP was as follows:

			2013			**2014**
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance	1 358	1 665	3 023	1 451	2 086	3 537
Effect of acquisitions/disposals and retrocessions	206	–30	176		166	166
Amortisation	–151	–184	–335	–114	–93	–207
Interest accrued on unamortised PVFP	35	186	221	33	–2	31
Effect of foreign currency translation	3	44	47	–19	–32	–51
Effect of change in unrealised gains/losses		405	405		–121	–121
Closing balance	1 451	2 086	3 537	**1 351**	**2 004**	**3 355**

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.

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the periods ended 30 September was as follows:

USD millions	Three months ended 30 September 2013	Three months ended 30 September 2014	Nine months ended 30 September 2013	Nine months ended 30 September 2014
Fixed income securities	640	698	1 960	2 104
Equity securities	42	21	104	85
Policy loans, mortgages and other loans	28	33	85	99
Investment real estate	34	37	104	109
Short-term investments	24	28	83	84
Other current investments	12	41	63	105
Share in earnings of equity-accounted investees	112	68	248	260
Cash and cash equivalents	11	9	38	30
Net result from deposit-accounted contracts	42	31	112	104
Deposits with ceding companies	147	130	449	432
Gross investment income	1 092	**1 096**	3 246	**3 412**
Investment expenses	–93	–88	–286	–266
Interest charged for funds held	–4	–6	–17	–25
Net investment income – non-participating	995	**1 002**	2 943	**3 121**

Dividends received from investments accounted for using the equity method were USD 30 million and USD 45 million for the three months ended 30 September 2013 and 2014, respectively, as well as USD 162 million and USD 218 million for the nine months ended 30 September 2013 and 2014, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) for the periods ended 30 September were as follows:

USD millions	Three months ended 30 September 2013	Three months ended 30 September 2014	Nine months ended 30 September 2013	Nine months ended 30 September 2014
Fixed income securities available-for-sale:				
Gross realised gains	213	220	1 083	648
Gross realised losses	–218	–33	–604	–210
Equity securities available-for-sale:				
Gross realised gains	123	178	281	627
Gross realised losses	–35	–12	–53	–49
Other-than-temporary impairments	–20	–18	–38	–31
Net realised investment gains/losses on trading securities	–2	2	–19	15
Change in net unrealised investment gains/losses on trading securities		20	–29	61
Other investments:				
Net realised/unrealised gains/losses	224	–147	284	–346
Net realised/unrealised gains/losses on insurance-related derivatives	–190	–7	–294	–3
Foreign exchange gains/losses	–91	–99	–148	–164
Net realised investment gains/losses – non-participating	4	**104**	463	**548**

Investment result – unit-linked and with-profit business

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 (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders for the periods ended 30 September was as follows:

	Three months ended 30 September				Nine months ended 30 September			
	2013		**2014**		2013		**2014**	
USD millions	Unit-linked	With-profit	Unit-linked	With-profit	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	33	26	27	27	94	71	86	73
Investment income – equity securities	119	6	148	7	411	22	508	26
Investment income – other	–2	2	10	6	–1	8	18	13
Total investment income – unit-linked and with-profit business	150	34	**185**	**40**	504	101	**612**	**112**
Realised gains/losses – fixed income securities	–1	12	35	44	–92	–72	71	90
Realised gains/losses – equity securities	497	22	–64	–8	1 991	107	5	–6
Realised gains/losses – other	–4	–9	1		–5	–48	10	–14
Total realised gains/losses – unit-linked and with-profit business	492	25	**–28**	**36**	1 894	–13	**86**	**70**
Total net investment result – unit-linked and with-profit business	642	59	**157**	**76**	2 398	88	**698**	**182**

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairment related to credit losses recognised in earnings for the nine months ended 30 September was as follows:

USD millions	2013	**2014**
Balance as of 1 January[1]	310	228
Credit losses for which an other-than-temporary impairment was not previously recognised	1	
Reductions for securities sold during the period	–54	–61
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	11	
Impact of increase in cash flows expected to be collected	–27	–19
Impact of foreign exchange movements	4	4
Balance as of 30 September	245	**152**

[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.

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 2013 and 30 September 2014 were as follows:

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	6027	143	–113		6057
US Agency securitised products	3970	36	–75		3931
States of the United States and political subdivisions of the states	953	10	–48		915
United Kingdom	11255	344	–351		11248
Canada	3063	315	–67		3311
Germany	4386	96	–37		4445
France	2727	113	–12		2828
Other	7185	181	–274		7092
Total	39566	1238	–977		39827
Corporate debt securities	30464	1477	–528	–4	31409
Mortgage- and asset-backed securities	6319	284	–74	–4	6525
Fixed income securities available-for-sale	76349	2999	–1579	–8	77761
Equity securities available-for-sale	6110	1047	–81		7076

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12454	523	–44		12933
US Agency securitised products	3352	39	–34		3357
States of the United States and political subdivisions of the states	1037	52	–6		1083
United Kingdom	10988	788	–24		11752
Canada	2857	493	–17		3333
Germany	4553	268	–28		4793
France	3097	285	–17		3365
Other	7852	291	–99		8044
Total	46190	2739	–269		48660
Corporate debt securities	30350	2134	–151	–1	32332
Mortgage- and asset-backed securities	5984	259	–31	–1	6211
Fixed income securities available-for-sale	**82524**	**5132**	**–451**	**–2**	**87203**
Equity securities available-for-sale	**3166**	**633**	**–45**		**3754**

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

Investments trading

Fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2013 and 30 September 2014 were as follows:

USD millions	2013	2014
Debt securities issued by governments and government agencies	1 202	2 006
Corporate debt securities	145	60
Mortgage- and asset-backed securities	188	166
Fixed income securities trading – non-participating	1 535	**2 232**
Equity securities trading – non-participating	615	**53**

Investments held for unit-linked and with-profit business

Investments held for unit-linked and with-profit business as of 31 December 2013 and 30 September 2014 were as follows:

		2013		2014
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 541	2 044	2 125	1 975
Equity securities trading	20 252	928	19 399	904
Investment real estate	517	386	622	405
Other invested assets	547		624	
Total investments for unit-linked and with-profit business	23 857	3 358	**22 770**	**3 284**

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 as of 31 December 2013 and 30 September 2014 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2013 and 30 September 2014, USD 11 476 million and USD 11 661 million, respectively, of fixed income securities available-for-sale were callable.

		2013		2014
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 308	3 305	4 546	4 557
Due after one year through five years	19 308	19 697	17 927	18 477
Due after five years through ten years	14 243	14 522	18 902	19 689
Due after ten years	33 370	33 911	35 319	38 426
Mortgage- and asset-backed securities with no fixed maturity	6 120	6 326	5 830	6 054
Total fixed income securities available-for-sale	76 349	77 761	**82 524**	**87 203**

Assets pledged

As of 30 September 2014, investments with a carrying value of USD 8 285 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 11 342 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2013 and 30 September 2014, securities of USD 16 215 million and USD 20 845 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 991 million and USD 2 772 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 30 September 2014, a real estate portfolio with a carrying value of USD 237 million serves as collateral for short-term senior operational debt of USD 680 million.

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

As of 31 December 2013 and 30 September 2014, the fair value of the equity securities and the government and corporate bond securities received as collateral was USD 4 367 million and USD 4 073 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2013 and 30 September 2014 was USD 1 472 million and USD 559 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 2013 and 30 September 2014 were as follows:

2013 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4099	–2877	1222	–380	842
Reverse repurchase agreements	4064	–1811	2253	–2253	0
Securities borrowing			0		0
Total	8163	–4688	3475	–2633	842

2013 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4104	2656	–1448	157	–1291
Repurchase agreements	–2009	1811	–198	198	0
Securities lending	–1792		–1792	1655	–137
Total	–7905	4467	–3438	2010	–1428

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4120	–3326	794	–149	**645**
Reverse repurchase agreements	3285	–1955	1330	–1330	**0**
Securities borrowing	231		231	–231	**0**
Total	**7636**	**–5281**	**2355**	**–1710**	**645**

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4017	3015	–1002	116	**–886**
Repurchase agreements	–3236	1955	–1281	1281	**0**
Securities lending	–1491		–1491	1413	**–78**
Total	**–8744**	**4970**	**–3774**	**2810**	**–964**

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 2013 and 30 September 2014. As of 31 December 2013 and 30 September 2014, USD 77 million and USD 38 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 7 million, respectively, to declines in value for more than 12 months.

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	2 874	113			2 874	113
US Agency securitised products	2 248	71	41	4	2 289	75
States of the United States and political subdivisions of the states	703	48			703	48
United Kingdom	6 973	351			6 973	351
Canada	938	65	11	2	949	67
Germany	1 697	33	199	4	1 896	37
France	506	10	47	2	553	12
Other	3 392	198	646	76	4 038	274
Total	19 331	889	944	88	20 275	977
Corporate debt securities	12 189	494	319	38	12 508	532
Mortgage- and asset-backed securities	1 834	47	565	31	2 399	78
Total	33 354	1 430	1 828	157	35 182	1 587

2014 USD millions	Less than 12 months 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	5 197	35	324	9	5 521	44
US Agency securitised products	1 172	16	593	18	1 765	34
States of the United States and political subdivisions of the states	205	3	114	3	319	6
United Kingdom	1 502	20	240	4	1 742	24
Canada	375	4	211	13	586	17
Germany	838	26	71	2	909	28
France	336	16	16	1	352	17
Other	1 259	33	1 300	66	2 559	99
Total	10 884	153	2 869	116	13 753	269
Corporate debt securities	4 728	57	2 096	95	6 824	152
Mortgage- and asset-backed securities	1 391	14	499	18	1 890	32
Total	**17 003**	**224**	**5 464**	**229**	**22 467**	**453**

Mortgages, loans and real estate
As of 31 December 2013 and 30 September 2014, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2013	**2014**
Policy loans	270	258
Mortgage loans	1 801	1 909
Other loans	824	933
Investment real estate	825	835

The fair value of the real estate as of 31 December 2013 and 30 September 2014 was USD 2 551 million and USD 2 453 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

As of 31 December 2013 and 30 September 2014, investments in real estate included USD 5 million and USD 4 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was USD 18 million and USD 19 million for the nine months ended 30 September 2013 and 2014, respectively. Accumulated depreciation on investment real estate totalled USD 577 million and USD 554 million as of 31 December 2013 and 30 September 2014, respectively.

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

7 Fair value disclosures

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

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

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

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g. 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 (e.g. interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the nine months ended 30 September 2014, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

Governance around level 3 fair valuation

The Senior Risk Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Senior Risk Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

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

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2013 and 30 September 2014, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	5 454	73 180	662		79 296
Debt securities issued by US government and government agencies	5 454	1 537			6 991
US Agency securitised products		3 946			3 946
Debt securities issued by non-US governments and government agencies		30 092			30 092
Corporate debt securities		30 904	650		31 554
Mortgage and asset-backed securities		6 701	12		6 713
Fixed income securities backing unit-linked and with-profit life and health policies		4 585			4 585
Equity securities	28 257	565	49		28 871
Equity securities backing unit-linked and with-profit life and health policies	21 169	11			21 180
Equity securities held for proprietary investment purposes	7 088	554	49		7 691
Derivative financial instruments	31	3 563	505	–2 877	1 222
Interest rate contracts	8	2 372			2 380
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1 266
Credit contracts		18	28		46
Other contracts		64	76		140
Other invested assets	1 476	210	2 256		3 942
Total assets at fair value	35 218	82 103	3 472	–2 877	117 916
Liabilities					
Derivative financial instruments	–14	–3 097	–993	2 656	–1 448
Interest rate contracts		–2 123			–2 123
Foreign exchange contracts		–428			–428
Derivative equity contracts	–14	–527	–190		–731
Credit contracts		–11	–38		–49
Other contracts		–8	–765		–773
Liabilities for life and health policy benefits			–145		–145
Accrued expenses and other liabilities	–1 634	–1 271			–2 905
Total liabilities at fair value	–1 648	–4 368	–1 138	2 656	–4 498

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 848	75 964	623		89 435
Debt securities issued by US government and government agencies	12 848	1 727			14 575
US Agency securitised products		3 372			3 372
Debt securities issued by non-US governments and government agencies		32 719			32 719
Corporate debt securities		31 782	610		32 392
Mortgage and asset-backed securities		6 364	13		6 377
Fixed income securities backing unit-linked and with-profit life and health policies		4 099			4 099
Equity securities	24 059	11	40		24 110
Equity securities backing unit-linked and with-profit life and health policies	20 292	11			20 303
Equity securities held for proprietary investment purposes	3 767		40		3 807
Short-term investments held for proprietary investment purposes[2]	7 672	8 711			16 383
Short-term investments backing unit-linked and with-profit life and health policies[2]		46			46
Derivative financial instruments	46	3 526	548	–3 326	794
Interest rate contracts	5	2 471			2 476
Foreign exchange contracts		236			236
Derivative equity contracts	41	794	409		1 244
Credit contracts		1	13		14
Other contracts		24	126		150
Other invested assets	894	405	2 130		3 429
Total assets at fair value	**45 519**	**92 762**	**3 341**	**–3 326**	**138 296**
Liabilities					
Derivative financial instruments	–14	–3 197	–806	3 015	–1 002
Interest rate contracts	–3	–2 169			–2 172
Foreign exchange contracts		–473			–473
Derivative equity contracts	–11	–506	–136		–653
Credit contracts		–30	–12		–42
Other contracts		–19	–658		–677
Liabilities for life and health policy benefits			–155		–155
Accrued expenses and other liabilities	–1 104	–733			–1 837
Total liabilities at fair value	**–1 118**	**–3 930**	**–961**	**3 015**	**–2 994**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

[2] In the first quarter 2014, the Group changed the valuation of short-term investments from amortized cost to fair value. There is no material impact to the net income, total assets or shareholders' equity.

Transfers between level 1 and level 2
There were no material transfers between level 1 and level 2 for the nine months ended 30 September 2013 and 2014.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)
As of 31 December 2013 and 30 September 2014, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2013 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	698	74	1 010	2 098	3 880	–2 865	–272	–3 137
Realised/unrealised gains/losses:								
Included in net income	–4	4	–330	108	–222	1 724	131	1 855
Included in other comprehensive income		1		12	13			0
Purchases	53		25	346	424			0
Issuances			100		100	–62		–62
Sales	–39	–30	–233	–462	–764	210		210
Settlements	–46		–67		–113			0
Transfers into level 3[1]				419	419			0
Transfers out of level 3[1]				–292	–292			0
Impact of foreign exchange movements				27	27		–4	–4
Closing balance as of 31 December	662	49	505	2 256	3 472	–993	–145	–1 138

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	Liabilities for life and health policy benefits	**Total liabilities**
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	**3 472**	–993	–145	**–1 138**
Realised/unrealised gains/losses:								
Included in net income	2	2	–20	71	**55**	307	–9	**298**
Included in other comprehensive income	1	–5		80	**76**			**0**
Purchases	19		32	71	**122**	–1		**–1**
Issuances			28		**28**	–107		**–107**
Sales	–37	–3	–33	–181	**–254**	50		**50**
Settlements	–23		–7	–2	**–32**	–61		**–61**
Transfers into level 3[1]		2	43	3	**48**			**0**
Transfers out of level 3[1]	–1	–4		–131	**–136**			**0**
Impact of foreign exchange movements		–1		–37	**–38**	–1	–1	**–2**
Closing balance as of 30 September	**623**	**40**	**548**	**2 130**	**3 341**	**–806**	**–155**	**–961**

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the nine months ended 30 September were as follows:

USD millions	2013	**2014**
Gains/losses included in net income for the period	1 168	353
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	931	241

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2013 and 30 September 2014 were as follows:

USD millions	2013 Fair value	**2014** Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	650	**610**			
Surplus notes with a mortality underlying	195	203	Discounted Cash Flow Model	Illiquidity premium	75 bps (n.a.)
Private placement corporate debt	383	335	Corporate Spread Matrix	Illiquidity premium	15 bps–186 bps (74 bps)
Private placement credit tenant leases	68	71	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (97 bps)
Derivative equity contracts	401	**409**			
OTC equity option referencing correlated equity indices	401	409	Proprietary Option Model	Correlation	–10%–100% (45%)[1]
Liabilities					
Derivative equity contracts	–190	**–136**			
OTC equity option referencing correlated equity indices	–49	–48	Proprietary Option Model	Correlation	–10%–100% (45%)[1]
Option contract referencing a private equity underlying	–137	–88	Option Model	Volatility	100% (n.a.)
				Growth Rate	6.75% (n.a.)
Other derivative contracts and liabilities for life and health policy benefits	–910	**–813**			
Variable annuity and fair valued GMDB contracts	–677	–599	Discounted Cash Flow Model	Risk Margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties	–125	–108	Discounted Cash Flow Model	Lapse	3%–10%
				Mortality adjustment	80% (n.a.)

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

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

The significant unobservable inputs used in the fair value measurement of the Group's 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 2013 and 30 September 2014, respectively, were as follows:

USD millions	2013 Fair value	**2014** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	735	740	284	non-redeemable	n.a.
Hedge funds	749	651		redeemable[1]	90–180 days[2]
Private equity direct	138	108		non-redeemable	n.a.
Real estate funds	231	209	75	non-redeemable	n.a.
Total	1 853	**1 708**	**359**		

[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. Over the first nine months of 2014, these equity securities got redeemed.

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

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

Assets and liabilities measured at fair value pursuant to election of the fair value option
Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2013 and 30 September 2014 were as follows:

USD millions	2013	2014
Assets		
Equity securities trading	615	53
of which at fair value pursuant to the fair value option	544	
Other invested assets	11 164	10 060
of which at fair value pursuant to the fair value option	403	421
Liabilities		
Liabilities for life and health policy benefits	–36 033	–34 675
of which at fair value pursuant to the fair value option	–145	–155

Changes in fair values for items measured at fair value pursuant to election of the fair value option
Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the nine months ended 30 September were as follows:

USD millions	2013	2014
Equity securities trading	27	2
Other invested assets	44	27
Liabilities for life and health policy benefits	133	–10
Total	204	**19**

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed
Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2013 and 30 September 2014, were as follows:

2013 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		270	270
Mortgage loans		1 801	1 801
Other loans		824	824
Investment real estate		2 551	2 551
Total assets	0	5 446	5 446
Liabilities			
Debt	–10 998	–7 528	–18 526
Total liabilities	–10 998	–7 528	–18 526

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		258	258
Mortgage loans		1 927	1 927
Other loans		941	941
Investment real estate		2 453	2 453
Total assets	0	**5 579**	**5 579**
Liabilities			
Debt	–10 104	–7 368	–17 472
Total liabilities	**–10 104**	**–7 368**	**–17 472**

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.

8 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable setoff in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments
As of 31 December 2013 and 30 September 2014, the fair values and notional amounts of the derivatives outstanding were as follows:

2013 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	81 197	2 380	–2 123	257
Foreign exchange contracts	15 580	252	–417	–165
Equity contracts	20 111	1 266	–731	535
Credit contracts	2 676	46	–49	–3
Other contracts	23 055	140	–773	–633
Total	142 619	4 084	–4 093	–9
Derivatives designated as hedging instruments				
Foreign exchange contracts	1 472	15	–11	4
Total	1 472	15	–11	4
Total derivative financial instruments	144 091	4 099	–4 104	–5
Amount offset				
Where a right of setoff exists		–2 353	2 353	
Due to cash collateral		–524	303	
Total net amount of derivative financial instruments		1 222	–1 448	–226

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	90 622	2 476	–2 172	304
Foreign exchange contracts	19 493	165	–473	–308
Equity contracts	20 000	1 244	–653	591
Credit contracts	1 385	14	–42	–28
Other contracts	22 453	150	–677	–527
Total	**153 953**	**4 049**	**–4 017**	**32**
Derivatives designated as hedging instruments				
Foreign exchange contracts	1 271	71		71
Total	**1 271**	**71**	**0**	**71**
Total derivative financial instruments	**155 224**	**4 120**	**–4 017**	**103**
Amount offset				
Where a right of setoff exists		–2 542	2 542	
Due to cash collateral		–784	473	
Total net amount of derivative financial instruments		**794**	**–1 002**	**–208**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2013 and 30 September 2014.

Non-hedging activities

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

USD millions	For the three months ended 30 September 2013	2014	For the nine months ended 30 September 2013	2014
Derivatives not designated as hedging instruments				
Interest rate contracts	–35	–133	–213	–225
Foreign exchange contracts	–157	43	–541	–72
Equity contracts	–217	–21	–737	–133
Credit contracts	–12	4	–124	2
Other contracts	244	61	1 418	163
Total gain/loss recognised in income	–177	**–46**	–197	**–265**

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 30 September, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. Previously, the Group has entered into interest rate swaps to reduce the exposure to interest rate volatility. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses" in the income statement. Gains and losses attributable to the hedged risks were as follows:

2013 USD millions	For the three months ended 30 September Gains/losses on derivatives	Gains/losses on hedged items	For the nine months ended 30 September Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–16	14	–240	255
Foreign exchange contracts	4	–3	2	–2
Total gain/loss recognised in income	–12	11	–238	253

2014 USD millions	For the three months ended 30 September Gains/losses on derivatives	Gains/losses on hedged items	For the nine months ended 30 September Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts				
Foreign exchange contracts	108	–107	98	–95
Total gain/loss recognised in income	**108**	**–107**	**98**	**–95**

Hedges of the net investment in foreign operations

The Group designates non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the year ended 31 December 2013 and the nine months ended 30 September 2014, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 29 million and a gain of USD 575 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2013 and 30 September 2014 was approximately USD 1 746 million and USD 1 578 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[1]
Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 305 million and USD 148 million as of 31 December 2013 and 30 September 2014, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 2 million and USD 3 million as of 31 December 2013 and 30 September 2014, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 145 million additional collateral would have had to be posted as of 30 September 2014. The total equals the amount needed to settle the instruments immediately as of 30 September 2014.

Credit derivatives written/sold
In 2013, the Group has substantially completed the unwinding and de-risking activities and reduced its exposure in credit derivatives written/sold which decreased the related notional amount and fair values materially. As of 30 September 2014 the Group had no significant exposure in credit derivatives written/sold. The maximum potential payout, which is based on notional values, as of 31 December 2013 and 30 September 2014 was USD 640 million and USD 400 million, respectively.

[1] During 2014 the Group revised the disclosure on contracts that contain credit-risk related contingent features. The revision had no impact on net income and shareholders' equity of the Group.

9 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 2013 and 30 September 2014 was as follows:

USD millions	2013	**2014**
Senior financial debt	901	680
Senior operational debt	2 917	1 286
Short-term debt – financial and operational debt	3 818	**1 966**
Senior financial debt	3 233	3 587
Senior operational debt	708	714
Subordinated financial debt	5 367	5 653
Subordinated operational debt	5 414	5 136
Long-term debt – financial and operational debt	14 722	**15 090**
Total carrying value	18 540	**17 056**
Total fair value	18 526	**17 472**

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2013 and 30 September 2014, debt related to operational leverage and financial intermediation amounted to USD 9.0 billion (thereof USD 6.1 billion limited- or non-recourse) and USD 7.1 billion (thereof USD 5.8 billion limited- or non-recourse), respectively.

Interest expense on long-term debt and contingent capital instruments
Interest expense on long-term debt for the periods ended 30 September was as follows:

	Three months ended 30 September		Nine months ended 30 September	
USD millions	2013	**2014**	2013	**2014**
Senior financial debt	33	39	119	91
Senior operational debt	13	4	51	12
Subordinated financial debt	72	76	211	223
Subordinated operational debt	61	65	182	193
Total	179	**184**	563	**519**

Interest expenses on contingent capital instruments were USD 17 million and USD 17 million for the three months ended 30 September 2013 and 2014, respectively, and USD 49 million and USD 52 million for the nine months ended 30 September 2013 and 2014, respectively.

Long-term debt issued in 2014

In April 2014, Swiss Re Life Capital Ltd entered into a GBP 550 million revolving credit facility with a syndicate of banks. The facility has an expiry date of 7 April 2018. At 30 September 2014, the facility was fully drawn. The funds borrowed under this facility were used for the repayment of an intragroup loan from Swiss Reinsurance Company Ltd to Swiss Re Life Capital Ltd and to fund the acquisition by Admin Re® of individual and group pension and related annuity policies from HSBC Life (UK) Ltd in June 2014.

In September 2014, Swiss Re Corporate Solutions Ltd issued 30-year subordinated fixed rate resettable callable loan notes with a scheduled maturity in 2044. The notes have a face value of USD 500 million, with a fixed coupon of 4.5% per annum until the first optional redemption date (11 September 2024).

In September 2014, Swiss Reinsurance Company Ltd issued 10-year senior notes maturing in 2024. The notes have a face value of CHF 250 million, with a fixed coupon of 1%.

10 Earnings per share

Earnings per share for the periods ended 30 September were as follows:

USD millions (except share data)	Three months ended 30 September 2013	2014	Nine months ended 30 September 2013	2014
Basic earnings per share				
Net income	1 089	**1 244**	3 288	**3 308**
Non-controlling interests			–1	**–1**
Interest on contingent capital instruments	–17	**–17**	–49	**–52**
Net income attributable to common shareholders	1 072	**1 227**	3 238	**3 255**
Weighted average common shares outstanding	343 100 840	**342 165 768**	342 881 254	**342 234 176**
Net income per share in USD	3.12	**3.59**	9.44	**9.51**
Net income per share in CHF[1]	2.93	**3.21**	8.84	**8.52**
Effect of dilutive securities				
Change in income available to common shares due to contingent capital instruments	17	**17**	51	**52**
Change in average number of shares due to contingent capital instruments	35 745 192	**35 745 192**	35 745 192	**35 745 192**
Change in average number of shares due to employee options	1 034 458	**656 052**	1 051 727	**744 837**
Diluted earnings per share				
Net income assuming contingent capital instruments conversion and exercise of options	1 089	**1 244**	3 289	**3 307**
Weighted average common shares outstanding	379 880 490	**378 567 012**	379 678 173	**378 724 205**
Net income per share in USD	2.87	**3.29**	8.66	**8.73**
Net income per share in CHF[1]	2.68	**2.95**	8.11	**7.83**

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

Dividends are declared in Swiss francs. During the year ended 31 December 2013 and the period ended 30 September 2014, the Group's dividends declared per share were CHF 3.50 and CHF 3.85 respectively, as well as an additional special dividend of CHF 4.00 and CHF 4.15 respectively. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions.

11 Variable interest entities

Swiss Re Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise 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 30 September 2014, 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 1 432 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 30 September 2014, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 035 million. The total assets of such vehicles in which the Group is the primary beneficiary were USD 6 840 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 30 September 2014, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 583 million. The total assets of such vehicles in which the Group is the primary beneficiary were USD 16 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 30 September 2014, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 5 764 million. The total assets of such vehicles in which the Group is the primary beneficiary were USD 17 million.

The Group did not provide financial or other support to any VIEs during 2014 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December 2013 and 30 September 2014:

		2013		**2014**
USD millions	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities:				
Available-for-sale	6490	6490	6519	6519
Trading			2	2
Short-term investments	61	61	109	109
Other invested assets	8		16	
Cash and cash equivalents	162	162	63	63
Accrued investment income	60	60	63	63
Other assets	17		101	84
Total assets	6798	6773	**6873**	**6840**

	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Deferred and other non-current tax liabilities			164	164
Short-term debt	62	62		
Accrued expenses and other liabilities	20	20	95	95
Long-term debt	5414	5414	5136	5136
Total liabilities	5496	5496	**5395**	**5395**

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 2013 and 30 September 2014:

USD millions	2013	2014
Fixed income securities:		
Available-for-sale	71	56
Trading	15	15
Policy loans mortgages and other loans		88
Other invested assets	1 568	1 473
Total assets	1 654	**1 632**
Short-term debt	417	
Accrued expenses and other liabilities	422	220
Total liabilities	839	**220**

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 2013 and 30 September 2014:

				2013				2014
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	72		90	90	57		54	54
Swaps in trusts	96	284	–[1]	–	34	132	–[1]	–
Debt financing	407		30	30	399		29	29
Investment vehicles	853		853	853	839		839	839
Other	226	555	1 897	1 342	303	88	2 929	2 841
Total	1 654	839	–[1]	–	**1 632**	**220**	**–[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 88 million recognised for the "Other" category relate mainly to a guarantee granted.

12 Benefit plans

Net periodic benefit cost
Pension and post-retirement cost for the nine months ended 30 September 2013 and 2014 were USD 120 million and USD 87 million, respectively.

Employer's contributions for 2014
For the nine months ended 30 September 2014, the Group contributed USD 162 million to its defined benefit pension plans and USD 13 million to other post-retirement plans, compared to USD 199 million and USD 12 million, respectively, in the same period of 2013.

The expected 2014 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2014 for latest information, amount to USD 195 million and USD 18 million, respectively.

13 Subsequent events

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company, a life insurer, to Reinsurance Group of America, Incorporated (RGA).

Aurora National Life Assurance company is part of the US business retained by the Group following the sale of the US Admin Re® holding company Reassure America Life Insurance Company (REALIC).

The sale of Aurora is expected to close in early 2015 and is subject to approval by the relevant regulators.

Note on risk factors

General impact of adverse market conditions
The continued volatility in global financial markets and recent pessimistic global growth forecasts by the Organisation of Economic Cooperation and Development and the International Monetary Fund, among others, particularly for Europe highlight the continued uncertainties around the post-crisis recovery and the risks that the world economy continues to face. In the European Union also, it remains unclear whether the proposed 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. 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 uncertainties could be exacerbated by the uncertainty over the pace and extent of future economic growth in emerging markets. Moreover, political or geopolitical crises, and international responses to such crises, as highlighted by the events involving Ukraine and the Middle East, could have an adverse impact on global financial markets and economic conditions. These developments in turn could have an adverse impact on the investment results of Swiss Re Ltd ("Swiss Re") and its direct or indirect subsidiaries (collectively, the "Group" or the "Swiss Re Group"), the Group's 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 subject to Group supervision, and some of 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 as a Group 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. The Group is also monitoring the proposed Swiss Federal Act on Financial Market Infrastructure (which will introduce new regulations for over-the-counter derivatives trading in line with international standards) and the proposed Swiss Federal Financial Services Act and Financial Institutions Act (which contain rules for financial services providers that are based on the EU Markets in Financial Instruments Directive ("MiFID") regulations). 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 and, more recently, as a result of the Solvency Modernization Initiative of the National Association of Insurance Commissioners, the Group is experiencing greater US scrutiny of its global operations and more extensive reporting obligations. 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 MiFID, in respect of derivatives could have a significant impact on the Group.

Other changes remain 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 our 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 a framework for supervision of internationally active insurance groups (IAIGs). Initial designation of insurers as G-SIIs took place in July 2013, with an updated list published in November 2014. The initial designation of reinsurers as G-SIIs, which was expected in mid-November 2014, has been postponed pending further development of the methodology. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the Basic Capital Requirement for G-SIIs and the Insurance Capital Standard for IAIGs). In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

Significant policy decisions on a range of regulatory changes that could affect the Group and its 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 or will 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
If the credit markets were to deteriorate and asset classes were to be impacted, the Group could experience 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, the Group could face write-downs in areas of its portfolio, including structured instruments, and the Group and its counterparties could 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 re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger 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 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 is exposed to the risk of defaults, or concerns about defaults, by its counterparties. 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 interests 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, particularly those that further increase their sensitivity to counterparty risk; 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 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, including in this report. 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 the Swiss Re corporate structure
Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries.

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results 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 or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re'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 Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to 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 Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re'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 Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;

- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Corporate calendar and contact information

Corporate calendar
19 February 2015
2014 annual results

18 March 2015
Publication of Annual Report 2014
and 2014 EVM Results

21 April 2015
151st Annual General Meeting

30 April 2015
First quarter 2015 results

30 July 2015
Second quarter 2015 results

29 October 2015
Third quarter 2015 results

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