Swiss Re

Swiss Re Corporate Solutions Ltd
Annual Report 2016

Key Information

Financial highlights

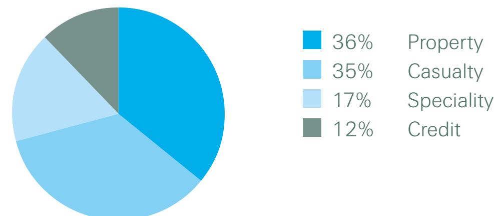
For the years ended 31 December

USD millions, unless otherwise stated	2015	**2016**	Change in %
Swiss Re Corporate Solutions Group			
Net income attributable to common shareholder	409	**172**	–58
Gross premiums written	3 967	**4 179**	5
Premiums earned	3 379	**3 503**	4
Combined ratio in %	90.9	**99.3**	
Return on equity[1] in %	17.3	**7.3**	

[1] Return on equity is calculated by dividing net income attributable to common shareholder by average common shareholder's equity.

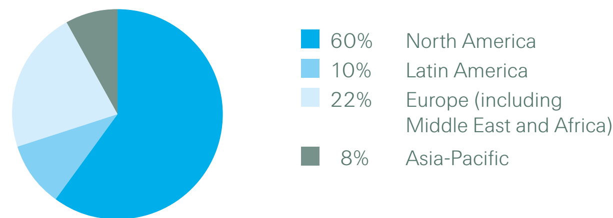
Gross premiums earned by segment, 2016

(Total USD 4 042 million)



Gross premiums earned by regions, 2016

(Total USD 4 042 million)



Financial Strength Rating of Corporate Solutions Entities

	AM Best	Moody's	Standard & Poor's
Swiss Re Corporate Solutions Ltd	A+	Aa3	AA-
Swiss Re International SE	A+	Aa3	AA-
Westport Insurance Corporation	A+	Aa3	AA-
Other Corporate Solutions US entities (NAS, NAE, NAC, FSIC)	A+		AA-
Swiss Re Corporate Solutions Brasil Seguros		Baa3	
Company Aseguradora de Fianzas S.A. Confianza		Baa2	

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Income statement

For the years ended 31 December

USD millions	Note	2015	2016
Revenues			
Gross premiums written	3	3 967	**4 179**
Net premiums written	3	3 494	**3 662**
Change in unearned premiums		–115	**–159**
Premiums earned	3	3 379	**3 503**
Net investment income	6	127	**124**
Net realised investment gains/losses[1]	6	141	**49**
Other revenues		9	**5**
Total revenues		3 656	**3 681**
Expenses			
Claims and claim adjustment expenses	3	–1 955	**–2 263**
Acquisition costs	3	–459	**–517**
Operating expenses		–658	**–698**
Total expenses before interest expenses		–3 072	**–3 478**
Income before interest and income tax expense		584	**203**
Interest expenses		–24	**–23**
Income before income tax expense		560	**180**
Income tax expense[2]	11	–149	**–10**
Net income before attribution of non-controlling interests		411	**170**
Income/loss attributable to non-controlling interests		–2	**2**
Net income attributable to common shareholder		409	**172**

[1] Total impairments for the years ended 31 December of USD 3 million in 2015 and USD 10 million in 2016 were fully recognised in earnings.
[2] The twelve months ended 31 December 2016 include a tax credit on US foreign income.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2015	**2016**
Net income before attribution of non-controlling interests	411	**170**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	–144	**40**
Change in foreign currency translation	–68	**7**
Total comprehensive income before attribution of non-controlling interests	199	**217**
Comprehensive income attributable to non-controlling interests	–2	**2**
Total comprehensive income attributable to common shareholder	197	**219**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2015 USD millions	Unrealised investment gains/losses[1]	Foreign currency translation	Accumulated other comprehensive income
Balance as of 1 January	116	55	171
Change during the period	–302	–68	–370
Amounts reclassified out of accumulated other comprehensive income	91		91
Tax	67		67
Balance as of period end	–28	–13	–41

2016 USD millions	Unrealised investment gains/losses[1]	Foreign currency translation	**Accumulated other comprehensive income**
Balance as of 1 January	–28	–13	**–41**
Change during the period	–6	8	**2**
Amounts reclassified out of accumulated other comprehensive income	59		**59**
Tax	–13	–1	**–14**
Balance as of period end	**12**	**–6**	**6**

[1] Reclassification adjustment included in net income is presented in "Net realised investment gains/losses".

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2015	2016
Investments	6,7,8		
Fixed income securities, available-for-sale (including 1 056 in 2015 and 979 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 5 945; 2016: 4 946)		5 888	**4 927**
Equity securities, available-for-sale (including 166 in 2015 and 4 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 906; 2016: 335)		935	**384**
Short-term investments (including 488 in 2015 and 366 in 2016 subject to securities lending and repurchase agreements)		1 256	**1 246**
Other invested assets[1]		182	**1 773**
Total investments		8 261	**8 330**
Cash and cash equivalents (including 13 in 2015 and 109 in 2016 subject to securities lending)		504	**449**
Accrued investment income		49	**39**
Premiums and other receivables		2 276	**2 541**
Reinsurance recoverable on unpaid claims		6 182	**5 429**
Funds held by ceding companies		20	**76**
Deferred acquisition costs	5	387	**444**
Goodwill		106	**173**
Income taxes recoverable	11	6	**84**
Deferred tax assets		242	**248**
Other assets		693	**784**
Total assets		18 726	**18 597**

[1] The adoption of ASU 2015-02 as of 1 January 2016 led to a change in consolidation of an investment vehicle. The majority of the investments held in this vehicle were accounted for as fixed income and equity securities available-for-sale and are now reported as investment in equity-accounted investees which is part of Other invested assets. Please refer to Note 1 for more details.

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

Liabilities and equity

USD millions	Note	2015	2016
Liabilities			
Unpaid claims and claim adjustment expenses	4	10 619	**10 271**
Unearned premiums		2 959	**3 118**
Funds held under reinsurance treaties		876	**790**
Reinsurance balances payable		343	**402**
Income taxes payable		33	**13**
Deferred and other non-current tax liabilities	11	375	**375**
Accrued expenses and other liabilities		599	**732**
Long-term debt	10	496	**497**
Total liabilities		16 300	**16 198**
Equity			
Common shares, CHF 1 000 par value 2015: 100 000; 2016: 100 000 shares authorised and issued		119	**119**
Additional paid-in capital		677	**687**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–28	**12**
Foreign currency translation, net of tax		–13	**–6**
Total accumulated other comprehensive income		–41	**6**
Retained earnings		1 605	**1 527**
Shareholder's equity		2 360	**2 339**
Non-controlling interests		66	**60**
Total equity		2 426	**2 399**
Total liabilities and equity		18 726	**18 597**

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

Statement of shareholder's equity

For the years ended 31 December

USD millions	2015	2016
Common shares		
Balance as of 1 January	119	**119**
Issue of common shares		
Balance as of period end	119	**119**
Additional paid-in capital		
Balance as of 1 January	677	**677**
Share-based compensation		**10**
Balance as of period end	677	**687**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	116	**–28**
Changes during the period	–144	**40**
Balance as of period end	–28	**12**
Foreign currency translation, net of tax		
Balance as of 1 January	55	**–13**
Changes during the period	–68	**7**
Balance as of period end	–13	**–6**
Retained earnings		
Balance as of 1 January	1 396	**1 605**
Net income attributable to common shareholder	409	**172**
Dividends on common shares	–200	**–250**
Balance as of period end	1 605	**1 527**
Shareholder's equity	2 360	**2 339**
Non-controlling interests		
Balance as of 1 January	89	**66**
Change during the period	–25	**–4**
Income attributable to non-controlling interests	2	**–2**
Balance as of period end	66	**60**
Total equity	2 426	**2 399**

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

Statement of cash flow

For the years ended 31 December

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholder	409	**172**
Add net income attributable to non-controlling interests	2	**–2**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	70	**71**
Net realised investment gains/losses	–141	**–49**
Income from equity-accounted investees, net of dividends received[1]		**–19**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	–906	**–484**
Funds held by ceding companies and under reinsurance treaties	–148	**–141**
Reinsurance recoverable on unpaid claims and policy benefits	1 127	**753**
Other assets and liabilities, net	–22	**123**
Income taxes payable/recoverable	–16	**–112**
Trading positions, net	99	**–48**
Net cash provided/used by operating activities	474	**264**
Cash flows from investing activities		
Fixed income securities:		
Sales	4 095	**2 489**
Maturities	320	**274**
Purchases	–5 386	**–2 461**
Net purchase/sale/maturities of short-term investments	1 052	**–20**
Equity securities:		
Sales	525	**786**
Purchases	–759	**–322**
Securities purchased/sold under agreement to resell/repurchase, net	–43	**26**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net	–108	**–127**
Net purchases/sales/maturities of other investments	–23	**–697**
Net cash provided/used by investing activities	–327	**–52**
Cash flows from financing activities		
Dividends paid to parent	–200	**–250**
Net cash provided/used by financing activities	–200	**250**
Total net cash provided/used	–53	**–38**
Effect of foreign currency translation	–11	**–17**
Change in cash and cash equivalents	–64	**–55**
Cash and cash equivalents as of 1 January	568	**504**
Cash and cash equivalents as of 31 December	504	**449**

[1] The adoption of ASU 2015-02 as of 1 January 2016 led to a change in consolidation of an investment vehicle. The majority of the investments held in this vehicle were accounted for as fixed income and equity securities available-for-sale and are now reported as investment in equity-accounted investees. Please refer to Note 1 for more details.

Interest paid was USD 23 million and USD 23 million for the years ended 31 December 2015 and 2016, respectively.
Tax paid was USD 155 million and USD 122 million for the years ended 31 December 2015 and 2016, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Corporate Solutions Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Corporate Solutions Ltd (the parent company, referred to as "SRCS") and its subsidiaries (collectively, the "Group"). The Group provides a wide range of traditional and non-traditional commercial insurance products and risk transfer solutions through a network of offices around the globe.

SRCS is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of four business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Life Capital. The presentation of each segment's balance sheet is closely aligned with the segment legal entity structure.

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

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

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

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

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

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2016, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income securities, other than those investments considered to be short term investments, and equity securities are classified as available-for-sale (AFS). Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value recognised in shareholder's equity.

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

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

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

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

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

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

Derivative financial instruments

The Group enters into various financial contracts covering risks such as weather, weather-contingent price risks and outage contingent power price risks that are accounted for as derivative financial instruments. The Group also uses derivatives to manage exposure to foreign currency risks. Derivative positions are carried at fair value, generally by obtaining quoted market prices or through the use of valuation models, with changes in fair value recorded in income. The Group currently does not apply hedge accounting.

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

Cash and cash equivalents

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

Deferred acquisition costs

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

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts.

Modifications of insurance and reinsurance contracts

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

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of applying the acquisition method of accounting, including goodwill and other intangible assets.

Goodwill

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

Other assets

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

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

Real estate for own use and equipment are carried at depreciated cost. Depreciation on buildings is recognised over the estimated useful life of the asset. Land is recognised at cost and not depreciated.

Capitalised software costs

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

Income taxes

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

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

Unpaid claims and claim adjustment expenses

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

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

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

Funds held assets and liabilities

On the asset side, funds held by ceding companies consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. On the liability side, funds held under reinsurance treaties consist of amounts retained from ceded business written on a funds withheld basis.

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

Premiums

Property and casualty insurance and reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of insurance and reinsurance provided. Unearned premiums consist of the unexpired portion of insurance and reinsurance provided.

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

Insurance and reinsurance ceded

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

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

Receivables

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

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2017. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", which creates topic 606, "Revenue from Contracts with Customers". ASU 2014-09 outlines the principles that an entity should follow to provide useful information about the amount, timing and uncertainty of revenue and cash flows arising from contracts with its customers. The standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts and financial instruments are not in the scope of the new standard. The new requirements are effective for annual and interim periods beginning after 15 December 2017, and may be applied retrospectively to each prior period presented or with a cumulative effect adjustment to retained earnings as of the date of initial application. The Group is currently assessing the impact of the new requirements.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity – a consensus of the FASB Emerging Issues Task Force", an update to topic 810, "Consolidation". The ASU applies to entities that are required to consolidate a collateralised financing entity (CFE) under the variable interest entity (VIE) consolidation guidance when the entity measures all financial assets and financial liabilities of the CFE at fair value, with changes in fair value recorded in earnings. Before the ASU became effective, if an entity would measure the fair value of assets and liabilities separately following applicable US GAAP rules, the aggregate fair value might have differed. The new guidance allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both. The Group adopted ASU 2014-13 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern", an update to subtopic 205-40, "Presentation of Financial Statements – Going Concern". The ASU requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are available to be issued. When management identifies such conditions or events, footnote disclosures need to be provided on the relevant conditions and events identified and on whether management's plans to mitigate those conditions or events will alleviate the substantial doubt. The Group adopted ASU 2014-15 as of year-end 2016. The adoption did not have an impact on the Group's financial statements.

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity – a consensus of the FASB Emerging Issues Task Force", an update to topic 815, "Derivatives and Hedging". The ASU provides guidance on how to assess whether or not a derivative embedded in an instrument in the legal form of a share must be bifurcated and accounted for separately from its host contract. Entities are required to use "the whole instrument approach" to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. No single term or feature will necessarily determine the nature of the host contract. The Group adopted ASU 2014-16 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", an update to subtopic 225-20, "Income Statement–Extraordinary and Unusual Items". The ASU eliminates the separate presentation of extraordinary items, net of tax and the related earnings per share. Extraordinary items were events and transactions that were distinguished by their unusual nature and by the infrequency of their occurrence. The ASU does not affect the requirement to disclose material items that are unusual in nature or infrequently occurring. The Group adopted ASU 2015-01 on 1 January 2016 on a prospective basis. The adoption did not have a material effect on the Group's financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendments to the Consolidation Analysis", an amendment to topic 810, "Consolidation". ASU 2015-02 (i) eliminates the indefinite deferral of the consolidation requirements for certain investment companies and similar entities, (ii) modifies how to evaluate partnerships and other entities under the VIE framework, (iii) eliminates the presumption that a general partner should consolidate a limited partnership, (iv) modifies consolidation analysis, particularly for decision-maker fee arrangements and related party relationships, (v) excludes from the scope of consolidation assessment the entities that are, or operate similar to, money market funds registered under the US Investment Company Act of 1940. The Group adopted ASU 2015-02 on 1 January 2016 following the modified retrospective method. The modified retrospective method does not require the restatement of prior periods. The adoption did not have a material effect on the Group's financial statements; however, it led to a change in consolidation of an investment vehicle. Please refer to the balance sheet, Note 6 Investments and Note 14 Variable interest entities for further details.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", an update to subtopic 835-30, "Interest—Imputation of Interest". The ASU changes the presentation of debt issuance costs in financial statements by requiring that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs is reported as interest expense. The Group adopted ASU 2015-03 on 1 January 2016 on a prospective basis. The adoption did not have an impact on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", an amendment to topic 820, "Fair Value Measurement". ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Group adopted ASU 2015-07 on 1 January 2016 and removed investments for which fair values are measured using the net asset value per share practical expedient from the fair value hierarchy as of the adoption date. The amended disclosures are provided in Note 7 Fair value disclosures.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred but not reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claim adjustment expenses in both interim and annual periods. The Group adopted the annual disclosure requirements as of year-end 2016. Please refer to Note 4 for further details. The Group will adopt the interim disclosure requirements for the half-year ending on 30 June 2017.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", an amendment to topic 805, "Business Combinations". ASU 2015-16 is on adjustments to provisional amounts from business combinations during the measurement periods. It requires that an acquirer recognises such adjustments in the reporting period in which the adjustment amounts are determined. Further, the ASU requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortisation, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Group adopted this guidance on 1 January 2016. The adoption did not have an effect on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTAs rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2018. Early application of the Update is permitted. The Group is currently assessing the impact of the new requirements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to topic 326, " Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. The standard requires for financial instruments that are measured at amortised cost and available-for-sale debt securities that an entity recognises as an allowance its estimate of expected credit losses. This standard is effective for the Group for annual and interim periods beginning after 15 December 2020. Early adoption for interim and annual periods after 15 December 2018 is permitted. The Group is currently assessing the impact of the new requirements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory", an update to topic 740, "Income Taxes". This ASU amends the current guidance which prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This new standard requires that an entity should recognise the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2017. The Group is currently assessing the impact of the new requirements.

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2 Information on business segments

The Group provides 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 customized solutions tailored to the needs of clients. The business segments are determined by the organisational structure and the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property, Casualty, Specialty and Credit.

The Group does not track and manage its investment portfolio by operating segment, and therefore separate balance sheets are not maintained. Accordingly, the Group does not review and evaluate the financial results of its operating segments based upon balance sheet data.

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

The Group operating segments are outlined below.

Property
The Property segment includes insurance for fire, wind, water damage and vandalism. It also provides cover for flood, earthquake, tsunami and terrorism. Business interruption insurance is complementary to property insurance. Agriculture is also covered in this segment.

Casualty
The Casualty segment includes liability, motor and non-life accident & health. The Group's general liability insurance products provide coverage against legal liability exposure of a business including product, professional, directors' and officers' (D&O) and environmental liability insurance. Non-life accident and health insurance includes workers compensation and disability coverage.

Specialty
The Specialty business segment consists of dedicated insurance offerings to specific industries on a global scale such as aviation and space, engineering and construction and marine.

Credit
The Credit segment provides innovative trade, commodity and infrastructure finance risk sharing solutions along with surety solutions and political risk insurance covers.

a) Business segments – income statement

For the years ended 31 December

2015 USD millions	Property	Casualty	Specialty	Credit	Total
Gross premiums written	1 481	1 193	726	567	3 967
Net premiums written	1 238	1 068	692	496	3 494
Change in unearned premiums	2	–10	–15	–92	–115
Premiums earned	1 240	1 058	677	404	3 379
Expenses					
Claims and claim adjustment expenses	–500	–783	–519	–153	–1 955
Acquisition costs	–152	–104	–103	–100	–459
Operating expenses[1]	–257	–182	–116	–103	–658
Total expenses before interest expenses	–909	–1 069	–738	–356	–3 072
Underwriting result	331	–11	–61	48	307
Net investment income					127
Net realised investment gains/losses					141
Other revenues					9
Interest expenses					–24
Income before income tax expense					560
Claims ratio in %	40.3	74.0	76.7	37.9	57.8
Expense ratio in %	33.0	27.0	32.3	50.2	33.1
Combined ratio in %	73.3	101.0	109.0	88.1	90.9

[1] The Group revised the allocation of operating expenses by Business segment with no impact to the Group's result. Comparative information for 2015 has been adjusted accordingly.

2016 USD millions	Property	Casualty	Specialty	Credit	Total
Gross premiums written	1 486	1 487	642	564	4 179
Net premiums written	1206	1348	601	507	3662
Change in unearned premiums	–14	–87	59	–117	–159
Premiums earned	**1 192**	**1 261**	**660**	**390**	**3 503**
Expenses					
Claims and claim adjustment expenses	–541	–1 099	–422	–201	–2 263
Acquisition costs	–168	–134	–111	–104	–517
Operating expenses	–268	–205	–120	–105	–698
Total expenses before interest expenses	**–977**	**–1 438**	**–653**	**–410**	**–3 478**
Underwriting result	**215**	**–177**	**7**	**–20**	**25**
Net investment income					124
Net realised investment gains/losses					49
Other revenues					5
Interest expenses					–23
Income before income tax expense					**180**
Claims ratio in %	45.4	87.1	63.9	51.5	64.6
Expense ratio in %	36.6	26.9	35.0	53.6	34.7
Combined ratio in %	82.0	114.0	98.9	105.1	99.3

b) Gross premiums earned by geography

Gross premiums earned by regions for the years ended 31 December

USD millions	2015	**2016**
North America	2 232	2 436
Latin America	406	398
Europe (including Middle East and Africa)	933	904
Asia-Pacific	291	304
Total	3 862	**4 042**

Gross premiums earned by country for the years ended 31 December

USD millions	2015	**2016**
United States	1 875	2 162
United Kingdom	251	210
Germany	161	165
Canada	173	128
Brazil	138	125
Australia	116	105
Bermuda	136	89
France	92	85
Columbia	67	82
Netherlands	65	81
Other	788	810
Total	3 862	**4 042**

Gross premiums earned are allocated by country based on the underlying contract.

3 Insurance information

For the years ended 31 December

Premiums written and premiums earned

USD millions	2015	2016
Premiums written		
Direct	2 905	3 056
Reinsurance	1 062	1 123
Ceded	–473	–517
Net premiums written	3 494	**3 662**
Premiums earned		
Direct	2 732	2 878
Reinsurance	1 130	1 164
Ceded	–483	–539
Net premiums earned	3 379	**3 503**

Claims and claim adjustment expenses

USD millions	2015	2016
Claims paid		
Gross	–3 001	–2 757
Ceded	1 292	919
Net claims paid	–1 709	**–1 838**
Change in unpaid claims and claim adjustment expenses		
Gross	843	352
Ceded	–1 089	–777
Net unpaid claims and claim adjustment expenses	–246	**–425**
Claims and claim adjustment expenses	–1 955	**–2 263**

Acquisition costs

USD millions	2015	2016
Acquisition costs		
Gross	–559	–649
Ceded	100	132
Net acquisition costs	–459	**–517**

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2015 and 2016, the Group had a reinsurance recoverable of USD 6 182 million and USD 5 429 million, respectively. The concentration of credit risk is regularly monitored and evaluated.

The Group cedes certain re/insurance contracts to affiliated companies within the Swiss Re Group, but outside of Swiss Re Corporate Solutions Ltd and its subsidiaries (please refer to Note 13).

Insurance receivables

Insurance receivables as of 31 December were as follows:

USD millions	2015	2016
Premium receivables invoiced	402	551
Receivables invoiced from ceded re/insurance business	189	109
Recognised allowance	–20	–24

4 Unpaid claims and claim adjustment expenses

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

USD millions	2015	**2016**
Balance as of 1 January	11 721	10 619
Reinsurance recoverable	–7 434	–6 182
Net balance as of 1 January	4 287	**4 437**
Incurred related to:		
Current year	2 108	2 229
Prior year	–174	16
Total incurred	1 934	2 245
Paid related to:		
Current year	–523	–493
Prior year	–1 186	–1 345
Total paid	–1 709	–1 838
Foreign exchange	–114	–20
Effect of acquisitions, disposals, new retroactive reinsurance and other items	39	18
Net balance as of 31 December	4 437	**4 842**
Reinsurance recoverable	6 182	5 429
Balance as of 31 December	10 619	**10 271**

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

Prior-year development

In 2016, property claims development on prior years was driven by favourable experience related to lower than expected claims occurrence. Casualty, specialty and credit & surety claims development on prior years was driven by adverse experience related to large losses.

US asbestos and environmental claims exposure

The Business Unit's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986 as well as out of such business acquired subsequently through reinsurance arrangements to other Swiss Re Group Companies, in particular in the area of US asbestos and environmental liability.

At the end of 2016, the Business Unit Corporate Solutions carried net reserves for US asbestos and environmental liabilities equal to USD 219 million. During 2016, Corporate Solutions incurred net losses of USD 32 million and paid net against these liabilities of USD 4 million.

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

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

Short duration contract unpaid claims and claim adjustment expenses

Basis of presentation of claims development tables

This section provides claims development information on an accident year basis.

Claims development information and information on reserves for claims relating to insured events that have occurred but have not yet been reported or not enough reported ("IBNR") is presented by the four core operating business segments ("disaggregation categories"). Amounts shown are net of external retrocession and ceded re/insurance contracts to affiliated companies within the Swiss Re Group, but outside the Swiss Re Corporate Solutions Group. Claims development information and information on IBNR reserves are shown on a nominal basis, also for cases where the Group discounts claim liabilities from acquisition accounting.

SRCS was incorporated in 2011 and started operations in 2012. Corporate Solutions as a separately managed business unit likewise started operations in 2012 after the transfer of Swiss Reinsurance Company Ltd's investment in SRCS in 2012 to the Swiss Re Group holding company, Swiss Re Ltd. Therefore, five accident years and reporting periods are shown for the Group. Claims arising from older accident years prior to 2012 are shown as a reconciling item in "All liabilities before 2012" in the claims development tables. All but an immaterial portion of these claims arise from accident years older than 10 years and therefore are out of the required range of disclosure.

Generally, claims reserves acquired in business combinations are presented on a retrospective basis in the claims development tables, as if the Group had always owned the business acquired, to the extent the underlying information can be produced without undue effort and acquired reserves are considered material. Acquired businesses are shown in the existing disaggregation categories. Disposals will be treated similarly. Facts and circumstances may indicate a different presentation for specific transactions, in which case they will be addressed specifically in these notes.

The information presented in the claims development tables is presented at the current balance sheet foreign exchange rates as of the date of these financial statements to permit an analysis of claims development excluding the impact of foreign exchange movements.

Some of the information provided in the following tables is treated as Required Supplementary Information (RSI) under US GAAP. Therefore, it does not form part of these consolidated audited financial statements. Claims development information for all periods except the current reporting period and any information derived from it – including average annual percentage payout of claims incurred – is considered RSI and is identified as RSI in the tables presented.

Methodology for determining the presented amounts of liabilities for IBNR claims

The liability for unpaid claims and claim adjustment expenses is based on an estimate of the ultimate cost of settling the claims based on both information reported to us by ceding companies and internal estimates.

Cedents report their case reserves and their estimated IBNR to the Group. The Group develops and recognises its own estimate of IBNR claims, which includes circumstances in which the cedent has not reported any claims to the Group or where the Group's estimate of reserves needed to cover reported claims differs from the amounts reported by cedents.

For business reviewed on a portfolio level, the expected ultimate losses are set for most lines and types of business based on analysis performed using standard actuarial techniques. In general, contracts are aggregated into portfolios by combining contracts with similar features.

In most cases, these standard actuarial techniques encompass a number of loss development factor techniques applied to claim tables of paid and reported losses. Other actuarial techniques may be applicable to specific categories. For instance, the analysis of frequency and severity could be applied in all disaggregation categories. In some cases, techniques specific to the projection of future payments for specific risks such as asbestos or pollution claims are applied to both proportional and non-proportional liability claims (see also separate section 'Asbestos and environmental claims exposure' on page 21).

Contract-level reserving is based on standard actuarial techniques but requires more detailed contract, pricing, claim and exposure information than required for the business reviewed on a portfolio level.

In addition, the following applies for all business:

- For the most recent underwriting years, reliance may be made on the Group's costing and underwriting functions for the initial estimates of claims, although the initial reserving estimates may differ from these pricing estimates if there is good reason to believe losses are likely to emerge higher or lower, and in light of the limited claims experience to date. Reviews of those initial estimates are performed regularly, forming a basis for adjustments on both the current and prior underwriting years.

- The reserving process considers any information available in respect of either a specific case or a large loss event and the impact of any unusual features in the technical accounting of information provided by cedents.

Claims frequency information

Claims frequency is displayed for direct business only as individual claims information is generally not available for assumed and ceded business. Claims are counted individually per contract to produce the claims frequency table. For some direct business, summary reports are received and multiple claims are booked under a single claim code. This "bulk booking" is usually done at a programme, policy year, state, country and/or line of business level of detail. This approach may be applied to business, which has a high volume of claim counts, but with only minor claims dollars associated with each claim.

Property

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year						
Accident year	2012	2013	2014	2015	2016	Thereof IBNR	Cumulative number of reported claims (in nominals)
2012	*475*	*456*	*410*	*415*	413	20	3260
2013		*567*	*490*	*445*	426	5	13664
2014			*648*	*612*	571	7	7196
2015	**RSI**			*506*	463	58	3529
2016					571	209	2668
Total					**2444**	**299**	**30317**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year				
Accident year	2012	2013	2014	2015	2016
2012	*62*	*245*	*329*	*363*	367
2013		*103*	*258*	*361*	402
2014			*131*	*394*	490
2015	**RSI**			*91*	243
2016					146
Total					**1648**
All liabilities before 2012					15
Liabilities for claims and claim adjustment expenses, net of reinsurance					**811**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5
Property **(RSI)**	*21.5%*	*39.9%*	*20.4%*	*8.9%*	*1.0%*

Development in property is due to favourable claims experience.

Change in claim counts in property for accident years 2013 and 2014 relate mostly to an agriculture programme written in 2013, leading to high claim counts in those years.

Casualty

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year						
Accident year	2012	2013	2014	2015	**2016**	**Thereof IBNR**	**Cumulative number of reported claims (in nominals)**
2012	*442*	*446*	*424*	*412*	406	111	5778
2013		*600*	*681*	*672*	624	203	6578
2014			*663*	*647*	648	348	7334
2015	***RSI***			*725*	876	516	5497
2016					865	762	2867
Total					**3419**	**1940**	**28054**

Cumulative paid claim and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year				
Accident year	2012	2013	2014	2015	**2016**
2012	*32*	*118*	*157*	*198*	265
2013		*50*	*177*	*281*	367
2014			*43*	*139*	224
2015	***RSI***			*24*	150
2016					73
Total					**1079**
All liabilities before 2012					681
Liabilities for claims and claim adjustment expenses, net of reinsurance					**3021**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5
Casualty **(RSI)**	*6.7%*	*17.7%*	*13.1%*	*11.9%*	*16.5%*

The 2015 accident year claims development in casualty is mostly driven by several large losses. Older accident years saw either favourable or no development. The liabilities before 2012 relate mainly to accident years 2006 and prior. The increase in reserves in 2016 is due to the acquisition of IHC Risk Solutions.

Casualty business may have a significant reporting lag between the accident date and the date reported to the Group. The reported claim counts have been trending up for 2012 to 2014, which is similar to the incurred losses. For all recent years, there will be significant increases in reported claim counts over time, which will narrow the gap of claim counts.

Specialty

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year						
Accident year	2012	2013	2014	2015	**2016**	**Thereof IBNR**	**Cumulative number of reported claims (in nominals)**
2012	*338*	*289*	*285*	*256*	264	2	2871
2013		*381*	*371*	*352*	337	7	4171
2014			*433*	*419*	387	24	4963
2015	***RSI***			*526*	529	66	4492
2016					431	206	2441
Total					**1948**	**305**	**18938**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year				
Accident year	2012	2013	2014	2015	**2016**
2012	*78*	*177*	*208*	*221*	239
2013		*108*	*219*	*270*	297
2014			*60*	*220*	312
2015	***RSI***			*126*	318
2016					72
Total					**1238**
All liabilities before 2012					11
Liabilities for claims and claim adjustment expenses, net of reinsurance					**721**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5
Specialty **(RSI)**	*23.5%*	*37.0%*	*16.9%*	*6.5%*	*6.8%*

Specialty had favourable experience in accident years 2012 – 2014. In accident year 2015, experience is driven by several medium-sized aviation claims.

Specialty business may have a moderate reporting lag between the accident date and the date reported to the Group. The reported claim counts have been trending up for 2012 to 2014, which is similar to the incurred losses. For all recent years, there will be moderate increases in reported claim counts over time, which will narrow the gap of claim counts.

Credit

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year						
Accident year	2012	2013	2014	2015	**2016**	**Thereof IBNR**	**Cumulative number of reported claims (in nominals)**
2012	*33*	*29*	*21*	*24*	21	1	540
2013		*38*	*29*	*32*	31	4	844
2014			*73*	*81*	86	–1	466
2015	***RSI***			*119*	170	20	646
2016					132	65	84
Total					**440**	**89**	**2580**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year				
Accident year	2012	2013	2014	2015	**2016**
2012	*9*	*13*	*13*	*19*	18
2013		*10*	*17*	*24*	27
2014			*37*	*68*	84
2015	***RSI***			*107*	193
2016					82
Total					**404**
All liabilities before 2012					9
Liabilities for claims and claim adjustment expenses, net of reinsurance					**45**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5
Credit **(RSI)**	*48.6%*	*32.1%*	*13.7%*	*19.1%*	*–4.8%*

Credit volume has been increasing since 2012. Credit business tends to have an initial payout and subsequent recovery from the insured. Therefore, payments can exceed incurred amounts. The accident year 2015 claims development is mostly driven by large losses.

Credit business may have a moderate reporting lag between the accident date and the date reported to the Group. Some of this business tends to have very small payouts on a high volume of claims. The high volume of small claims increases the variability of the reported claim counts by year, but may not necessarily have a significant impact on incurred losses. The reported claim counts have been trending up for 2012 to 2013, which is similar to the incurred losses. For all recent years, there will be significant increases in reported claim counts over time, which will narrow the gap of claim counts.

Reconciliation of gross liability for unpaid claims and claim adjustment expenses

The following table reconciles the Group's net outstanding liabilities to the gross liabilities for unpaid claims and claim adjustment expenses. The net outstanding liabilities correspond to the total liabilities for unpaid claims and claim adjustment expenses, net of reinsurance for each disaggregation category. Other short-duration contract lines include reserves for business that is not material to the Group.

USD millions	2016
Net outstanding liabilities	
Corporate Solutions:	
Property	811
Casualty	3021
Specialty	721
Credit	45
Total net undiscounted outstanding liabilities excluding other short duration contract lines	4598
Impacts of acquisition accounting	–133
Total net discounted outstanding liabilities excluding other short duration contract lines	4465
Other short duration contract lines	151
Total net discounted outstanding short duration liabilities	**4616**
Reinsurance recoverables on unpaid claims	
Corporate Solutions:	
Property	88
Casualty	4914
Specialty	143
Credit	11
Impacts of acquisition accounting	–18
Other short duration contract lines	246
Total short duration reinsurance recoverables on outstanding liabilities	**5384**
Unallocated claim adjustment expenses	271
Total unpaid claims and claim adjustment expenses	**10271**

5 Deferred acquisition costs (DAC)

As of 31 December, the DAC were as follows:

USD millions	2015	**2016**
Opening balance as of 1 January	360	387
Deferred	486	571
Amortisation	–459	–513
Effect of foreign currency translation		–1
Closing balance	387	**444**

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.

6 Investments

Investment income

Net investment income by source was as follows:

USD millions	2015	2016
Fixed income securities	133	117
Equity securities	22	16
Short-term investments	5	6
Other current investments	12	11
Share in earnings of equity-accounted investees[1]		19
Cash and cash equivalents	1	2
Net result from deposit-accounted contracts	3	5
Deposits with ceding companies	20	
Gross investment income	196	**176**
Investment expenses	–31	–39
Interest charged for funds held	–38	–13
Net investment income	127	**124**

[1] Due to the adoption of ASU 2015-02 as of 1 January 2016, the Group presents the result of an investment in "Share in earnings of equity-accounted investees" instead of consolidating the investment. Please refer to Note 1 for more details.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments were as follows:

USD millions	2015	2016
Fixed income securities available-for-sale:		
Gross realised gains	31	27
Gross realised losses	–15	–14
Equity securities available-for-sale:		
Gross realised gains	110	79
Gross realised losses	–17	–27
Other-than-temporary impairments	–3	–10
Net realised investment gains/losses on trading securities	1	1
Net realised/unrealised gains/losses on other investments	–1	1
Net realised/unrealised gains/losses on insurance-related activities	33	15
Foreign exchange gains/losses	2	–23
Net realised investment gains/losses	141	**49**

Impairment on fixed income securities related to credit losses

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

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

Investments available-for-sale

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

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	2 209	17	–13	2 213
US Agency securitised products	176			176
States of the United States and political subdivisions of the states	330	10		340
Canada	198		–26	172
Brazil	86		–2	84
Germany	61		–4	57
Other	197	2	–8	191
Total	3 257	29	–53	3 233
Corporate debt securities	2 291	13	–44	2 260
Mortgage-and asset-backed securities	397	1	–3	395
Fixed income securities available-for-sale	5 945	43	–100	5 888
Equity securities available-for-sale	906	83	–54	935

2016 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	1 743	9	–11	1 741
US Agency securitised products	117		–1	116
States of the United States and political subdivisions of the states	425	4	–7	422
Canada	176		–11	165
Brazil	104	1		105
Germany	16			16
Other	250	1	–10	241
Total	2 831	15	–40	2 806
Corporate debt securities	1 790	18	–11	1 797
Mortgage- and asset-backed securities	325	1	–2	324
Fixed income securities available-for-sale	**4 946**	**34**	**–53**	**4 927**
Equity securities available-for-sale	**335**	**55**	**–6**	**384**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2015 and 2016, USD 1 670 million and USD 1 495 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2015 Amortised cost or cost	2015 Estimated fair value	2016 Amortised cost or cost	2016 Estimated fair value
Due in one year or less	546	530	1 011	1 002
Due after one year through five years	2 729	2 698	1 804	1 801
Due after five years through ten years	1 380	1 356	1 281	1 280
Due after ten years	893	909	525	519
Mortgage- and asset-backed securities with no fixed maturity	397	395	325	325
Total fixed income securities available-for-sale	5 945	5 888	**4 946**	**4 927**

Assets pledged

As of 31 December 2016, investments with a carrying value of USD 1 008 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 211 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 2016, securities of USD 1 723 million and USD 1 458 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. There were no associated liabilities.

Offsetting of derivatives, financial assets and financial liabilities

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

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - assets	8		8		8
Reverse repurchase agreements	43		43	–43	0
Total	51	0	51	–43	8

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - liabilities	–114		–114	25	–89
Total	–114	0	–114	25	–89

2016 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - assets	22		22		**22**
Reverse repurchase agreements	17		17	–17	**0**
Total	**39**	**0**	**39**	**–17**	**22**

2016 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - liabilities	–80		–80	1	**–79**
Total	**–80**	**0**	**–80**	**1**	**–79**

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if it has been 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 2015 and 2016. As of 31 December 2015 and 2016, USD 42 million and USD 5 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 12 million and USD 1 million, respectively, to declines in value for more than 12 months.

2015 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	1 715	13	5	0	1 720	13
US Agency securitised products	96	0			96	0
States of the United States and political subdivisions of the states	22	0			22	0
Canada	46	4	86	22	132	26
Brazil	20	2	8	0	28	2
Germany	35	0	17	4	52	4
Other	107	4	19	4	126	8
Total	2 041	23	135	30	2 176	53
Corporate debt securities	1 441	41	15	3	1 456	44
Mortgage-and asset-backed securities	249	3	20	0	269	3
Total	3 731	67	170	33	3 901	100

2016 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	1 346	11			1 346	11
US Agency securitised products	105	1			105	1
States of the United States and political subdivisions of the states	195	7			195	7
Canada	122	4	34	7	156	11
Brazil	17	0			17	0
Germany	16	0			16	0
Other	162	6	30	4	192	10
Total	1 963	29	64	11	2 027	40
Corporate debt securities	654	11	1	0	655	11
Mortgage-and asset-backed securities	159	2			159	2
Total	**2 776**	**42**	**65**	**11**	**2 841**	**53**

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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. 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 2016, these adjustments were not material.

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 upon 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 Swiss Re 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 transparent and liquid markets.

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

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

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

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity funds investments which are made via ownership of funds. Substantially all of these investments are classified as level 3 due to the lack of observable prices and significant judgement required in valuation. The Group's holdings in private equity funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as a practical expedient.

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities held for proprietary investment purposes	2 206	3 682		5 888
Debt securities issued by US government and government agencies	2 206	347		2 553
US Agency securitised products		176		176
Debt securities issued by non-US governments and government agencies		504		504
Corporate debt securities		2 260		2 260
Mortgage asset-backed securities		395		395
Equity securities held for proprietary investment purposes	935			935
Short-term investments held for proprietary investment purposes	842	414		1 256
Derivative financial instruments	3		5	8
Other invested assets			12	12
Total assets at fair value	3 986	4 096	17	8 099
Liabilities				
Derivative financial instruments	–8		–106	–114
Total liabilities at fair value	–8	0	–106	–114

2016 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at net asset value as practical expedient	Total
Assets					
Fixed income securities held for proprietary investment purposes	1 741	3 186			4 927
Debt securities issued by US government and government agencies	1 741	422			2 163
US Agency securitised products		116			116
Debt securities issued by non-US governments and government agencies		527			527
Corporate debt securities		1 797			1 797
Mortgage asset-backed securities		324			324
Equity securities held for proprietary investment purposes	379	5			384
Short-term investments held for proprietary investment purposes	697	549			1 246
Derivative financial instruments		9	13		22
Other invested assets				8	8
Total assets at fair value	**2 817**	**3 749**	**13**	**8**	**6 587**
Liabilities					
Derivative financial instruments		–6	–74		–80
Total liabilities at fair value	**0**	**–6**	**–74**		**–80**

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

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

2015 USD millions	Corporate debt securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Total liabilities
Assets and liabilities						
Balance as of 1 January	13	11	21	45	–72	–72
Realised/unrealised gains/losses:						
Included in net income		4		4	29	29
Included in other comprehensive income			–5	–5		0
Purchases		29		29		0
Issuances				0	–86	–86
Sales	–2	–21	–4	–27	16	16
Settlements	–11	–18		–29	7	7
Transfers into level 3[1]				0		0
Transfers out of level 3[1]				0		0
Impact of foreign exchange movements				0		0
Closing balance as of 31 December	0	5	12	17	–106	–106

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

2016 USD millions	Corporate debt securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Total liabilities
Assets and liabilities						
Balance as of 1 January	0	5	12	**17**	–106	**–106**
Impact of Accounting Standards Updates[1]			–12	**–12**		**0**
Realised/unrealised gains/losses:						
Included in net income		16		**16**	4	**4**
Included in other comprehensive income				**0**		**0**
Purchases		4		**4**		**0**
Issuances				**0**	–65	**–65**
Sales		–11		**–11**	95	**95**
Settlements		–1		**–1**	–2	**–2**
Transfers into level 3[2]				**0**		**0**
Transfers out of level 3[2]				**0**		**0**
Impact of foreign exchange movements				**0**		**0**
Closing balance as of 31 December	**0**	**13**	**0**	**13**	**–74**	**–74**

[1] Impact of ASU 2015–07. Please refer to Note 1 for more details.
[2] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

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

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

USD millions	2015	**2016**
Gains/losses included in net income for the period	33	20
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–28	16

Quantitative information about level 3 fair value measurements

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

USD millions	2015 Fair value	2016 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Liabilities					
Derivative financial instruments	–106	**–74**			
Weather contracts	–82	–41	Proprietary Option Model	Risk Margin	8%–11% (9.7%)
				Correlation	–59%–48% (–19.7%)
				Volatility (power/gas)	23%–104% (43.4%)
				Volatility (temperature)	87–386 (222) HDD/CAT[1]
				Index value (temperature)	440–3890 (1896) HDD/CAT[1]
Power outage contracts	–11	–20	Proprietary Option Model	Risk Margin	7%–15% (9%)
				Average power forward price	USD 40–USD 88 (USD 51.4)
Industry loss warrants	–13	–13	Credit Default Model	Market implied probability of Nat Cat event	1%–13% (6.5%)

[1] Heating Degree Days (HDD); Cumulative Average Temperature (CAT)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's power outage contracts are risk margin and average power forward price. A significant increase (decrease) in these inputs 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 industry loss warrants is the market implied probability of a natural catastrophe event. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

As of 31 December 2015 and 2016, other assets measured at net asset value were USD 12 million and USD 8 million, respectively. Additionally there were USD 1 million of unfunded commitments as of 31 December 2016.

Private equity funds generally have limitations on the amount of redemptions from a 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.

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

As of 31 December 2015 and 2016, the subordinated financial debt issued by the Group was valued at USD 491 million and USD 490 million, respectively. The debt position is fair valued based on executable broker quotes and is classified as a level 2 measurement.

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8 Derivative financial instruments

The Group enters into various financial contracts covering risks such as weather, weather-contingent price risks, outage contingent power price risks and industry loss warrants, that are accounted for as derivative financial instruments (also referred to as Environmental Commodity Markets and Weather business, or "ECM/Weather contracts/ILW"). The Group also uses derivatives to manage exposure to foreign currency risks. Derivative positions are carried at fair value, generally by obtaining quoted market prices or through the use of valuation models, with changes in fair value recorded in the income statement. The Group currently does not apply hedge accounting.

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

Fair values and notional amounts of derivative financial instruments

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

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivative financial instruments				
Foreign exchange contracts	–43		–1	–1
ECM/Weather contracts/ILW	1 078	8	–113	–105
Total derivative financial instruments	1 035	8	–114	–106

2016 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivative financial instruments				
Foreign exchange contracts	87	3	–1	2
ECM/Weather contracts/ILW	1 078	19	–79	–60
Total derivative financial instruments	**1 165**	**22**	**–80**	**–58**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity and are presented without set-off. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities".

Gains and losses of derivative financial instruments

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments are recorded in "Net realised investment gains/losses" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments were as follows:

USD millions	2015	**2016**
Derivative financial instruments		
Foreign exchange contracts	–2	–4
ECM/Weather contracts/ILW	35	16
Total gains/losses recognised in income	33	**12**

Maximum potential loss

The maximum potential loss as of 31 December 2015 and 2016 was approximately USD 8 million and USD 22 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 55 million and USD 28 million as of 31 December 2015 and 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 28 million additional collateral would have had to be posted as of 31 December 2016. The total equals the amount needed to settle the instruments immediately as of 31 December 2016.

9 Acquisitions

IHC Risk Solutions, LLC

On 31 March 2016, the Group acquired IHC Risk Solutions, LLC (IHC), a leading US employer stop loss company and the direct employer stop loss business of Independence Holding Company. The cost of the acquisition was USD 153 million. The transaction includes IHC's operations, its team of experts and business portfolio, including in-force, new and renewal business. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Qualifying purchased intangible assets, including distribution/customer relationships and goodwill, have been established.

The following table presents details of acquired intangible assets subject to amortisation as of the date of acquisition:

USD millions	Weighted – average amortisation period	Carrying value
Distribution / customer relationship	6 years	67
Other intangibles	1 year	16

The goodwill of USD 65 million relates to the casualty business segment. The goodwill is expected to be deductible for tax purposes.

10 Debt

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

USD millions	2015	2016
Long-term subordinated financial debt	496	**497**
Total carrying value	496	**497**
Total fair value	491	**490**

Interest expense on long-term debt

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

USD millions	2015	2016
Subordinated financial debt	23	23
Total	23	**23**

Long-term debt

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

11 Income taxes

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

USD millions	2015	2016
Current taxes	126	27
Deferred taxes	23	–17
Income tax expense	149	**10**

Tax rate reconciliation

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

USD millions	2015	2016
Income tax at the Swiss statutory tax rate of 20.6% (2015: 20.5%)	115	37
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	47	14
Tax exempt income/dividends received deduction	–14	–9
Change in valuation allowance	1	5
Statutory rate change	1	–3
Other income based taxes	9	–1
Tax credits		–41
Other, net	–10	8
Total	149	**10**

The Group reported a tax charge of USD 10 million on a pre-tax income of USD 180 million for 2016, compared to a charge of USD 149 million on a pre-tax income of USD 560 million for 2015. This translates into an effective tax rate in the current and prior year reporting periods of 5.6% and 26.6%, respectively.

The lower tax rate in the current year is mainly driven by the ability to benefit from foreign tax credits in the Swiss Re Corporate Solutions U.S. Group.

Deferred and other non-current taxes

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

USD millions	2015	2016
Deferred tax assets		
Deferred acquisition costs	40	36
Income accrued/deferred	30	19
Unearned premium reserve	57	66
Technical provisions	20	23
Benefit on loss carryforwards	12	28
Currency translation adjustments	39	37
Other	46	47
Gross deferred tax assets	244	**256**
Valuation allowance	–2	–7
Unrecognised tax benefits offsetting benefits on loss carryforwards	0	–1
Total deferred tax assets	242	**248**
Deferred tax liabilities		
Deferred acquisition costs	–46	–53
Present value of future profits	–66	–70
Property amortisation	–18	–8
Income accrued/deferred	–28	–33
Technical provisions	–76	–84
Unrealised gains on investments	–18	–15
Foreign exchange provision	–27	–27
Currency translation adjustments	–56	–53
Other	–31	–27
Total deferred tax liabilities	–366	**–370**
Liability for unrecognised tax benefits including interest and penalties	–9	–5
Total deferred and other non-current tax liabilities	–375	**–375**

As of 31 December 2016, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 295 million. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2016, the Group had USD 110 million net operating tax loss carryforwards, expiring as follows: USD 4 million in 2019, USD 4 million in 2020, USD 13 million in 2021 and beyond, and USD 89 million never expire.

The Group has no capital loss carryforwards.

There were no net operating losses and no net capital losses utilised during the period ended 31 December 2016.

Income taxes paid in 2015 and 2016 were USD 155 million and USD 122 million, respectively.

Unrecognised tax benefits

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

USD millions	2015	**2016**
Balance as of 1 January	9	8
Reductions for tax positions of prior years	–1	–1
Statute expiration		–1
Settlements		–1
Balance as of 31 December	8	**5**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 7 million and USD 5 million at 31 December 2015 and 31 December 2016, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. The balance of gross unrecognised tax benefits as of 31 December 2016 presented in the table above excludes accrued interest and penalties (USD 1 million).

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

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

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

Australia	2010 – 2016
Brazil	2011 – 2016
Canada	2011 – 2016
China	2007 – 2016
Columbia	1999, 2009, 2014 – 2016
Denmark	2012 – 2016
France	2014 – 2016
Germany	2014 – 2016
Hong Kong	2016
Italy	2012 – 2016
Japan	2009 – 2016
Luxembourg	2012 – 2016
Netherlands	2012 – 2016
Singapore	2014 – 2016
Switzerland	2014 – 2016
United Kingdom	2012 – 2016
United States	2011 – 2016

12 Benefit plans

SRCS is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group. SRCS and its subsidiaries participate in various pension plans sponsored by affiliated companies of the Swiss Re Group. These pension plans include the "Pension Fund Swiss Reinsurance Company (Swiss Re)" among others.

Group contributions for 2016

For the year ended 31 December 2016, the Group contributed USD 12 million to the aforementioned pension plans. In addition, the Group contributes into a number of defined contribution plans. The amount expensed in 2016 was USD 7 million.

13 Related parties

The Group assumes and cedes certain re/insurance contracts from/to affiliated companies within the Swiss Re Group, but outside the Group. The Group also conducts various investing activities, including derivatives, with affiliated companies in the Swiss Re Group. In addition, the Group enters into various arrangements with affiliated companies in the Swiss Re Group for the provision of services. These activities result in the following related party transactions on the income statement and balance sheet:

USD millions	2015	**2016**
Gross premiums written	214	163
Net premiums written	–99	–149
Change in unearned premiums	38	35
Premiums earned	–61	–114
Net investment income – non-participating business	–46	–18
Net realised investment income – non-participating business	16	22
Total revenues	–91	**–110**
Claims and claim adjustment expenses	–198	–201
Acquisition costs	6	16
Operating expenses	–498	–318
Total expenses	–690	**–503**

USD millions	2015	**2016**
Other invested assets	1	4
Premiums and other receivables	204	196
Reinsurance recoverable on unpaid claims	4 730	3 943
Funds held by ceding companies	1	32
Deferred acquisition costs	–3	–2
Other assets	225	235
Total assets	5 158	**4 408**
Unpaid claims and claim adjustment expenses	391	294
Unearned premiums	161	131
Funds held under reinsurance treaties	816	713
Reinsurance balances payable	94	146
Accrued expenses and other liabilities	102	125
Total liabilities	1 564	**1 409**

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14 Variable interest entities

The adoption of ASU 2015-02 as of 1 January 2016 led to an increase in the number of variable interest entities (VIEs), mainly due to the evaluation of partnerships and investment funds.

The Group enters into arrangements with VIEs in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise primarily as a result of the Group's involvement in certain investment vehicles, which meet the definition of a VIE.

When analysing whether the entity is a VIE, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity.

When one of these criteria is not met, the entity is considered a VIE and is assessed for consolidation under the VIE section of the Consolidation Topic.

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

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

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

The Group monitors changes to the facts and circumstances of the existing involvement with legal entities to determine whether they require reconsideration of the entity's designation as a VIE or voting interest entity. For VIEs, the Group reassesses regularly the primary beneficiary determination.

Investment vehicles

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs under ASU 2015-02 because the limited partners as a group lack kick-out or participating rights. The Group does not hold the general partner interest in the limited partnerships and therefore does not direct investment activities of the entity. Therefore, the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the investment vehicles decrease. The Group's maximum exposure to loss equals the Group's share of the investment.

The Group invests in an investment vehicle that is consolidated by Swiss Reinsurance Company. The investment vehicle is a VIE (under ASU 2015-02) because it is structured as an umbrella company comprised of multiple sub-funds.

The Group did not provide financial or other support to any VIEs during 2016 that it was not previously contractually required to provide.

Non-consolidated VIEs

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

USD millions	2015	**2016**
Equity securities available-for-sale		26
Other invested assets		1 630
Premiums and other receivables		3
Total assets	0	**1 659**

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

		2015		**2016**
USD millions	Total assets	Maximum exposure to loss[1]	Total assets	Maximum exposure to loss[1]
Investment vehicles			1 656	1 656
Other			3	3
Total	0	0	**1 659**	**1 659**

[1] Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Corporate Solutions Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Swiss Re Corporate Solutions Ltd and its subsidiaries (the 'Company'), which comprise the consolidated balance sheet as of 31 December 2016, and the related consolidated income statement, statement of comprehensive income, statement of shareholder's equity, statement of cash flow and notes (pages 2 to 53) for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2016, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Other matter

Accounting principles generally accepted in the United States of America require that the supplementary information based on the requirements of ASU 2015-09, Disclosures about Short-Duration Contracts, on pages 24 to 27 be presented to supplement the consolidated financial statements. Such information, although not part of the consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unobservable or interpolated inputs used for the valuation of certain level 2 and 3 investments

Key audit matter

Given the ongoing market volatility and macroeconomic uncertainty, investment valuation continues to be an area of inherent risk. The risk is not the same for all investment types and is greatest for those listed below, where the investments are more difficult to value because quoted prices are not always available:

- Fixed income securitised products
- Fixed income mortgage and asset-backed securities
- Other derivatives and insurance-related financial products

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls of the valuation models for level 2 and 3 investments, including the Company's independent price verification process.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Evaluating the methodology and assumptions, in particular, the yield curves, discounted cash flows, perpetual growth rates and liquidity premiums used in the valuation models.
- Comparing the assumptions used against appropriate benchmarks and investigating significant differences.
- Testing the operation of data integrity and change management controls relating to the models.
- Engaging our own valuation experts to perform independent valuations, where applicable.

On the basis of the work performed, we consider the assumptions used by management to be appropriate and that the investments classified as level 2 and 3 are properly valued as of 31 December 2016.

Valuation of actuarially determined Property & Casualty ('P&C') loss reserves

Key audit matter

The valuation of actuarially determined P&C loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these provisions. Actuarially determined P&C loss reserves require significant judgement relating to certain factors and assumptions. Among the most significant reserving assumptions are the A-priori loss ratios, which typically drive the estimates of P&C loss reserves for the most recent contract years. Other assumptions include, but are not limited to, interest rates, inflation trends, claims trends, regulatory decisions, historical claims information and the growth of exposure.

In particular, 'long tail' lines of business (for example, Liability, US Asbestos and Environmental, Motor Liability and Workers' Compensation) are generally more difficult to project. This is due to the protracted period over which claims can be reported as well as the fact that claims settlements are often less frequent but of higher impact. They are also subject to greater uncertainties than claims relating to 'short-tail' business. Long-tailed lines of business generally rely on many assumptions based on experts' judgement.

Moreover, not all natural catastrophe events and/or significant man-made losses can be modelled using traditional actuarial methodologies, which increases the degree of judgement needed in establishing reserves for these events.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls relating to the application of the actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined P&C loss reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of underlying data utilised by the Company's actuaries in estimating P&C loss reserves.
- Applying IT audit techniques to analyse claims through the recalculation of claims triangles.
- Involving PwC's internal actuarial specialists to test independently management's estimates of P&C loss reserves, and evaluating the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying our industry knowledge and experience.
- Performing independent projections of selected product lines. For these product lines, we compared our calculations of projected reserves with those of the Company taking into account the available corroborating and contrary evidence and challenging management's assumptions as appropriate.
- Assessing the process and related judgements of management in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.
- Performing sensitivity testing and evaluating the appropriateness of any significant adjustments made by management to P&C loss reserve estimates.

On the basis of the work performed, we consider that the methodology, assumptions and underlying data used in the valuation of actuarially determined P&C loss reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Valuation of uncertain tax items – initial probability assessment

Key audit matter

The Company is carrying a provision for uncertain tax items on its books. The valuations of these items are based on management's estimates and 'more-likely-than-not' tax assessments. Fluctuations in the estimates of uncertain tax items have an impact (through income tax expense) on the results.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls of the completeness of the uncertain tax items and management's assessment of them.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Critically reviewing the 'more-likely-than-not' tax assessments to evaluate the Company's judgements and estimates of the probabilities and the amounts.
- Assessing how the Company had considered new information or changes in tax law or case law, and assessing the Company's judgement of how these impact the Company's position or measurement of the required provision.

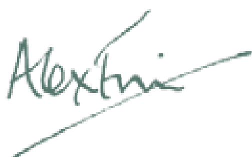
On the basis of the work performed, we consider management's initial assessment relating to the valuation of the uncertain tax items to be appropriate.

Report on other legal requirements

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

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

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2017

Annual Report
Swiss Re Corporate Solutions Ltd

The management report follows the regulations as outlined in article 961c of the Swiss Code of Obligations.

Reinsurance and sub-holding company
Swiss Re Corporate Solutions Ltd (the Company), domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company for the Corporate Solutions Business Unit. The Company is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland. In 2016, the Company directly employed worldwide staff at an average of 325 full-time equivalents. Effective 1 January 2016, the Company directly employed its staff in Switzerland. In prior years, the staff were employed by Swiss Reinsurance Company Ltd, and their costs recharged.

Financial year 2016

Net income for the financial year 2016 amounted to CHF 176 million, compared to CHF 178 million in the prior year.

The financial year under review was marked by a 42% decrease in reinsurance result. This reduction was offset by higher dividend income from subsidiaries.

The Company paid an ordinary dividend in cash of CHF 240 million.

Reinsurance result
Reinsurance result amounted to CHF 126 million in 2016, compared to CHF 219 million in 2015.

Premiums earned increased 8% to CHF 2 684 million in 2016 (2015: CHF 2 481 million), mainly due to the acquisition of IHC Risk Solutions business and general growth mainly in liability, partly offset by lower premium in space and aviation. Excluding the effects of foreign exchange movements, premiums earned increased by 6%.

Claims and claim adjustment expenses increased by 14% to CHF 1 622 million in 2016 (2015: CHF 1 422 million). The increase was mainly due to the acquisition of IHC Risk Solutions business and several liability and natural catastrophe losses. Excluding the effects of foreign exchange movements, claims and claims adjustment expenses increased by 12%.

In 2016, the Company left the equalisation provision unchanged, compared to an increase of CHF 44 million in 2015.

Operating costs increased by CHF 8 million to CHF 199 million in current year (2015: CHF 191 million).

Investment result
Net investment result amounted to CHF 119 million, compared to CHF 20 million in the prior year.

The increase in investment income in 2016 was driven by higher dividend income from a subsidiary, partly offset by lower realised gains on the sale of investments compared to prior year.

Result from other income and expenses
The result from other income and expenses was due to lower foreign exchange gains compared to prior year, mainly due to the strengthening of the US dollar against the Swiss franc.

Assets

Total assets increased by 10% to CHF 7 906 million at 31 December 2016 (31 December 2015: CHF 7 200 million). Excluding the effects of foreign exchange movements, total assets increased by 9%.

Total investments increased from CHF 5 060 million at 31 December 2015 to CHF 5 555 million at 31 December 2016, driven by higher reinsurance business volume, partly offset by the ordinary cash dividend to Swiss Re Ltd.

Liabilities

Total liabilities increased by 14% to CHF 6 202 million at 31 December 2016 (31 December 2015: CHF 5 432 million). Excluding the effects of foreign exchange movements, total liabilities increased by 13%.

Technical provisions gross increased from CHF 4 818 million at 31 December 2015 to CHF 5 481 million at 31 December 2016, mainly reflecting the acquisition of IHC Risk Solutions business and increase in business volume.

Other provisions increased by CHF 56 million mainly due to the shift of employee pension benefits from Swiss Reinsurance Company Ltd effective 1 January 2016.

Shareholder's equity

Shareholder's equity decreased from CHF 1 768 million at 31 December 2015 to CHF 1 704 million at 31 December 2016.

The decrease resulted from the ordinary cash dividend of CHF 240 million, partly offset by net income for 2016 of CHF 176 million.

The nominal share capital of the Company remained unchanged at CHF 100 million at 31 December 2016.

Future prospects and business development

Structural changes

Addition of new entities

Corporate Solutions has announced that its subsidiary, Corporate Solutions Brasil Seguros S.A. (SRCSB) will acquire the commercial large-risk portfolio from Bradesco Seguros S.A. (Brasil) and receive exclusive access to Bradesco Seguros' distribution network. Upon closing the transaction, Bradesco Seguros will take a 40% equity stake in SRCSB, while Swiss Re Corporate Solutions Ltd will retain a 60% stake. This transaction is subject to regulatory approval.

The Company plans to establish a locally licensed and regulated direct insurance company, and a service company in Mexico in 2017.

Macroeconomic environment

The global economy is projected to grow at a slightly higher pace in 2017 than in 2016, and growth in advanced markets is projected to stay moderate. However, the early 2017 data from the Euro area and the UK have been strong. In 2018, both economies are expected to slow down as the actual exit of the UK from the EU approaches. In the US, given the many uncertainties regarding the new administration's policy proposals, it is difficult to estimate the extent of impact on the economy and its timing. Nevertheless, there is room for optimism in the global growth outlook, with a smaller threat of a strong dollar in the US, and the likely return to growth of large emerging countries. In spite of expected rate hikes by the US Federal Reserve Bank, monetary policy across regions will remain accommodative. However, its marginal benefits on the economy are declining, in absence of structural reforms in the major economies. Main risk scenarios include the sustainability of China's growth, the effect of a tightening US Federal Reserve Bank's policy and ongoing political issues in Europe.

In 2016 the industry experienced a continued, albeit slower expansion of inflation-adjusted insurance premium volumes, bolstered by strong growth in emerging markets. Pricing continues to deteriorate in all major lines of business, but at a slower pace, driven mostly by abundant capacity and an absence of large natural catastrophe losses.

Reinsurance business

Strategy and priorities

The Company conducts the commercial insurance business of the Swiss Re Group and is committed to deliver long-term profitability and economic growth. Through our network of subsidiaries, future growth aspirations are focused on selected areas, with dedicated strategic initiatives to expanding into Primary Lead and further broadening of the footprint. Corporate Solutions offers customised, innovative and multi-line, multi-year risk transfer solutions, taking into account the unique needs of local markets and specialty industries.

Outlook

In terms of economic outlook, the Company's baseline assumption is for moderate and uneven continuing global recovery, with an expectation for the US economy to outperform and the Eurozone growth to remain modest. Emerging markets are exposed to downside risks and face differentiation amongst countries, as potential fallout from the US trade policy affects countries unevenly.

Investments

Strategy and priorities

Financial investments are managed in accordance with Swiss Re's asset management policy and the Company's investment guidelines, which are intended to ensure compliance with regulatory requirements. The general principle governing investment management in the Company is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus.

Outlook

In terms of the investment outlook for 2017, government bond yields are expected to rise from current levels, in particular in the US with smaller rises in the UK and Germany. The outlook is neutral for corporate bonds, with modest spread widening expected in the US while Eurozone corporate bonds remain tight, supported by the European Central Bank asset purchase program. The outlook is similarly neutral for equities with a preference for the US given better near-term earnings outlook.

Risk Assessment

The Company's Board of Directors has issued a mandate to establish a Risk Management function to provide independent risk taking oversight within the Business Unit Corporate Solutions. In executing this task, Corporate Solutions' Risk Management function is supported by the Swiss Re Group Risk Management organisation. Significant parts of risk exposure identification, assessment, control and reporting for Swiss Re Corporate Solutions Ltd on a stand-alone basis are integrated in Group Risk Management processes.

The Board of Directors of Swiss Re Corporate Solutions Ltd sets the Company's risk tolerance. In this role, it is advised by the Board of Directors of the Swiss Re Group, which defines the Group's basic risk management principles and risk appetite framework including the Group risk tolerance. The Board of Directors of the Swiss Re Group mainly performs risk oversight and governance through three committees:

- The Finance and Risk Committee defines the Group Risk Policy, reviews risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures of the Company's assets and liabilities.
- The Investment Committee reviews the financial risk analysis methodology and valuation related to each asset class, and ensures that the relevant management processes and controlling mechanisms are in place.
- The Audit Committee oversees internal controls and compliance procedures.

The Group Executive Committee (Group EC) is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits, oversees the Economic Value Management framework, determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group EC has delegated various risk management responsibilities to the Group Chief Risk Officer (Group CRO) as well as to the Business Units.

The Group CRO is appointed as the principal independent risk controller of Swiss Re. The Group CRO is a member of the Group EC and reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The Group CRO also advises the Group EC, the Chairman or the respective Group Board Committees, in particular the Finance and Risk Committee, on significant matters arising in his area of responsibility. The Group CRO leads the independent Risk Management function, which is responsible for risk oversight and control across Swiss Re. It thus forms an integral part of Swiss Re's business model and risk management framework. The Risk Management function is comprised of central teams providing specialised risk expertise and oversight, as well as dedicated risk teams for the Reinsurance, Corporate Solutions, and Life Capital (formerly Admin Re®) Business Units.

The Business Unit Corporate Solutions Risk Management teams are led by a dedicated Chief Risk Officer who reports directly to the Group CRO, with a secondary reporting line to the CEO Corporate Solutions. The Business Unit Corporate Solutions CRO is responsible for risk oversight within the Business Unit Corporate Solutions, as well as for establishing the proper risk governance to ensure efficient risk identification, assessment and control. The CRO Corporate Solutions is supported by functional, regional and legal entity CROs who are responsible for overseeing risk management issues that arise at regional or legal entity level.

While the risk management organisation is closely aligned to Swiss Re's business structure in order to ensure effective risk oversight, all embedded teams and functional CROs remain part of the central Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

The central teams support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services, such as:

- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management
- Maintaining the central risk governance framework

The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

Business Unit Corporate Solutions Risk Management is also in charge of actuarial reserving and monitoring of reserve holdings.

Business Unit Corporate Solutions and Group Risk Management activities are complemented by Swiss Re's Group Internal Audit and Compliance units:

- Group Internal Audit performs independent assessments of adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.
- The Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group Code of Conduct. It also assists the Business Unit and the Group Board of Directors, Executive Committees and other management bodies in identifying, mitigating and managing compliance risks.

Income statement
Swiss Re Corporate Solutions Ltd

For the years ended 31 December

CHF millions	Note	2015	2016
Reinsurance			
Premiums written gross		*2 671*	***2 854***
Premiums written retroceded		*–98*	***–114***
Premiums written net		2 573	**2 740**
Change in unearned premiums gross		*–91*	***–56***
Change in unearned premiums retroceded		*–1*	***0***
Change in unearned premiums net		–92	**–56**
Premiums earned		2 481	**2 684**
Other reinsurance revenues		3	**5**
Allocated investment return		36	**44**
Total revenues from reinsurance business		2 520	**2 733**
Claims paid and claim adjustment expenses gross		*–994*	***–1 103***
Claims paid and claim adjustment expenses retroceded		*–5*	***2***
Claims paid and claim adjustment expenses net		–999	**–1 101**
Change in unpaid claims gross		*–437*	***–539***
Change in unpaid claims retroceded		*14*	***18***
Change in unpaid claims net		–423	**–521**
Claims and claim adjustment expenses		–1 422	**–1 622**
Change in equalisation provision		–44	**–**
Claims incurred		–1 466	**–1 622**
Acquisition costs gross		*–644*	***–791***
Acquisition costs retroceded		*–*	***5***
Acquisition costs net		–644	**–786**
Operating costs		–191	**–199**
Acquisition and operating costs		–835	**–985**
Other reinsurance expenses		0	**0**
Total expenses from reinsurance business		–2 301	**–2 607**
Reinsurance result		219	**126**
Investments	2		
Investment income		112	**183**
Investment expenses		–56	**–20**
Allocated investment return		–36	**–44**
Investment result		20	**119**
Other financial income		0	**0**
Other financial expenses		–20	**–22**
Operating result		219	**223**
Interest expenses on subordinated liabilities		–22	**–23**
Other income		32	**13**
Other expenses		–7	**–22**
Income before income tax expense		222	**191**
Income tax expense		–44	**–15**
Net income		178	**176**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Balance sheet
Swiss Re Corporate Solutions Ltd

As of 31 December

Assets

CHF millions	Note	2015	2016
Investments			
Investments in subsidiaries and affiliated companies		1 435	**1 438**
Fixed income securities		724	**730**
Loans		851	**971**
Shares in investment funds		*1 106*	***1 702***
Short-term investments		*944*	***714***
Other investments		2 050	**2 416**
Total investments		5 060	**5 555**
Financial and reinsurance assets			
Funds held by ceding companies		449	**604**
Cash and cash equivalents		44	**16**
Reinsurance recoverable from unpaid claims	3	*20*	***39***
Reinsurance recoverable from unearned premiums	3	*9*	***9***
Reinsurance recoverable on technical provisions retroceded		29	**48**
Tangible assets		0	**0**
Deferred acquisition costs	3	367	**412**
Intangible assets		10	**20**
Premiums and other receivables from reinsurance	3	1 217	**1 164**
Other receivables		14	**81**
Other assets		4	**3**
Accrued income		6	**3**
Total financial and reinsurance assets		2 140	**2 351**
Total assets		7 200	**7 906**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Liabilities and shareholder's equity

CHF millions	Note	2015	2016
Liabilities			
Technical provisions gross			
Unpaid claims gross	3	2 820	**3 397**
Unearned premiums gross	3	1 794	**1 866**
Provisions for profit commissions gross	3	21	**35**
Equalisation provision gross	3	183	**183**
Total technical provisions gross		4 818	**5 481**
Non-technical provisions			
Tax provisions		27	**6**
Provision for currency fluctuation		39	**39**
Other provisions		–4	**52**
Total non-technical provisions		62	**97**
Liabilities from derivative financial instruments		1	**0**
Reinsurance balances payable	3	34	**62**
Other liabilities		6	**41**
Accrued expenses		11	**13**
Subordinated liabilities		500	**508**
Total liabilities		5 432	**6 202**
Shareholder's equity	4		
Share capital		100	**100**
Legal reserves from capital contributions		*1 342*	***1 342***
Other legal capital reserves		*52*	***52***
Legal capital reserves		1 394	**1 394**
Legal profit reserves		–	**–**
Voluntary profit reserves		16	**26**
Retained earnings brought forward		80	**8**
Net income for the financial year		178	**176**
Total shareholder's equity		1 768	**1 704**
Total liabilities and shareholder's equity		7 200	**7 906**

The accompanying notes are an integral part of Swiss Re Corporate Solutions Ltd's financial statements.

Notes
Swiss Re Corporate Solutions Ltd

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

1 Significant accounting principles

Basis of presentation
In general, the financial statements are prepared in accordance with Swiss Company Law. As a reinsurance company and based on Art. 111b of the Ordinance on the supervision of private insurance companies (ISO), the Company is also required to follow the Insurance Supervisory Ordinance-FINMA (ISO-FINMA). The ISO-FINMA contains specific guidance for presentation of the balance sheet, the income statement and the notes of insurance companies and overrides the general guidance of the Swiss Code of Obligations (SCO).

Time period
The financial year 2016 comprises the accounting period from 1 January 2016 to 31 December 2016.

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

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

The following table shows the main foreign currencies in which the Company operated:

Currency exchange rates in CHF per 100 units of foreign currency		Closing rate 2015	Average rate 2015	**Closing rate 2016**	**Average rate 2016**
Australian dollar	AUD	72.80	72.44	**73.58**	**73.24**
British pound	GBP	147.50	147.14	**125.62**	**133.82**
Canadian dollar	CAD	72.03	75.59	**75.78**	**74.31**
Chinese yuan renminbi	CNY	15.41	15.33	**14.63**	**14.84**
Euro	EUR	108.74	106.82	**107.18**	**109.06**
Japanese yen	JPY	0.83	0.79	**0.87**	**0.91**
US dollar	USD	100.06	96.19	**101.61**	**98.37**

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

Subsequent recoveries of previously recorded downward value adjustments may be recognised up to the lower of cost or market value at the balance sheet date. The valuation rules prescribed by the Swiss Financial Market Supervisory Authority FINMA are observed.

The group valuation method is applied for the investments in subsidiaries and affiliated companies, which are economically linked to each other.

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

Loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Short-term investments contain investments with original duration between three months and one year. Such investments are generally held until maturity and are maintained at their amortised cost values.

Funds held by ceding companies
Funds held by ceding companies consist mainly of assets that belong to the Company but are withheld by the cedent due to regulatory or legal requirements, or to retain control over investments and reduce a potential credit risk. Assets are initially measured based on the consideration received. Subsequently the funds held by ceding companies are measured at the consideration received or market value of the underlying assets.

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

Reinsurance recoverable on technical provisions retroceded
Reinsurance recoverable on technical provisions represents the retroceded part of the technical provisions. The respective accounting principle per technical provision category is described further under "Technical provisions gross".

Tangible assets
Tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Deferred acquisition costs
Deferred acquisition costs consist principally of commissions and are related to the generation of new reinsurance business. Property and casualty deferred acquisition costs are generally amortised in proportion to premiums earned. The amortisation schedule can also be calculated to be in line with the expected profits of the business, so no statutory profits are shown until the deferred acquisition costs are fully amortised.

Intangible assets
Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of the software.

Premiums and other receivables from reinsurance
Premiums and other receivables from reinsurance are carried at nominal value after deduction of known credit risks if applicable. The position mainly consists of receivables from insurance companies and brokers.

Other assets
Other assets include deferred expenses on retroactive reinsurance policies, which are amortised through earnings over the expected claims-paying period.

Technical provisions gross

Unpaid claims are recognised based on information provided by clients and own estimates of expected claims experience, which are drawn from empirical statistics. These include provisions for claims incurred but not reported. Unpaid insurance obligations are set aside at the full expected amount of future payment.

Premiums written relating to future periods are stated as unearned premiums and are normally calculated by statistical methods. The accrual of commissions is determined proportionally and is reported under "Deferred acquisition costs".

Provisions for profit commissions are based on contractual agreements with clients and depend on the results of reinsurance treaties.

Equalisation provision is established to achieve a protection of the balance sheet and to break peaks of incurred claims in individual financial years with an exceptionally high claims burden by releasing appropriate amounts from the provision.

The shares of technical provisions pertaining to retroceded business are determined or estimated according to the contractual agreement and the underlying gross business data per treaty.

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective lines in the income statement. The initial recognition of assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is recorded through the change in unearned premiums, with the respective consideration accounted as premiums written. The initial set up of assets and liabilities in respect of retroactive treaties with external counterparties is accounted as a balance sheet transaction.

For transfers of retroactive treaties with external counterparties, the initial set up of assets and liabilities is accounted as a balance sheet transaction.

Non-technical provisions

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

Other provisions are determined according to business principles and are based on estimated needs. The tax provision is in accordance with tax regulations.

Reinsurance balances payable

Reinsurance balances payable are held at redemption value. The position mainly consists of payables to insurance companies and brokers.

Other liabilities

Other liabilities are held at redemption value.

Subordinated liabilities

Subordinated liabilities are held at redemption values.

Deposit arrangements

Contracts which do not meet risk transfer requirements, defined as transferring a reasonable probability of a significant loss to the reinsurer, are accounted as deposit arrangements. Deposit amounts are adjusted for payments received and made, as well as for amortisation or accretion of interest.

Allocated investment return
The allocated investment return contains the calculated interest generated on the investments covering the technical provisions. The interest rate reflects the currency-weighted, five-year average yield on five-year government bonds.

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

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

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

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

Income statement classification
Interest expenses on debt were reclassified from other financial expenses to interest expenses on debt and subordinated liabilities. Therefore, the previously reported 2015 figures of other financial expenses and interest expenses on debt and subordinated liabilities with a respective amount of CHF 22 million have been changed accordingly.

2 Investment result

CHF millions	Income	Value readjustment	Realised gains	2016 Total
Investment income				
Subsidiaries and affiliated companies	117	–	–	**117**
Fixed income securities	12	4	3	**19**
Equity securities	–	–	–	**–**
Loans	19	–	–	**19**
Shares in investment funds	*5*	*8*	*10*	***23***
Short-term investments	*3*	*–*	*0*	***3***
Other investments	8	8	10	**26**
Income from investment services	2	–	–	**2**
Investment income	**158**	**12**	**13**	**183**

CHF millions	Expenses	Value adjustments	Realised losses	2016 Total
Investment expenses				
Subsidiaries and affiliated companies	–	–	–	**–**
Fixed income securities	–	–3	–1	**–4**
Equity securities	–	–	–1	**–1**
Loans	–	–	–	**–**
Shares in investment funds	*–*	*–*	*–*	***–***
Short-term investments	*–*	*–*	*0*	***0***
Other investments	–	0	0	**0**
Investment management expenses	–15	–	–	**–15**
Investment expenses	**–15**	**–3**	**–2**	**–20**
Allocated investment return				**–44**
Investment result				**119**

CHF millions	Income	Value readjustment	Realised gains	2015 Total
Investment income				
Investments in subsidiaries and affiliated companies	3	–	–	3
Fixed income securities	18	1	56	75
Loans	16	–	–	16
Shares in investment funds	*5*	*9*	–	*14*
Short-term investments	*2*	–	–	*2*
Other investments	7	9	–	16
Income from investment services	2	–	–	2
Investment income	46	10	56	112

CHF millions	Expenses	Value adjustments	Realised losses	2015 Total
Investment expenses				
Investments in subsidiaries and affiliated companies	–	–	–	–
Fixed income securities	–	–8	–2	–10
Loans	–	–	–	–
Shares in investment funds	–	*–17*	–	*–17*
Short-term investments	–	–	*0*	*0*
Other investments	–	–17	0	–17
Investment management expenses	–29	–	–	–29
Investment expenses	–29	–25	–2	–56

Allocated investment return	–36
Investment result	20

3 Assets and liabilities from reinsurance

CHF millions	Gross	Retro	2015 Net	Gross	Retro	2016 Net
Deferred acquisition costs	367	0	367	**412**	**0**	**412**
Premiums and other receivables from reinsurance	1 217	0	1 217	**1 163**	**1**	**1 164**
Unpaid claims	2 820	–20	2 800	**3 397**	**-39[1]**	**3 358**
Unearned premiums	1 794	–9	1 785	**1 866**	**-9[1]**	**1 857**
Provisions for profit commissions	21	–	21	**35**	**–**	**35**
Equalisation provision	183	–	183	**183**	**–**	**183**
Reinsurance balances payable	–18	–16	-34	**–23**	**–39**	**–62**

[1] Reported under "Reinsurance recoverable on technical provisions retroceded" on page 63.

4 Change in shareholder's equity

CHF millions	Share Capital	Legal capital reserves	Other reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Total Shareholder's equity
Shareholder's equity 1.1. 2015	100	1 394	–	–	2	288	1 784
Allocation to voluntary profit reserves	–	–	–	210	–	–210	–
Allocation to retained earnings	–	–	–	–	78	–78	–
Dividend for the financial year 2014	–	–	–	–194	–	–	–194
Net income for the year	–	–	–	–	–	178	178
Shareholder's equity 31.12.2015	100	1 394	–	16	80	178	1 768
Shareholder's equity 1.1. 2016	100	1 394	–	16	80	178	1 768
Allocation to voluntary profit reserves	–	–	–	250	–	–250	–
Allocation to retained earnings	–	–	–	–	–72	72	–
Dividend for the financial year 2015	–	–	–	–240	–	–	–240
Net income for the year	–	–	–	–	–	176	176
Shareholder's equity 31.12.2016	**100**	**1 394**	**–**	**26**	**8**	**176**	**1 704**

5 Share capital and major shareholder

The nominal share capital of the Company amounted to CHF 100 million. It is divided into 100 000 shares, each with a nominal value of CHF 1 000. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2016 and 2015, the Company was a fully owned subsidiary of Swiss Re Ltd.

6 Contingent liabilities

As of 31 December 2016, the Company has issued limited guarantees of notional CHF 746 million (2015: CHF 673 million) to a subsidiary in support of individual transactions.

7 Securities lending

As of 31 December 2016, securities of CHF 704 million (2015: CHF 866 million) were lent to Swiss Reinsurance Company Ltd under securities lending agreements. As of 31 December 2016 and 2015, there were no securities lent to third parties.

CHF millions	2015	2016
Fair value of securities transferred to third parties	–	**–**
Fair value of securities transferred to affiliated companies	866	**704**
Total	866	**704**

8 Security deposits

To secure the technical provisions at the 2016 balance sheet date, securities with a value of CHF 453 million (2015: CHF 431 million) were deposited in favour of ceding companies. There were no security deposits to external third parties in 2015 and 2016.

9 Public placed debentures

As of 31 December 2016, the following public placed debentures were outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Subordinated bond	2014	USD	500	4.500%	2024	508

10 Deposit arrangements

The following balances were related to deposit accounted reinsurance contracts:

CHF millions	2015	**2016**
Other reinsurance revenues	2	**2**
Premiums and other receivables from reinsurance	2	**2**
Reinsurance balances payable	2	**2**

11 Claims on and obligations towards affiliated companies

CHF millions	2015	**2016**
Loans	851	**971**
Funds held by ceding companies	449	**603**
Premiums and other receivables from reinsurance	1 019	**950**
Other receivables	12	**72**
Reinsurance balances payable	13	**10**
Other liabilities	5	**33**

There were no outstanding claims on and obligations towards the parent company, Swiss Re Ltd, at the end of the period 2016 and 2015

12 Release of undisclosed reserves

In 2016, net undisclosed reserves were released by an amount of CHF 77 million (2015: no release).

13 Obligations towards employee pension fund

As of 31 December 2016, other liabilities included CHF 2 million payable to the employee pension fund. There was no payable to the employee pension fund in 2015.

14 Management expenses

In 2016, management expenses of CHF 72 million were recharged to affiliated companies of the Company and invoiced to third parties. These recharges were reported net under "Operating costs", "Investment expenses" and "Other expenses".

Effective 1 January 2016, the Company directly employed its staff in Switzerland. In prior years, the staff were employed by Swiss Reinsurance Company Ltd.

15 Investments in subsidiaries

As of 31 December 2016 and 2015, Swiss Re Corporate Solutions Ltd held the following direct and indirect investments in subsidiaries and affiliated companies:

As of 31 December 2016	Country	City	% Equity interest	% Voting interest
The Palatine Insurance Company Ltd	United Kingdom	London	100%	100%
Swiss Re Specialty Insurance (UK) Ltd	United Kingdom	London	100%	100%
Swiss Re International SE	Luxembourg	Luxembourg	100%	100%
Swiss Re Corporate Solutions Insurance China Ltd	China	Shanghai	100%	100%
SR Corporate Solutions America Holding Corporation	United States	Wilmington	100%	100%
Flint Hills Insurance Agency, LLC	United States	Overland Park	100%	100%
Swiss Re Accident and Health Risk Solutions, LLC	United States	Delaware	100%	100%
Swiss Re Corporate Solutions Global Markets Inc	United States	New York	100%	100%
Westport Insurance Corporation	United States	Jefferson City	100%	100%
First Specialty Insurance Corporation	United States	Jefferson City	100%	100%
North American Capacity Insurance Company	United States	Manchester	100%	100%
North American Elite Insurance Company	United States	Manchester	100%	100%
North American Specialty Insurance Company	United States	Manchester	100%	100%
Washington International Insurance Company	United States	Manchester	100%	100%
Swiss Re Frankona Maria-Theresia-Straße GbR	Germany	München	6%	6%
Westport serviços e participações Ltda	Brazil	São Paulo	100%	100%
Swiss Re Corporate Solutions Brasil Seguros S.A.	Brazil	São Paulo	100%	100%
Compania Aseguradora de Fianzas S.A. Confianza	Colombia	Bogotá	51%	51%
Swiss Re Corporate Solutions Advisors South Africa (Pty) Ltd	South Africa	Johannesburg	100%	100%
Swiss Re Corporate Solutions Investment Holding Company Ltd	Switzerland	Zurich	100%	100%
Swiss Re Corporate Solutions Services Ltd	United Kingdom	London	100%	100%
Swiss Re Serviços de Consultoria em Seguros e Resseguros Ltda	Brazil	São Paulo	100%	100%

As of 31 December 2015	Country	City	% Equity interest	% Voting interest
The Palatine Insurance Company Ltd	United Kingdom	London	100%	100%
Swiss Re Specialty Insurance (UK) Ltd	United Kingdom	London	100%	100%
Swiss Re International SE	Luxembourg	Luxembourg	100%	100%
Swiss Re Corporate Solutions Insurance China Ltd	China	Shanghai	100%	100%
SR Corporate Solutions America Holding Corporation	United States	Wilmington	100%	100%
Swiss Re Corporate Solutions Global Markets Inc	United States	New York	100%	100%
Flint Hills Insurance Agency, LLC	United States	Overland Park	100%	100%
Westport Insurance Corporation	United States	Jefferson City	100%	100%
First Specialty Insurance Corporation	United States	Jefferson City	100%	100%
North American Capacity Insurance Company	United States	Manchester	100%	100%
North American Elite Insurance Company	United States	Manchester	100%	100%
North American Specialty Insurance Company	United States	Manchester	100%	100%
Washington International Insurance Company	United States	Manchester	100%	100%
Swiss Re Frankona Maria-Theresia-Straße GbR	Germany	München	6%	6%
Swiss Re Corporate Solutions Brasil Seguros S.A.	Brazil	São Paulo	100%	100%
Compania Aseguradora de Fianzas S.A. Confianza	Colombia	Bogotá	51%	51%
Swiss Re Corporate Solutions Advisors South Africa (Pty) Ltd	South Africa	Johannesburg	100%	100%
Swiss Re Corporate Solutions Services Ltd	United Kingdom	London	100%	100%
Swiss Re Serviços de Consultoria em Seguros e Resseguros Ltda	Brazil	São Paulo	100%	100%

16 Personnel information and administrative expenses

As of 31 December 2016, the Company employed a worldwide staff at an average of 325 (2015: 8) full time equivalents.

Total administrative expenses for 2016, including charges by affiliates, amounted to CHF 306 million (2015: CHF 228 million).

17 Auditor's fees

In 2016, the Swiss Re Group incurred total auditor's fees of CHF 33 million (2015: CHF 35 million) and additional fees of CHF 4 million (2015: CHF 5 million), of which CHF 0.6 million (2015: CHF 0.5 million) incurred for the Company solely relating to auditor's fees.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting of the Company, to be held on 24 March 2017, to approve the following allocations and payment of cash dividend of USD 150 million, which must not exceed CHF 170 million, translated into CHF at spot rate on the settlement date. The cash dividend is paid to its sole shareholder, Swiss Re Ltd, out of voluntary profit reserves on 29 March 2017.

In order to comply with the Swiss Code of Obligations, dividends paid in foreign currencies must meet the capital protection requirements in CHF. In addition, maximum amounts in CHF must be approved by the Annual General Meeting. The Board of Directors proposes to set this maximum amount to CHF 170 million, which shall be funded from the disposable profit as in the tables below.

As such, the effective cash dividend amount translated into CHF at spot rate on the settlement date, must not exceed CHF 170 million. This threshold of CHF 170 million is presented in the below table and reflects the maximum amount in CHF to be paid.

Retained earnings

CHF millions	2015	**2016**
Retained earnings brought forward	80	**8**
Net income for the financial year	178	**176**
Disposable profit	258	**184**
Allocation to voluntary profit reserves	–250	**–170**
Retained earnings after allocation	8	**14**

CHF millions	2015	**2016**
Legal reserves from capital contributions brought forward	1 342	**1 342**
Proposed allocation to voluntary profit reserves in connection with the cash dividend	–30[1]	**–**
Legal reserves from capital contributions after proposed allocation to voluntary profit reserves	1 312	**1 342**

[1] The translation into CHF at spot rate on the settlement date may result in a lower reclassification of legal reserves from capital contributions to voluntary profit reserves by a respective amount on the settlement date.

Voluntary profit reserves

CHF millions	2015	**2016**
Voluntary profit reserves brought forward	16	**26**
Allocation from retained earnings	250	**170**
Voluntary profit reserves before proposed allocation of legal reserves from capital contributions and cash dividend	266	**196**
Proposed cash dividend (maximal amount in CHF of the proposed dividend in USD translated into CHF)	–240[2]	**-170[1]**
Voluntary profit reserves after proposed allocation of legal reserves from capital contributions and cash dividend	26	**26**

[1] The translation into CHF at spot rate on the settlement date may result in a lower cash dividend by a respective amount on the settlement date.
[2] The 2015 figure was recalculated based on the final cash dividend, converted into CHF at spot rate on the settlement date.

Zurich, 15 March 2017

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Corporate Solutions Ltd
Zurich, Switzerland

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swiss Re Corporate Solutions Ltd (the 'Company'), which comprise the income statement, balance sheet and notes (pages 62 to 74) for the year ended 31 December 2016.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the Company's Articles of Association.

Report on a key audit matter based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unobservable or interpolated inputs used for the valuation of certain investments

Key audit matter

Investments are generally valued at lower of cost or market value (prudence principle). In addition to the lower of cost or market value, amortised cost must also be considered for fixed income securities, which is in accordance with the Insurance Supervision Ordinance.

Accordingly market values have to be observed to assess the appropriate application of the prudence principle.

Given the ongoing market volatility and macroeconomic uncertainty, determination of market values, where no observable market price exist, investment valuation continues to be an area of inherent risk. The risk is not the same for all investment types and is greatest for derivatives – rates, where the investments are more difficult to value because quoted prices are not always available.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls of the valuation models for certain investments, including the Company's independent price verification process.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Evaluating the methodology and assumptions, in particular, the yield curves, discounted cash flows, perpetual growth rates and liquidity premiums used in the valuation models.
- Comparing the assumptions used against appropriate benchmarks and investigating significant differences.
- Testing the operation of data integrity and change management controls relating to the models.
- Engaging our own valuation experts to perform independent valuations, where applicable.

On the basis of the work performed, we consider the assumptions used by management to be appropriate and that investments are properly valued as of 31 December 2016.

Valuation of actuarially determined Property & Casualty ('P&C') loss reserves

Key audit matter
The valuation of actuarially determined P&C loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these provisions. Actuarially determined P&C loss reserves require significant judgement relating to certain factors and assumptions. Among the most significant reserving assumptions are the A-priori loss ratios, which typically drive the estimates of P&C loss reserves for the most recent contract years. Other assumptions include, but are not limited to, interest rates, inflation trends, claims trends, regulatory decisions, historical claims information and the growth of exposure.

In particular, 'long tail' lines of business (for example, Liability, Motor Liability and Workers' Compensation) are generally more difficult to project. This is due to the protracted period over which claims can be reported as well as the fact that claims settlements are often less frequent but of higher impact. They are also subject to greater uncertainties than claims relating to 'short-tail' business. Long-tailed lines of business generally rely on many assumptions based on experts' judgement.

Moreover, not all natural catastrophe events and/or significant man-made losses can be modelled using traditional actuarial methodologies, which increases the degree of judgement needed in establishing reserves for these events.

How our audit addressed the key audit matter
We assessed and tested the design and operating effectiveness of selected key controls relating to the application of the actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined P&C loss reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of underlying data utilised by the Company's actuaries in estimating P&C loss reserves.
- Applying IT audit techniques to analyse claims through the recalculation of claims triangles.
- Involving PwC's internal actuarial specialists to test independently management's estimates of P&C loss reserves, and evaluating the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying our industry knowledge and experience.
- Performing independent projections of selected product lines. For these product lines, we compared our calculations of projected reserves with those of the Company taking into account the available corroborating and contrary evidence and challenging management's assumptions as appropriate.
- Assessing the process and related judgements of management in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.
- Performing sensitivity testing and evaluating the appropriateness of any significant adjustments made by management to P&C loss reserve estimates.

On the basis of the work performed, we consider that the methodology, assumptions and underlying data used in the valuation of actuarially determined P&C loss reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Impairment assessment of investments in subsidiaries and affiliated companies

Key audit matter

The Company applies group valuation method when a close business link exists and a similarity in nature is given.

In performing impairment assessments of investments in subsidiaries and affiliated companies, management uses considerable judgement in determining different valuation-method inputs.

The impairment assessment is considered a key audit matter due to the considerable judgement in performing the impairment assessment.

How our audit addressed the key audit matter

In relation to the matter set out opposite, our substantive testing procedures included the following:

- Assessing whether the group valuation method is still appropriate.
- Assessing whether the method applied for each subsidiary is reasonable.
- Understanding changes in the approach and discussing these with management to ensure they are in accordance with our own expectation based on our knowledge of the business and industry.

On the basis of the work performed, we consider the methods and assumption used by management to be reasonable. We agree with their conclusion that the book value for all investments in subsidiaries are recoverable.

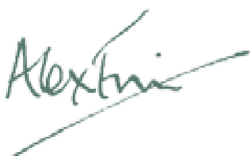
Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd



Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2017

Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "foresee," "intend," "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will," "should," "would" and "could." These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results of operations, financial condition, liquidity position or prospects to be materially different from any future results of operations, financial condition, liquidity position or prospects expressed or implied by such statements. Among the key factors that have a direct bearing on our results of operations, financial condition, liquidity position or prospects are:

- further instability affecting the global financial system and developments related thereto, including as a result of concerns over, or adverse developments relating to, sovereign debt of eurozone countries;
- further deterioration in global economic conditions;
- our ability to maintain sufficient liquidity and access to capital;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of interest rates, credit spreads, equity prices, currency values and other market indices, on our investment assets;
- changes in our investment result as a result of changes in our investment policy or the changed composition of our investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- possible inability to realise amounts on sales of securities on our balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- mortality, morbidity and longevity rates;
- policy renewal and lapse rates;
- uncertainties in estimating reserves;

- extraordinary events affecting our counterparties;
- current, pending and future legislation and regulation affecting us, and interpretations of legislation or regulations by regulators, particularly in respect of minimum capital requirements;
- 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. We operate in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake 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.

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Re Corporate Solutions Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group's control and are often inter-related.

Market sentiment is dominated in large part by concerns over the trends exemplified by the outcome of the US presidential election and the UK referendum on European Union (EU) membership. Growth forecasts among the principal global economies remain uneven and uncertain in an environment of elevated political uncertainty. Stable, but uneven growth, in the Eurozone could suffer as a result of the potential impact of populism and anti-globalisation sentiments on upcoming elections in the Netherlands, France and Germany, and potentially Italy, during 2017. The planned withdrawal of the United Kingdom from the EU has created uncertainty not only for the United Kingdom but for the rest of the EU, and negotiations over withdrawal will likely continue to contribute to volatility and pose significant challenges for the EU, while also calling into question the ability of the EU to address significant ongoing structural challenges. The long-term effects of a withdrawal of the United Kingdom from the EU will depend in part on any agreements the United Kingdom makes to retain access to the single market within the European Economic Area (EEA) following such withdrawal, the scope and nature of which currently remain highly uncertain. As China's economy undergoes structural changes, recent near-term growth stabilisation may be reversed. Growth in China remains heavily dependent on government stimulus and credit expansion; it continues to face significant capital outflows, reflecting concerns over foreign currency, and its banking sector could be adversely impacted by rising interest rates. The foregoing may be exacerbated by geopolitical tensions, fears over security and migration, and uncertainty created generally by the policy pronouncements that have been, and may in the coming months be, announced by the new US administration on a range of trade, security, foreign policy, environmental protection and other issues having global implications, as well as by the consequences of the implementation of such policy pronouncements.

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

Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. During this period, there has been a noticeable trend to extend the scope of reforms and oversight, which initially targeted banks, beyond such institutions to cover insurance operations.

While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, countries in the European Union (including Luxembourg), Australia, Japan, Canada, Singapore and Dubai. In addition, the Group could be affected by regulatory changes or developments affecting the overall Swiss Re group, comprising Swiss Re Ltd ("SRL") and its consolidated subsidiaries, of which the Group is a part (the "Swiss Re Group").

In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

The Group cannot predict which legislative and/or regulatory initiatives 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. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if for example it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty triggered by the outcome of the UK referendum on EU membership could also impact the legislative and/or regulatory regimes to which the Group or the broader Swiss Re Group is subject, both in the United Kingdom and in the European Union.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make insurance less attractive to the Group's clients.

Market risk

Volatility and disruption in the global financial markets could 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. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance industry, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. 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.

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. 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 again to deteriorate and further 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 again, the Group could also face write-downs in other areas of its portfolio, including other 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.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its 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 coverage obligations. The Group's uses of funds include obligations arising in its insurance business, 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.

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.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. 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. Securities 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 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 insurance 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 insurance companies. Third-party rating agencies assess and rate the financial strength insurers such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be revised downward or revoked at the sole discretion of 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, and market conditions could increase the risk of downgrade. 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 insurers, a decline in ratings alone could make insurance provided by the Group less attractive to clients relative to insurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by policy or regulation to purchase insurance only from insurers with certain ratings. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its insurance business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

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 clients, 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, which could result in adverse judgements, 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, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. 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 and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. 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 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); competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); 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); macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, which could have a range of consequences from operational disruption, to a loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of the Group's clients; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. Any of the foregoing, as well as 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, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements. 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. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. 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. Changes in accounting standards could impact future reported results or require restatement of past reported results. 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.

The Group uses non-GAAP financial measures in its external reporting. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes 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

Corporate Solutions is a wholly owned subsidiary of SRL, and the Group represents one of the four operating business segments of the Swiss Re Group. While a significant portion of the Corporate Solutions business was transferred to the Group as part of the formation of the Group as a separate business unit, for regulatory reasons certain of the Group's operations are conducted by legal entities that continue to be owned by other members of the Swiss Re Group. In addition, a substantial portion of the Group's historical loss reserves remain with other members of the Swiss Re Group.

The Group does not currently operate on a standalone basis. It is dependent on other members of the Swiss Re Group for a range of asset management services, corporate services (including general management services, human resources, logistics, IT support, finance, treasury and accounting services, auditing services, risk management oversight and legal and compliance) and technical services (including actuarial services support, underwriting services support and claims operations support). In addition, the Group derives a range of significant operational and other benefits from its status as a part of the Swiss Re Group, including its ability to market its products on a worldwide basis under the "Swiss Re Corporate Solutions" brand name. As a result, factors affecting the Swiss Re Group, whether involving developments or events unique to Swiss Re or events or developments applicable more broadly, could have a material adverse effect on the Group's ability to conduct its business, even if such factors do not directly impact the Group's business operations.

Capital, funding, reserve and cost allocations are made at the Swiss Re Group level across the four operating segments based principally on business plans as measured against US GAAP and economic value management metrics. Decisions at the Swiss Re Group level in respect of the broader Swiss Re Group could have an adverse impact on the Group's financial condition, including its capital and liquidity levels, as well as on its SST ratio. As part of the Swiss Re Group's focus on efficient capital allocation, the Group expects to be paying dividends to SRL. Decisions on dividends payable by each of the operating segments, including the Group, are made at the Swiss Re Group level based on legal entity, regulatory, capital and liquidity considerations. The Swiss Re Group expects that, over time, its structure will continue to evolve, and while to date all of the Swiss Re Group's principal operations, including the Group, remain wholly owned, in the future the Swiss Re Group may elect to partner with minority investors in or within one or more of the Swiss Re Group's business units or sub-groups within its business units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such business unit or sub-group.

While further changes to the overall Swiss Re Group structure may not have a financial statement impact on a Swiss Re Group consolidated basis, they would impact the Group to the extent that operations are transferred into or from the Group, or as a result of intra-group transactions (from the perspective of the Swiss Re Group) to the extent the Group is a counterparty to any such transactions.

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