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Income statement

For the years ended 31 December

USD millions	Note	2014	2015
Revenues			
Premiums earned	3	30 756	**29 751**
Fee income from policyholders	3	506	**463**
Net investment income – non-participating business[1]	7	4 103	**3 436**
Net realised investment gains/losses – non-participating business[2]	7	567	**1 206**
Net investment result – unit-linked and with-profit business	7	1 381	**814**
Other revenues		34	**44**
Total revenues		37 347	**35 714**
Expenses			
Claims and claim adjustment expenses	3	–10 577	**–9 848**
Life and health benefits	3	–10 611	**–9 080**
Return credited to policyholders		–1 541	**–1 166**
Acquisition costs	3	–6 515	**–6 419**
Other expenses		–3 155	**–3 303**
Interest expenses		–721	**–579**
Total expenses		–33 120	**–30 395**
Income before income tax expense		4 227	**5 319**
Income tax expense	13	–658	**–651**
Net income before attribution of non-controlling interests		3 569	**4 668**
Income attributable to non-controlling interests			**–3**
Net income after attribution of non-controlling interests		3 569	**4 665**
Interest on contingent capital instruments		–69	**–68**
Net income attributable to common shareholders		3 500	**4 597**
Earnings per share in USD			
Basic	12	10.23	**13.44**
Diluted	12	9.39	**12.28**
Earnings per share in CHF[3]			
Basic	12	9.33	**12.93**
Diluted	12	8.56	**11.81**

[1] Total impairments for the years ended 31 December were nil in 2014 and USD 83 million in 2015, of which nil and USD 83 million, respectively, were recognised in earnings.
[2] Total impairments for the years ended 31 December were USD 40 million in 2014 and USD 57 million in 2015, of which USD 40 million and USD 57 million, respectively, were recognised in earnings.
[3] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2014	2015
Net income before attribution of non-controlling interests	3 569	**4 668**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	3 796	**–2 670**
Change in other-than-temporary impairment	3	**–8**
Change in foreign currency translation	–778	**–1 012**
Change in adjustment for pension benefits	–291	**–191**
Total comprehensive income before attribution of non-controlling interests	6 299	**787**
Interest on contingent capital instruments	–69	**–68**
Comprehensive income attributable to non-controlling interests		**–3**
Total comprehensive income attributable to common shareholders	6 230	**716**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

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

2015 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	5 418	–3	–4 675	–825	**–85**
Change during the period	–2 166	–10	–870	–310	**–3 356**
Amounts reclassified out of accumulated other comprehensive income	–1 523			74	**–1 449**
Tax	1 019	2	–142	45	**924**
Balance as of period end	**2 748**	**–11**	**–5 687**	**–1 016**	**–3 966**

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

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2014	2015
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale, at fair value (including 12 677 in 2014 and 11 897 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 77 867; 2015: 76 155)		84 450	**79 435**
Trading (including 645 in 2014 and 1 729 in 2015 subject to securities lending and repurchase agreements)		2 219	**2 896**
Equity securities:			
Available-for-sale, at fair value (including 311 in 2014 and 605 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 3 133; 2015: 4 294)		4 024	**4 719**
Trading		65	**68**
Policy loans, mortgages and other loans		3 205	**3 123**
Investment real estate		888	**1 556**
Short-term investments, at fair value (including 3 217 in 2014 and 1 278 in 2015 subject to securities lending and repurchase agreements)		14 127	**7 405**
Other invested assets		9 684	**10 367**
Investments for unit-linked and with-profit business (including fixed income securities trading: 3 680 in 2014 and 4 069 in 2015, equity securities trading: 20 045 in 2014 and 22 783 in 2015)		25 325	**28 241**
Total investments		143 987	**137 810**
Cash and cash equivalents (including 65 in 2014 and 319 in 2015 subject to securities lending)		7 471	**8 204**
Accrued investment income		1 049	**983**
Premiums and other receivables		12 265	**11 709**
Reinsurance recoverable on unpaid claims and policy benefits		6 950	**6 578**
Funds held by ceding companies		11 222	**9 870**
Deferred acquisition costs	6	4 840	**5 471**
Acquired present value of future profits	6	3 297	**2 964**
Goodwill		4 025	**3 862**
Income taxes recoverable		212	**191**
Deferred tax assets		6 118	**5 970**
Other assets		3 025	**2 523**
Total assets		204 461	**196 135**

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

Liabilities and equity

USD millions	Note	2014	2015
Liabilities			
Unpaid claims and claim adjustment expenses		57 954	**55 518**
Liabilities for life and health policy benefits	8	33 605	**30 131**
Policyholder account balances		29 242	**31 422**
Unearned premiums		10 576	**10 869**
Funds held under reinsurance treaties		3 385	**3 320**
Reinsurance balances payable		2 115	**1 928**
Income taxes payable		909	**488**
Deferred and other non-current tax liabilities		9 445	**8 093**
Short-term debt	11	1 701	**1 834**
Accrued expenses and other liabilities		6 873	**7 948**
Long-term debt	11	12 615	**10 978**
Total liabilities		168 420	**162 529**
Equity			
Contingent capital instruments	11	1 102	**1 102**
Common shares, CHF 0.10 par value 2014: 370 706 931; 2015: 370 706 931 shares authorised and issued		35	**35**
Additional paid-in capital		1 806	**482**
Treasury shares, net of tax		–1 185	**–1 662**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 418	**2 748**
Other-than-temporary impairment, net of tax		–3	**–11**
Foreign currency translation, net of tax		–4 675	**–5 687**
Adjustment for pension and post-retirement benefits, net of tax		–825	**–1 016**
Total accumulated other comprehensive income		–85	**–3 966**
Retained earnings		34 257	**37 526**
Shareholders' equity		35 930	**33 517**
Non-controlling interests		111	**89**
Total equity		36 041	**33 606**
Total liabilities and equity		204 461	**196 135**

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2014	2015
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	4 963	**1 806**
Share-based compensation	–34	**17**
Realised gains/losses on treasury shares	6	**–61**
Dividends on common shares[1]	–3 129	**–1 280**
Balance as of period end	1 806	**482**
Treasury shares, net of tax		
Balance as of 1 January	–1 099	**–1 185**
Purchase of treasury shares	–223	**–584**
Issuance of treasury shares, including share-based compensation to employees	137	**107**
Balance as of period end	–1 185	**–1 662**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	1 622	**5 418**
Changes during the period	3 796	**–2 670**
Balance as of period end	5 418	**2 748**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–6	**–3**
Changes during the period	3	**–8**
Balance as of period end	–3	**–11**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 897	**–4 675**
Changes during the period	–778	**–1 012**
Balance as of period end	–4 675	**–5 687**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–534	**–825**
Changes during the period	–291	**–191**
Balance as of period end	–825	**–1 016**
Retained earnings		
Balance as of 1 January	30 766	**34 257**
Net income after attribution of non-controlling interests	3 569	**4 665**
Interest on contingent capital instruments, net of tax	–69	**–68**
Purchase of non-controlling interests	–9	
Dividends on common shares[1]		**–1 328**
Balance as of period end	34 257	**37 526**
Shareholders' equity	35 930	**33 517**
Non-controlling interests		
Balance as of 1 January	25	**111**
Changes during the period	86	**–25**
Income attributable to non-controlling interests		**3**
Balance as of period end	111	**89**
Total equity	36 041	**33 606**

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

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

Statement of cash flow

For the years ended 31 December

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholders	3 500	**4 597**
Add net income attributable to non-controlling interests		**3**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	458	**594**
Net realised investment gains/losses	–1 059	**–1 221**
Income from equity-accounted investees, net of dividends received	–66	**202**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net[2]	–34	**–121**
Funds held by ceding companies and under reinsurance treaties	433	**764**
Reinsurance recoverable on unpaid claims and policy benefits	1 273	**670**
Other assets and liabilities, net[2]	–323	**87**
Income taxes payable/recoverable	134	**–567**
Trading positions, net[1,2]	81	**404**
Net cash provided/used by operating activities	4 397	**5 412**
Cash flows from investing activities		
Fixed income securities:		
Sales	55 297	**45 552**
Maturities	4 315	**4 529**
Purchases	–67 447	**–55 360**
Net purchases/sales/maturities of short-term investments[2]	5 921	**6 103**
Equity securities:		
Sales	6 894	**1 790**
Purchases	–2 918	**–2 717**
Securities purchased/sold under agreement to resell/repurchase, net[1]	331	**–2 089**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	–257	**404**
Net purchases/sales/maturities of other investments[1,2]	–1 642	**2 264**
Net purchases/sales/maturities of investments held for unit-linked and with-profit business[2]	791	**1 218**
Net cash provided/used by investing activities	1 285	**1 694**
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:[2]		
Deposits	250	**518**
Withdrawals	–1 695	**–2 383**
Issuance/repayment of long-term debt	1 438	**199**
Issuance/repayment of short-term debt	–2 584	**–1 155**
Purchase/sale of treasury shares	–197	**–579**
Dividends paid to shareholders	–3 129	**–2 608**
Net cash provided/used by financing activities	–5 917	**–6 008**
Total net cash provided/used	–235	**1 098**
Effect of foreign currency translation	–366	**–365**
Change in cash and cash equivalents	–601	**733**
Cash and cash equivalents as of 1 January	8 072	**7 471**
Cash and cash equivalents as of 31 December	7 471	**8 204**

[1] The Group reviewed the nature of certain items within the statement of cash flow. "Securities purchased/sold under agreement to resell/repurchase, net" were reclassified from the operating cash flow to the investing cash flow, and certain investment related cash flows were reclassified from "Trading positions, net" in the operating cash flow to "Net purchases/sales/maturities of other investments" in the investing cash flow. Comparatives are adjusted accordingly.

[2] The Group changed the presentation of its investments related to unit-linked and with-profit business, and related deposits and withdrawals were reclassified from "Technical provisions, net" in the operating cash flow to "Policyholder account balances, unit-linked and with-profit business" in the financing cash flow. Comparatives are adjusted accordingly.

Interest paid was USD 885 million and USD 672 million for the years ended 31 December 2014 and 2015, respectively. Tax paid was USD 509 million and USD 1 190 million for the years ended 31 December 2014 and 2015, respectively. The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

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

Basis of presentation

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

Principles of consolidation

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

Use of estimates in the preparation of financial statements

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

Foreign currency remeasurement and translation

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

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

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2015, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash and cash equivalents

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

Deferred acquisition costs

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

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

Modifications of insurance and reinsurance contracts

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

Business combinations

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

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

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

Acquired present value of future profits

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

Goodwill

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

Other assets

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

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

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

Capitalised software costs

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

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

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

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

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

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

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

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

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

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

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

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

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7.

Funds held assets and liabilities

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

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

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

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

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

Shadow adjustments

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

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

Premiums

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

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

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

Insurance and reinsurance ceded

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

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

Receivables

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

Pensions and other post-retirement benefits

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

Share-based payment transactions

As of 31 December 2015, the Group has a Leadership Performance Plan, stock option plans, restricted shares, an Employee Participation Plan, and a Global Share Participation Plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

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

Treasury shares

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

Earnings per common share

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

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2016. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)", an update to topic 323, "Investments — Equity Method and Joint Ventures". The Low Income Housing Tax Credit, a program created under the US Tax Reform Act of 1986, offers US federal tax credits to investors that provide capital to facilitate the development, construction, and rehabilitation of low-income rental property. ASU 2014-01 modifies the conditions that must be met to present the pre-tax effects and related tax benefits of investments in qualified affordable housing projects as a component of income. Investors that do not qualify for "net" presentation under the new guidance will continue to account for such investments under the equity method or cost method, which results in losses recognised in pre-tax income and tax benefits recognised in income taxes. For investments that qualify for the "net" presentation of investment performance, the ASU introduces a "proportional amortization method" that can be elected to amortise the investment basis. The Group adopted ASU 2014-01 on 1 January 2015. The adoption did not have a material effect on the Group's financial statements.

In January 2014, the FASB issued ASU 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)", an update to subtopic 310-40, "Receivables — Troubled Debt Restructurings by Creditors". ASU 2014-04 applies to creditors who obtain physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralising a consumer mortgage loan in satisfaction of a receivable. Existing guidance requires a creditor to reclassify a collateralised mortgage loan with the result that the loan is derecognised and the collateral asset recognised when there has been in substance repossession or foreclosure by the creditor. The ASU provides additional guidance on when a creditor is considered to have received physical possession from an in substance repossession. The Group adopted ASU 2014-04 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", an update to topics 205, "Presentation of Financial Statements" and 360, "Property, Plant and Equipment". ASU 2014-08 amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued-operations criteria. The new guidance eliminates two of the three existing criteria for classifying components of an entity as discontinued operations and instead requires discontinued operations treatment for disposals of a component or group of components that represents a strategic shift that has or will have a major impact on an entity's operations or financial results. The ASU also expands the discontinued operations classification to include disposals of equity method investments and acquired businesses held for sale. The ASU also requires entities to reclassify assets and liabilities of a discontinued operation for all comparative periods presented in the statement of financial position. The Group is applying the new requirements on a prospective basis to transactions occurring after 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", an update to topic 860, "Transfers and Servicing". ASU 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings rather than as sales with forward repurchase agreements and eliminates previously issued accounting guidance on linked repurchase financing transactions. The ASU includes new disclosure requirements for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These requirements of ASU 2014-11 were adopted on 1 January 2015 and the adoption did not have an effect on the Group's financial statements. In addition, for transactions accounted for as secured borrowings, including repurchase agreements and securities lending transactions, the ASU requires entities to provide disclosures that disaggregate the related gross obligation by class of collateral pledged, disclose the remaining contractual maturity of the agreements and to provide information on the potential risks of these arrangements and related collateral pledged. In line with the specific effective date provided in the ASU, the Group adopted the new disclosure requirements for the interim period ending 30 June 2015 and applicable portions of the new disclosure requirements are provided in Note 7.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period", an update to topic 718, "Compensation – Stock Compensation". ASU 2014-12 states that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period is a performance condition, and therefore, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost for such an award would be recognised over the required service period if it is probable that the performance condition will be achieved. The Group adopted ASU 2014-12 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In August 2014, the FASB issued ASU 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure", an update to subtopic 310-40, "Receivables — Troubled Debt Restructurings by Creditors". ASU 2014-14 affects creditors that hold government-guaranteed mortgage loans. The ASU requires that a mortgage loan be derecognised and that a separate other receivable be recognised upon foreclosure if specific conditions are met, including that the guarantee is not separable from the loan before foreclosure. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance expected to be recovered from the guarantor. The Group adopted ASU 2014-14 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred-but-not-reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claim adjustment expenses in both interim and annual periods. The Group will adopt the annual disclosure requirements for the annual reporting period ending on 31 December 2016, and the interim disclosure requirements for the quarter ending on 31 March 2017. The Group has set up a project to implement the new requirements.

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

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2 Information on business segments

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

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

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

The Group operating segments are outlined below.

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

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

Corporate Solutions
Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 52 offices worldwide.

Admin Re®

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

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). The sale was completed in the second quarter of 2015. For more details on the transaction and its impact on the Swiss Re Group financial statements, please refer to Note 10.

During 2015, a new Business Unit, Life Capital, was announced. This Business Unit includes the existing Admin Re® segment and will manage closed and open life and health insurance books. The change in segmentation is effective from 1 January 2016. The Group financial statements and related notes presented in this report are not impacted. For more details, please refer to the Q3 2015 news release of 29 October 2015 and the Investors' Day presentation of 8 December 2015.

Group items

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

Consolidation

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

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

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

Business segments – income statement

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	15 090	10 914	3 379	368			29 751
Fee income from policyholders		49		414			463
Net investment income – non-participating business	1 097	1 331	135	938	–70	5	3 436
Net realised investment gains/losses – non-participating business	445	310	142	275	34		1 206
Net investment result – unit-linked and with-profit business		42		772			814
Other revenues	45	5	9		332	–347	44
Total revenues	**16 677**	**12 651**	**3 665**	**2 767**	**296**	**–342**	**35 714**
Expenses							
Claims and claim adjustment expenses	–7 892		–1 955		–1		–9 848
Life and health benefits		–8 290		–790			–9 080
Return credited to policyholders		–60		–1 106			–1 166
Acquisition costs	–3 836	–1 986	–459	–138			–6 419
Other expenses	–1 247	–903	–756	–320	–395	318	–3 303
Interest expenses	–262	–278	–24	–16	–23	24	–579
Total expenses	**–13 237**	**–11 517**	**–3 194**	**–2 370**	**–419**	**342**	**–30 395**
Income/loss before income tax expense	**3 440**	**1 134**	**471**	**397**	**–123**	**0**	**5 319**
Income tax expense/benefit	–443	–146	–129	25	42		–651
Net income/loss before attribution of non-controlling interests	**2 997**	**988**	**342**	**422**	**–81**	**0**	**4 668**
Income attributable to non-controlling interests	–1		–2				–3
Net income/loss after attribution of non-controlling interests	**2 996**	**988**	**340**	**422**	**–81**	**0**	**4 665**
Interest on contingent capital instruments	–19	–49					–68
Net income/loss attributable to common shareholders	**2 977**	**939**	**340**	**422**	**–81**	**0**	**4 597**
Claims ratio in %	52.3		57.8				53.3
Expense ratio in %	33.7		36.0				34.1
Combined ratio in %	86.0		93.8				87.4
Management expense ratio in %		7.3					
Operating margin in %		9.9					

Business segments – balance sheet

As of 31 December

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

Business segments – balance sheet
As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	32 146	28 976	5 888	15 303	18		82 331
Equity securities	2 231	921	935		700		4 787
Other investments	12 105	1 976	162	1 524	6 077	–6 798	15 046
Short-term investments	3 458	1 069	1 256	571	1 051		7 405
Investments for unit-linked and with-profit business		818		27 423			28 241
Cash and cash equivalents	4 282	433	680	1 433	1 376		8 204
Deferred acquisition costs	2 051	3 032	387	1			5 471
Acquired present value of future profits		1 134		1 830			2 964
Reinsurance recoverable	2 872	1 652	6 438	895		–5 279	6 578
Other reinsurance assets	8 879	8 057	2 296	3 479	3	–1 135	21 579
Goodwill	1 873	1 883	106				3 862
Other	8 279	5 752	917	1 023	397	–6 701	9 667
Total assets	**78 176**	**55 703**	**19 065**	**53 482**	**9 622**	**–19 913**	**196 135**
Liabilities							
Unpaid claims and claim adjustment expenses	39 366	9 653	10 619	1 022		–5 142	55 518
Liabilities for life and health policy benefits		15 472	257	14 408		–6	30 131
Policyholder account balances		1 368		30 187		–133	31 422
Other reinsurance liabilities	10 597	2 342	4 178	433	3	–1 436	16 117
Short-term debt	1 001	2 612			515	–2 294	1 834
Long-term debt	4 074	8 770	496	808		–3 170	10 978
Other	9 799	8 936	1 187	1 684	2 652	–7 729	16 529
Total liabilities	**64 837**	**49 153**	**16 737**	**48 542**	**3 170**	**–19 910**	**162 529**
Shareholders' equity	**13 316**	**6 550**	**2 262**	**4 940**	**6 452**	**–3**	**33 517**
Non-controlling interests	23		66				89
Total equity	**13 339**	**6 550**	**2 328**	**4 940**	**6 452**	**–3**	**33 606**
Total liabilities and equity	**78 176**	**55 703**	**19 065**	**53 482**	**9 622**	**–19 913**	**196 135**

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

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

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

2015 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**6092**	**6602**	**2396**	**15090**
Expenses				
Claims and claim adjustment expenses	–2567	–4139	–1186	–7892
Acquisition costs	–1198	–2053	–585	–3836
Other expenses	–689	–401	–157	–1247
Total expenses before interest expenses	**–4454**	**–6593**	**–1928**	**–12975**
Underwriting result	**1638**	**9**	**468**	**2115**
Net investment income				1097
Net realised investment gains/losses				445
Other revenues				45
Interest expenses				–262
Income before income tax expense				**3440**
Claims ratio in %	42.1	62.7	49.5	52.3
Expense ratio in %	31.0	37.2	31.0	33.7
Combined ratio in %	73.1	99.9	80.5	86.0

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

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	7 166	4 046	11 212
Fee income from policyholders	53		53
Net investment income – non-participating business	944	600	1 544
Net investment income – unit-linked and with-profit business	37		37
Net realised investment gains/losses – unit-linked and with-profit business	38		38
Net realised investment gains/losses – insurance-related derivatives	121	–7	114
Total revenues before non-participating realised gains/losses	8 359	4 639	12 998
Expenses			
Life and health benefits	–5 890	–3 304	–9 194
Return credited to policyholders	–99		–99
Acquisition costs	–1 808	–681	–2 489
Other expenses	–628	–257	–885
Total expenses before interest expenses	–8 425	–4 242	–12 667
Operating income/loss	–66	397	331
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			–369
Interest expenses			–438
Loss before income tax benefit			–476
Management expense ratio in %	7.7	5.5	6.9
Operating margin[1] in %	–0.8	8.6	2.6

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

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

2015 USD millions	Life	Health	Total
Revenues			
Premiums earned	7 114	3 800	10 914
Fee income from policyholders	49		49
Net investment income – non-participating business	866	465	1 331
Net investment income – unit-linked and with-profit business	38		38
Net realised investment gains/losses – unit-linked and with-profit business	4		4
Net realised investment gains/losses – insurance-related derivatives	90	42	132
Other revenues	3	2	5
Total revenues before non-participating realised gains/losses	**8 164**	**4 309**	**12 473**
Expenses			
Life and health benefits	–5 563	–2 727	–8 290
Return credited to policyholders	–60		–60
Acquisition costs	–1 258	–728	–1 986
Other expenses	–642	–261	–903
Total expenses before interest expenses	**–7 523**	**–3 716**	**–11 239**
Operating income	**641**	**593**	**1 234**
Net realised investment gains/losses – non-participating business and excluding insurance-related derivatives			178
Interest expenses			–278
Income before income tax expense			**1 134**
Management expense ratio in %	8.0	6.1	7.3
Operating margin[1] in %	7.9	13.8	9.9

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

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

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

USD millions	2014	2015
Americas	12 199	13 230
Europe (including Middle East and Africa)	11 316	10 333
Asia-Pacific	7 747	6 651
Total	31 262	**30 214**

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

USD millions	2014	2015
United States	9 422	10 259
United Kingdom	3 620	3 516
China	3 059	2 516
Australia	2 132	1 639
Germany	1 429	1 217
Canada	1 383	1 190
Japan	1 034	960
Ireland	903	782
France	948	755
Switzerland	743	745
Republic of Korea	436	466
Other	6 153	6 169
Total	31 262	**30 214**

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

3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

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

Fee income from policyholders, thereof:						
Direct				363		363
Reinsurance		54		90		144
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		54		453		507
Retrocession to external parties		–1				–1
Net fee income	0	53	0	453	0	506

Premiums earned and fees assessed against policyholders

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		736	2 732	500		3 968
Reinsurance	15 301	11 354	872	142		27 669
Intra-group transactions (assumed and ceded)	57	244	–57	–244		0
Premiums earned before retrocession to external parties	15 358	12 334	3 547	398		31 637
Retrocession to external parties	–268	–1 420	–168	–30		–1 886
Net premiums earned	**15 090**	**10 914**	**3 379**	**368**	**0**	**29 751**
Fee income from policyholders, thereof:						
Direct				323		323
Reinsurance		50		91		141
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		50		414		464
Retrocession to external parties		–1				–1
Net fee income	**0**	**49**	**0**	**414**	**0**	**463**

Claims and claim adjustment expenses

For the year ended 31 December

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

Acquisition costs

For the year ended 31 December

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

Claims and claim adjustment expenses
For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	−8 651	−9 415	−2 726	−1 826	−38	−22 656
Intra-group transactions (assumed and ceded)	−739	−214	739	214		0
Claims before receivables from retrocession to external parties	−9 390	−9 629	−1 987	−1 612	−38	−22 656
Retrocession to external parties	540	1 168	278	54		2 040
Net claims paid	**−8 850**	**−8 461**	**−1 709**	**−1 558**	**−38**	**−20 616**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	567	148	754	796	37	2 302
Intra-group transactions (assumed and ceded)	941	−3	−941	3		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 508	145	−187	799	37	2 302
Retrocession to external parties	−550	26	−59	−31		−614
Net unpaid claims and claim adjustment expenses; life and health benefits	**958**	**171**	**−246**	**768**	**37**	**1 688**
Claims and claim adjustment expenses; life and health benefits	**−7 892**	**−8 290**	**−1 955**	**−790**	**−1**	**−18 928**

Acquisition costs
For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	−3 898	−2 229	−492	−141		−6 760
Intra-group transactions (assumed and ceded)	−6	−1	6	1		0
Acquisition costs before impact of retrocession to external parties	−3 904	−2 230	−486	−140		−6 760
Retrocession to external parties	68	244	27	2		341
Net acquisition costs	**−3 836**	**−1 986**	**−459**	**−138**	**0**	**−6 419**

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2014 and 2015, the Group had a reinsurance recoverable of USD 6 950 million and USD 6 578 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 60% of the Group's reinsurance recoverable as of year-end 2014 and 52% as of year-end 2015.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2014	2015
Premium receivables invoiced	1 355	1 441
Receivables invoiced from ceded re/insurance business	341	201
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	779	171
Recognised allowance	–86	–56

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2014 and 2015 was 8% and 8%, respectively. The amount of policyholder dividend expense in 2014 and 2015 was USD 113 million and USD 126 million, respectively.

4 Premiums written

For the years ended 31 December

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

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		748	2 905	495			4 148
Reinsurance	15 811	11 303	845	142			28 101
Intra-group transactions (assumed)	288	244	192			–724	0
Gross premiums written	16 099	12 295	3 942	637		–724	32 249
Intra-group transactions (ceded)	–192		–288	–244		724	0
Gross premiums written before retrocession to external parties	15 907	12 295	3 654	393			32 249
Retrocession to external parties	–204	–1 413	–160	–30			–1 807
Net premiums written	**15 703**	**10 882**	**3 494**	**363**	**0**	**0**	**30 442**

5 Unpaid claims and claim adjustment expenses

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

USD millions	2014	**2015**
Non-Life	46 633	44 835
Life & Health	11 321	10 683
Total	57 954	**55 518**

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

USD millions	2014	**2015**
Balance as of 1 January	50 392	46 633
Reinsurance recoverable	–6 029	–4 746
Deferred expense on retroactive reinsurance	–56	–14
Net balance as of 1 January	44 307	**41 873**
Incurred related to:		
Current year	11 298	11 127
Prior year	–838	–1 394
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	17	27
Total incurred	10 477	**9 760**
Paid related to:		
Current year	–2 193	–2 245
Prior year	–8 693	–8 352
Total paid	–10 886	**–10 597**
Foreign exchange	–2 224	–1 892
Effect of acquisitions, disposals, new retroactive reinsurance and other items	199	1 433
Net balance as of 31 December	41 873	**40 577**
Reinsurance recoverable	4 746	3 918
Deferred expense on retroactive reinsurance	14	340
Balance as of 31 December	46 633	**44 835**

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

Prior-year development

In 2015, claims development on prior years was driven by favourable experience on most lines of business. In particular liability, within the casualty line of business, showed a consistent level of releases throughout the year and across all regions. Favourable development on more recent accident years more than offset increases for US asbestos and environmental losses. Following large commutation and positive claim experience, accident and health claims developed favourably, contributing to the overall positive claims development on casualty. This was partially offset by the motor line of business, which experienced adverse trends in the US on most recent underwriting years. The European motor claims were also adversely impacted following improvements to the reserving models for French and German business. On property, claims development was favourable across all regions. Similar to last year, specialty lines showed a favourable trend. Experience has been significantly below what was expected, enabling reserves to be released.

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

USD millions	2014	**2015**
Line of business:		
Property	–277	–539
Casualty	–62	–571
Specialty	–499	–284
Total	–838	**–1 394**

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2015 the Group carried net reserves for US asbestos and environmental liabilities equal to USD 2 094 million. During 2015, the Group incurred net losses of USD 128 million and paid net against these liabilities of USD 173 million.

Note that during 2015, USD 76 million of existing reserves were reclassified as asbestos following a detailed review of historic cedent accounts by our claims department. The above mentioned incurred amount (USD 128 million) does not show this amount as incurred during 2015.

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

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

As of 31 December, the DAC were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Total
Opening balance as of 1 January	1 591	2 845	319	1	4 756
Deferred	3 563	490	507		4 560
Effect of acquisitions/disposals and retrocessions		–28			–28
Amortisation	–3 332	–448	–463		–4 243
Effect of foreign currency translation	–66	–136	–3		–205
Closing balance as of 31 December	1 756	2 723	360	1	4 840

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Total
Opening balance as of 1 January	1 756	2 723	360	1	4 840
Deferred	4 132	1 053	486		5 671
Effect of acquisitions/disposals and retrocessions	7	2			9
Amortisation	–3 793	–594	–459		–4 846
Effect of foreign currency translation	–51	–152			–203
Closing balance as of 31 December	**2 051**	**3 032**	**387**	**1**	**5 471**

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

As of 31 December, the PVFP was as follows:

			2014			**2015**
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance as of 1 January	1 451	2 086	3 537	1 294	2 003	3 297
Effect of acquisitions/disposals and retrocessions		165	165		2	2
Amortisation	–156	–261	–417	–159	–191	–350
Interest accrued on unamortised PVFP	44	103	147	40	84	124
Effect of foreign currency translation	–45	–90	–135	–41	–77	–118
Effect of change in unrealised gains/losses			0		9	9
Closing balance as of 31 December	1 294	2 003	3 297	**1 134**	**1 830**	**2 964**

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

The percentage of PVFP which is expected to be amortised in each of the next five years is 9%, 9%, 8%, 8% and 7%.

7 Investments

Investment income

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

USD millions	2014	2015
Fixed income securities	2 798	2 553
Equity securities	100	105
Policy loans, mortgages and other loans	133	128
Investment real estate	144	158
Short-term investments	111	77
Other current investments	127	155
Share in earnings of equity-accounted investees	321	52
Cash and cash equivalents	42	35
Net result from deposit-accounted contracts	149	95
Deposits with ceding companies	571	462
Gross investment income	4 496	**3 820**
Investment expenses	–358	–362
Interest charged for funds held	–35	–22
Net investment income – non-participating business	4 103	**3 436**

Dividends received from investments accounted for using the equity method were USD 277 million and USD 254 million for 2014 and 2015, respectively.

Share in earnings of equity-accounted investees includes an impairment of the carrying amount of an equity-accounted investee of USD 83 million for 2015.

Realised gains and losses

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

USD millions	2014	2015
Fixed income securities available-for-sale:		
Gross realised gains	814	889
Gross realised losses	–231	–283
Equity securities available-for-sale:		
Gross realised gains	686	372
Gross realised losses	–84	–69
Other-than-temporary impairments	–40	–57
Net realised investment gains/losses on trading securities	46	64
Change in net unrealised investment gains/losses on trading securities	120	–30
Net realised/unrealised gains/losses on other investments	–340	85
Net realised/unrealised gains/losses on insurance-related activities	–331	143
Gain/Loss related to sale of Aurora National Life Assurance Company	–247	9
Foreign exchange gains/losses	174	83
Net realised investment gains/losses – non-participating business	567	**1 206**

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

USD millions	2014 Unit-linked	2014 With-profit	2015 Unit-linked	2015 With-profit
Investment income – fixed income securities	109	92	90	77
Investment income – equity securities	621	32	556	28
Investment income – other	22	13	32	16
Total investment income – unit-linked and with-profit business	752	137	**678**	**121**
Realised gains/losses – fixed income securities	132	168	–75	–58
Realised gains/losses – equity securities	206	–1	124	–19
Realised gains/losses – other	5	–18	28	15
Total realised gains/losses – unit-linked and with-profit business	343	149	**77**	**–62**
Total net investment result – unit-linked and with-profit business	1 095	286	**755**	**59**

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2014	2015
Balance as of 1 January	228	137
Credit losses for which an other-than-temporary impairment was not previously recognised	9	30
Reductions for securities sold during the period	–78	–23
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery		7
Impact of increase in cash flows expected to be collected	–23	–10
Impact of foreign exchange movements	1	–5
Balance as of 31 December	137	**136**

Investments available-for-sale

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

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	11 639	960	–9		12 590
US Agency securitised products	3 212	47	–23		3 236
States of the United States and political subdivisions of the states	1 047	80	–2		1 125
United Kingdom	8 224	1 259	–2		9 481
Canada	2 944	626	–17		3 553
Germany	4 521	369	–30		4 860
France	2 889	355	–19		3 225
Other	7 902	405	–103		8 204
Total	42 378	4 101	–205		46 274
Corporate debt securities	29 750	2 622	–139	–2	32 231
Mortgage- and asset-backed securities	5 739	231	–23	–2	5 945
Fixed income securities available-for-sale	77 867	6 954	–367	–4	84 450
Equity securities available-for-sale	3 133	959	–68		4 024

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 212	612	–92		12 732
US Agency securitised products	2 937	29	–28		2 938
States of the United States and political subdivisions of the states	1 236	55	–10		1 281
United Kingdom	7 514	773	–54		8 233
Canada	3 943	520	–38		4 425
Germany	2 920	239	–31		3 128
France	2 065	223	–18		2 270
Other	7 818	262	–146		7 934
Total	40 645	2 713	–417		42 941
Corporate debt securities	30 540	1 448	–530	–11	31 447
Mortgage- and asset-backed securities	4 970	118	–38	–3	5 047
Fixed income securities available-for-sale	**76 155**	**4 279**	**–985**	**–14**	**79 435**
Equity securities available-for-sale	**4 294**	**632**	**–207**		**4 719**

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

Investments trading
The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2014	2015
Debt securities issued by governments and government agencies	1 997	2 710
Corporate debt securities	60	52
Mortgage- and asset-backed securities	162	134
Fixed income securities trading – non-participating	2 219	**2 896**
Equity securities trading – non-participating	65	**68**

Investments held for unit-linked and with-profit business
The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

		2014		2015
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	1 870	1 810	2 410	1 659
Equity securities trading	19 054	991	21 894	889
Investment real estate	736	429	691	366
Other invested assets	435		332	
Total investments for unit-linked and with-profit business	22 095	3 230	**25 327**	**2 914**

Maturity of fixed income securities available-for-sale
The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2014 and 2015, USD 11 579 million and USD 12 725 million, respectively, of fixed income securities available-for-sale were callable.

		2014		2015
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 749	4 757	4 874	4 911
Due after one year through five years	17 920	18 459	19 370	19 671
Due after five years through ten years	17 300	18 329	16 577	17 101
Due after ten years	32 334	37 137	30 611	32 952
Mortgage- and asset-backed securities with no fixed maturity	5 564	5 768	4 723	4 800
Total fixed income securities available-for-sale	77 867	84 450	**76 155**	**79 435**

Assets pledged
As of 31 December 2015, investments with a carrying value of USD 6 914 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 9 601 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 2015, securities of USD 16 915 million and USD 15 828 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 951 million and USD 995 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2015, a real estate portfolio with a carrying value of USD 224 million serves as collateral for short-term senior operational debt of USD 250 million.

Collateral accepted which the Group has the right to sell or repledge
As of 31 December 2014 and 2015, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 3 907 million and USD 7 030 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2014 and 2015 was USD 494 million and USD 2 429 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

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

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - assets	4 371	–3 530	841	–188	653
Reverse repurchase agreements	3 254	–1 303	1 951	–1 951	0
Securities borrowing	87		87	–87	0
Total	7 712	–4 833	2 879	–2 226	653

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - liabilities	–3 877	2 969	–908	149	–759
Repurchase agreements	–1 353	1 003	–350	350	0
Securities lending	–1 901	300	–1 601	1 475	–126
Total	–7 131	4 272	–2 859	1 974	–885

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - assets	2 713	–1 953	760	–13	**747**
Reverse repurchase agreements	6 401	–3 000	3 401	–3 394	**7**
Securities borrowing	452		452	–452	**0**
Total	**9 566**	**–4 953**	**4 613**	**–3 859**	**754**

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments - liabilities	–2 179	1 477	–702	81	**–621**
Repurchase agreements	–2 844	2 475	–369	369	**0**
Securities lending	–1 151	525	–626	582	**–44**
Total	**–6 174**	**4 477**	**–1 697**	**1 032**	**–665**

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

Recognised gross liability for the obligation to return collateral that the Group has the right to sell or repledge

As of 31 December 2015, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2015 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	370	2 136	176	135	2 817
Corporate debt securities	3	24			27
Total repurchase agreements	**373**	**2 160**	**176**	**135**	**2 844**
Securities lending					
Debt securities issued by governments and government agencies	217		501	433	1 151
Total securities lending	**217**	**0**	**501**	**433**	**1 151**
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 995

The programme is structured in a conservative manner within a clearly defined risk framework. Yield enhancement is conducted on a non-cash basis, thereby taking no re-investment risk.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2014 and 2015. As of 31 December 2014 and 2015, USD 52 million and USD 161 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 16 million and USD 46 million, respectively, to declines in value for more than 12 months.

2014 USD millions	Less than 12 months 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	1 637	5	265	4	1 902	9
US Agency securitised products	1 069	12	483	11	1 552	23
States of the United States and political subdivisions of the states	117	1	32	1	149	2
United Kingdom	129	2	33		162	2
Canada	358	6	88	11	446	17
Germany	836	27	67	3	903	30
France	317	18	15	1	332	19
Other	1 360	75	802	28	2 162	103
Total	5 823	146	1 785	59	7 608	205
Corporate debt securities	3 884	95	917	46	4 801	141
Mortgage- and asset-backed securities	1 506	12	329	13	1 835	25
Total	11 213	253	3 031	118	14 244	371

2015 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	5 993	91	11	1	6 004	92
US Agency securitised products	1 503	23	223	5	1 726	28
States of the United States and political subdivisions of the states	325	9	6	1	331	10
United Kingdom	1 551	52	56	2	1 607	54
Canada	976	14	96	24	1 072	38
Germany	860	25	131	6	991	31
France	502	13	23	5	525	18
Other	3 113	111	202	35	3 315	146
Total	14 823	338	748	79	15 571	417
Corporate debt securities	11 246	481	365	60	11 611	541
Mortgage- and asset-backed securities	2 419	32	225	9	2 644	41
Total	**28 488**	**851**	**1 338**	**148**	**29 826**	**999**

Mortgages, loans and real estate

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

USD millions	2014	2015
Policy loans	252	91
Mortgage loans	1 888	1 946
Other loans	1 065	1 086
Investment real estate	888	1 556

The fair value of the real estate as of 31 December 2014 and 2015 was USD 2 482 million and USD 3 211 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 26 million and USD 36 million for 2014 and 2015, respectively. Accumulated depreciation on investment real estate totalled USD 539 million and USD 504 million as of 31 December 2014 and 2015, respectively.

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

8 Fair value disclosures

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

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

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

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

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2015, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

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

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

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

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

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

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

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 530	73 738	401		86 669
Debt securities issued by US government and government agencies	12 530	1 797			14 327
US Agency securitised products		3 252			3 252
Debt securities issued by non-US governments and government agencies		30 692			30 692
Corporate debt securities		31 903	388		32 291
Mortgage- and asset-backed securities		6 094	13		6 107
Fixed income securities backing unit-linked and with-profit business		3 680			3 680
Equity securities held for proprietary investment purposes	4 050		39		4 089
Equity securities backing unit-linked and with-profit business	20 034	11			20 045
Short-term investments held for proprietary investment purposes	6 407	7 720			14 127
Short-term investments backing unit-linked and with-profit business		20			20
Derivative financial instruments	40	3 810	521	–3 530	841
Interest rate contracts		2 621			2 621
Foreign exchange contracts		272			272
Equity contracts	40	892	396		1 328
Credit contracts		1			1
Other contracts		24	125		149
Other invested assets	907	562	1 812		3 281
Funds held by ceding companies[2]		273			273
Total assets at fair value	43 968	89 814	2 773	–3 530	133 025
Liabilities					
Derivative financial instruments	–13	–3 107	–757	2 969	–908
Interest rate contracts	–5	–2 113			–2 118
Foreign exchange contracts		–407			–407
Equity contracts	–8	–564	–130		–702
Credit contracts		–1	–11		–12
Other contracts		–22	–616		–638
Liabilities for life and health policy benefits			–187		–187
Accrued expenses and other liabilities	–1 035	–864			–1 899
Total liabilities at fair value	–1 048	–3 971	–944	2 969	–2 994

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

[2] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 900	69 038	393		82 331
Debt securities issued by US government and government agencies	12 900	1 922			14 822
US Agency securitised products		2 952			2 952
Debt securities issued by non-US governments and government agencies		27 877			27 877
Corporate debt securities		31 119	380		31 499
Mortgage- and asset-backed securities		5 168	13		5 181
Fixed income securities backing unit-linked and with-profit business		4 069			4 069
Equity securities held for proprietary investment purposes	4 753		34		4 787
Equity securities backing unit-linked and with-profit business	22 783				22 783
Short-term investments held for proprietary investment purposes	3 438	3 967			7 405
Short-term investments backing unit-linked and with-profit business		64			64
Derivative financial instruments	25	2 241	447	–1 953	760
Interest rate contracts	6	1 300			1 306
Foreign exchange contracts		318			318
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts	3	5	112		120
Other invested assets	579	50	1 595		2 224
Funds held by ceding companies[2]		245			245
Total assets at fair value	**44 478**	**79 674**	**2 469**	**–1 953**	**124 668**
Liabilities					
Derivative financial instruments	–24	–1 574	–581	1 477	–702
Interest rate contracts	–5	–786			–791
Foreign exchange contracts		–201			–201
Equity contracts	–12	–582	–38		–632
Credit contracts			–19		–19
Other contracts	–7	–5	–524		–536
Liabilities for life and health policy benefits			–165		–165
Accrued expenses and other liabilities	–812	–2 524			–3 336
Total liabilities at fair value	**–836**	**–4 098**	**–746**	**1 477**	**–4 203**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.
[2] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

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

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	3 472	–993	–145	–1 138
Realised/unrealised gains/losses:								
Included in net income	2	2	15	175	194	328	–39	289
Included in other comprehensive income	5	–5		–18	–18			0
Purchases	10		14	81	105			0
Issuances			28		28	–126		–126
Sales	–31	–4	–59	–524	–618	73		73
Settlements	–246		–25	–2	–273	–39		–39
Transfers into level 3[1]		2	43	33	78			0
Transfers out of level 3[1]		–4		–131	–135			0
Impact of foreign exchange movements	–1	–1		–58	–60		–3	–3
Closing balance as of 31 December	401	39	521	1 812	2 773	–757	–187	–944

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

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	Liabilities for life and health policy benefits	**Total liabilities**
Assets and liabilities								
Balance as of 1 January	401	39	521	1 812	**2 773**	–757	–187	**–944**
Realised/unrealised gains/losses:								
Included in net income	4		–12	–2	**–10**	190	22	**212**
Included in other comprehensive income	–14	–5		–42	**–61**			**0**
Purchases	31		30	156	**217**			**0**
Issuances					**0**	–90		**–90**
Sales	–47		–21	–380	**–448**	15		**15**
Settlements	–46		–79		**–125**	62		**62**
Transfers into level 3[1]	65		8	70	**143**	–1		**–1**
Transfers out of level 3[1]					**0**			**0**
Impact of foreign exchange movements	–1			–19	**–20**			**0**
Closing balance as of 31 December	**393**	**34**	**447**	**1 595**	**2 469**	**–581**	**–165**	**–746**

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

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

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

USD millions	2014	2015
Gains/losses included in net income for the period	483	202
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	167	–12

Assets and liabilities measured at fair value on a non-recurring basis

In accordance with the provisions of FASB Codification Topic 323, Investments-Equity Method and Joint Ventures, an equity method investment with a carrying amount of USD 268 million was written down to its fair value of USD 185 million resulting in an impairment charge of USD 83 million, which was included in earnings for the period in "Net investment income – non-participating business". This non-recurring fair value measurement was based on level 3 unobservable inputs using a discounted cash flow approach. The Group has performed an impairment analysis which suggests that, although the expected future cash flows (i.e. future dividend payments) could ultimately recover the current carrying value over approximately ten years, the recent decline in dividends as well as the forward outlook indicate that the decline in fair value is not temporary.

Quantitative information about level 3 fair value measurements

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

USD millions	2014 Fair value	2015 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	388	**380**			
Private placement corporate debt	317	241	Corporate Spread Matrix	Illiquidity premium	5 bps–186 bps (49 bps)
Private placement credit tenant leases	71	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Infrastructure loan		86	Discounted Cash Flow Model	Valuation spread	176 bps–191 bps (180 bps)
Derivative equity contracts	396	**334**			
OTC equity option referencing correlated equity indices	396	334	Proprietary Option Model	Correlation	–60%–100% (20%)[1]
Liabilities					
Derivative equity contracts	–130	**–38**			
OTC equity option referencing correlated equity indices	–46	–38	Proprietary Option Model	Correlation	–60%–100% (20%)[1]
Other derivative contracts and liabilities for life and health policy benefits	–803	**–689**			
Variable annuity and fair valued GMDB contracts	–639	–567	Discounted Cash Flow Model	Risk margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%
Weather contracts	–40	–82	Proprietary Option Model	Risk Margin	8%-11% (10%)
				Correlation	–90%–80% (21%)
				Volatility (power/gas)	28%–115% (53%)
				Volatility (temperature)	0–356 (140) HDD/CAT[2]
				Index value (temperature)	6–6032 (1969) HDD/CAT[2]

[1] Represents average input value for the reporting period.
[2] Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

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

Other invested assets measured at net asset value

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

USD millions	2014 Fair value	2015 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	710	686	150	non-redeemable	n.a.
Hedge funds	344	135		redeemable[1]	45–95 days[2]
Private equity direct	109	121		non-redeemable	n.a.
Real estate funds	203	203	57	non-redeemable	n.a.
Total	1 366	**1 145**	**207**		

[1] The redemption frequency varies by position.
[2] Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

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

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

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

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

Fair value option

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

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

Other invested assets

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

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Liabilities for life and health policy benefits

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

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

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

USD millions	2014	2015
Assets		
Other invested assets	9 684	10 367
of which at fair value pursuant to the fair value option	444	449
Funds held by ceding companies	11 222	9 870
of which at fair value pursuant to the fair value option[1]	273	245
Liabilities		
Liabilities for life and health policy benefits	–33 605	–30 131
of which at fair value pursuant to the fair value option	–187	–165

[1] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

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

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

USD millions	2014	2015
Other invested assets	50	–32
Funds held by ceding companies[1]	1	7
Liabilities for life and health policy benefits	–41	21
Total	10	**–4**

[1] The Group revised the scope of the fair value option disclosure to include certain assets held under three of its reinsurance agreements. These assets have been managed on a fair value basis since inception.

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income — non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

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

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

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		252	252
Mortgage loans		1 888	1 888
Other loans		1 065	1 065
Investment real estate		2 482	2 482
Total assets	0	5 687	5 687
Liabilities			
Debt	–9 934	–6 291	–16 225
Total liabilities	–9 934	–6 291	–16 225

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		91	91
Mortgage loans		1 946	1 946
Other loans		1 086	1 086
Investment real estate		3 211	3 211
Total assets	**0**	**6 334**	**6 334**
Liabilities			
Debt	–8 681	–5 674	–14 355
Total liabilities	**–8 681**	**–5 674**	**–14 355**

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

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

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

9 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

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

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	80 449	2 621	–2 118	503
Foreign exchange contracts	12 924	223	–400	–177
Equity contracts	20 462	1 328	–702	626
Credit contracts	450	1	–12	–11
Other contracts	21 247	149	–638	–489
Total	135 532	4 322	–3 870	452
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	–7	42
Total	2 770	49	–7	42
Total derivative financial instruments	138 302	4 371	–3 877	494
Amount offset				
Where a right of set-off exists		–2 554	2 554	
Due to cash collateral		–976	415	
Total net amount of derivative financial instruments		841	–908	–67

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	63 485	1 306	–791	515
Foreign exchange contracts	14 230	281	–201	80
Equity contracts	16 374	967	–632	335
Credit contracts	188	2	–19	–17
Other contracts	18 113	120	–536	–416
Total	**112 390**	**2 676**	**–2 179**	**497**
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	**2 151**	**37**	**0**	**37**
Total derivative financial instruments	**114 541**	**2 713**	**–2 179**	**534**
Amount offset				
Where a right of set-off exists		–1 162	1 162	
Due to cash collateral		–791	315	
Total net amount of derivative financial instruments		**760**	**–702**	**58**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2014 and 2015.

Non-hedging activities

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

USD millions	2014	2015
Derivatives not designated as hedging instruments		
Interest rate contracts	–225	51
Foreign exchange contracts	42	435
Equity contracts	–172	–192
Credit contracts	9	–5
Other contracts	–312	247
Total gain/loss recognised in income	–658	**536**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2014 and 2015, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

		2014		2015
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	122	–120	119	–119
Total gain/loss recognised in income	122	–120	**119**	**–119**

Hedges of the net investment in foreign operations

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

For the years ended 31 December 2014 and 2015, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 894 million and a gain of USD 1 631 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 and 2015 was approximately USD 1 817 million and USD 1 551 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 112 million and USD 106 million as of 31 December 2014 and 2015, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 6 million and nil as of 31 December 2014 and 2015, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 106 million additional collateral would have had to be posted as of 31 December 2015. The total equals the amount needed to settle the instruments immediately as of 31 December 2015.

10 Acquisitions and disposals

Acquisitions

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. The total cost of acquisition was GBP 1.6 billion in cash. Guardian provides life insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers.

The transaction has enhanced the position of the Group's Business Unit Admin Re® as a leading closed life book consolidator in the UK, adding approximately 900 000 policies including a mixture of annuities, life insurance and pensions. As a result, the policyholder and asset base of the Group has expanded and Admin Re® has diversified its current business mix, with a total of over four million policies in force.

Guardian previously prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). Given the unavailability of US GAAP financial information prior to the issuance of this report, pro forma financial statements and other US GAAP financial information are not presented in the Group financial statements and related notes for 2015. The Purchase GAAP process is in progress and is expected to be completed and reflected in the first quarter 2016 financial statements.

Apart from transaction costs of USD 21 million, the Group financial statements and related notes presented in this report are not impacted.

Disposals

In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). Aurora primarily consists of bonds and policyholder liabilities. An expected pre-tax loss of USD 247 million (including the impact of net unrealised gains and shadow loss reserve that will be reclassified from equity into the income statement) on the disposition of the net assets was recognised in the fourth quarter of 2014.

In the second quarter of 2015, the Group completed the sale following the receipt of all necessary regulatory approvals. The purchase price included a cash payment of USD 184 million. The Group adjusted the initial loss on the transaction by a pre-tax gain of USD 9 million on a year to date basis. The gain was reflected in "Net realised investment gains/losses — non-participating" in the income statement of the Admin Re® segment.

The major classes of assets and liabilities held for sale as of 31 December 2014 and disposed during the second quarter of 2015 were as follows:

USD millions	2014	**2015**
Assets		
Fixed income securities available-for-sale	3 456	3 496
Policy loans, mortgages and other loans	157	154
Short-term investments	6	1
Cash and cash equivalents	23	19
Accrued investment income	37	33
Premiums and other receivables	6	9
Reinsurance recoverable on unpaid claims and policy benefits	7	8
Other assets	1	1
Total assets	3 693	**3 721**
Liabilities		
Unpaid claims and claim adjustment expenses	15	22
Liabilities for life and health policy benefits	1 494	1 479
Policyholder account balances	1 151	1 130
Accrued expenses and other liabilities	292	315
Total liabilities	2 952	**2 946**

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions, maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

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

USD millions	2014	2015
Senior financial debt	654	
Senior operational debt	1 047	765
Subordinated financial debt		1 069
Short-term debt – financial and operational debt	1 701	**1 834**
Senior financial debt	3 513	3 688
Senior operational debt	713	467
Subordinated financial debt	5 486	4 103
Subordinated operational debt	2 903	2 720
Long-term debt – financial and operational debt	12 615	**10 978**
Total carrying value	14 316	**12 812**
Total fair value	16 225	**14 355**

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2014 and 2015, debt related to operational leverage and financial intermediation amounted to USD 4.7 billion (thereof USD 3.4 billion limited- or non-recourse) and USD 4.0 billion (thereof USD 3.0 billion limited- or non-recourse), respectively.

Maturity of long-term debt

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

USD millions	2014	2015
Due in 2016	1 984	0[1]
Due in 2017	1 215	1 143
Due in 2018	854	0
Due in 2019	1 922	2 663
Due in 2020	212	204
Due after 2020	6 428	6 968
Total carrying value	12 615	**10 978**

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

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2017	EMTN	2011	CHF	600	2.13%	599
2019	Syndicated revolving credit facility	2014	GBP	550	variable	808
2019	Senior notes[1]	1999	USD	234	6.45%	263
2022	Senior notes	2012	USD	250	2.88%	248
2024	EMTN	2014	CHF	250	1.00%	248
2026	Senior notes[1]	1996	USD	397	7.00%	508
2027	EMTN	2015	CHF	250	0.75%	251
2030	Senior notes[1]	2000	USD	193	7.75%	274
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	383	various	467
Total senior long-term debt as of 31 December 2015						**4 155**
Total senior long-term debt as of 31 December 2014						4 226

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

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	first call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	813
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	537
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	496
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	204
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 845	4.87%		2 720
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	736
	Subordinated perpetual loan note	2007	AUD	300	7.64%	2017	218
	Subordinated perpetual loan note	2007	AUD	450	6 months BBSW + 1.17%	2017	327
	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	772
Total subordinated long-term debt as of 31 December 2015							**6 823**
Total subordinated long-term debt as of 31 December 2014							8 389

Interest expense on long-term debt and contingent capital instruments

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

USD millions	2014	2015
Senior financial debt	120	118
Senior operational debt	16	13
Subordinated financial debt	300	236
Subordinated operational debt	231	137
Total	667	**504**

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 69 million and USD 68 million for the years ended 31 December 2014 and 2015, respectively.

Long-term debt issued in 2015

In January 2015, Swiss Reinsurance Company Ltd issued senior notes due 2027. The notes have a face value of CHF 250 million, with a fixed coupon of 0.75% per annum.

In April 2015, Swiss Reinsurance Company Ltd issued EUR 750 million face amount of perpetual subordinated fixed-to-floating rate callable loan notes with a first optional redemption date on 1 September 2025. The notes bear interest through the first optional redemption date at 2.60% per annum. The notes were issued in connection with a concurrent exchange of part of the EUR 1 billion 5.252% Perpetual Subordinated Step-Up Loan Notes issued by Swiss Reinsurance Company Ltd.

Subordinated debt facility established in 2015

In November 2015, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 August 2025. The facility allows Swiss Re Ltd to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 700 million, having a first optional redemption date of 15 August 2025 and a maturity date of 15 August 2050. Swiss Re Ltd pays a fee of 3.53% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.75% per annum until the first optional redemption date.

In these financial statements, the facility fee is classified as interest expense. Notes, when issued under the facility, will be classified as subordinated debt. As of 31 December 2015, no notes have been issued under the facility.

Contingent capital instruments

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

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

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

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2014 and 2015, the Group declared regular dividends per share of CHF 3.85 and CHF 4.25, respectively, as well as additional special dividends of CHF 4.15 and CHF 3.00, respectively. All dividends were paid in the form of withholding tax exempt repayments of legal reserves from capital contributions.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2014	2015
Basic earnings per share		
Net income	3 569	**4 668**
Non-controlling interests	0	**–3**
Interest on contingent capital instruments[1]	–69	**–68**
Net income attributable to common shareholders	3 500	**4 597**
Weighted average common shares outstanding	342 213 498	**341 951 654**
Net income per share in USD	10.23	**13.44**
Net income per share in CHF[2]	9.33	**12.93**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments[1]	69	**68**
Change in average number of shares due to contingent capital instruments	35 745 192	**35 745 192**
Change in average number of shares due to employee options	2 198 904	**2 241 636**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	3 569	**4 665**
Weighted average common shares outstanding	380 157 594	**379 938 482**
Net income per share in USD	9.39	**12.28**
Net income per share in CHF[2]	8.56	**11.81**

[1] Please refer to Note 11 "Debt and contingent capital instruments".
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

At the 151st Annual General Meeting held on 21 April 2015, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2016 Annual General Meeting by way of a buy-back programme for cancellation purposes. As of 31 December 2015, 4.4 million shares were repurchased.

13 Income taxes

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

USD millions	2014	2015
Current taxes	1 072	582
Deferred taxes	–414	69
Income tax expense	658	**651**

Tax rate reconciliation

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

USD millions	2014	2015
Income tax at the Swiss statutory tax rate of 21.0%	888	1 117
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	137	303
Impact of foreign exchange movements	–86	–180
Tax exempt income/dividends received deduction	–105	–93
Change in valuation allowance	99	–72
Basis differences in subsidiaries	–155	–306
Change in liability for unrecognised tax benefits including interest and penalties	–207	–126
Other, net	87	8
Total	658	**651**

The Group reported a tax charge of USD 651 million on a pre-tax income of USD 5 319 million for 2015, compared to a charge of USD 658 million on a pre-tax income of USD 4 227 million for 2014. This translates into an effective tax rate in the current and prior-year reporting periods of 12.2% and 15.6%, respectively. The lower tax rate in 2015 was largely driven by a tax benefit arising from a local statutory adjustment for the restructuring of subsidiaries, higher tax benefits from foreign currency translation differences between statutory and GAAP accounts, and the release of valuation allowances partially offset by tax on profits earned in higher tax jurisdictions.

Deferred and other non-current taxes

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

USD millions	2014	2015
Deferred tax assets		
Income accrued/deferred	291	295
Technical provisions	620	685
Pension provisions	289	330
Benefit on loss carryforwards	3 980	3 467
Currency translation adjustments	412	394
Unrealised gains in income	422	226
Other	1 063	1 397
Gross deferred tax asset	7 077	6 794
Valuation allowance	–935	–789
Unrecognised tax benefits offsetting benefits on loss carryforwards	–24	–35
Total deferred tax assets	6 118	**5 970**
Deferred tax liabilities		
Present value of future profits	–640	–514
Income accrued/deferred	–929	–923
Bond amortisation	–374	–639
Deferred acquisition costs	–730	–914
Technical provisions	–3 104	–2 685
Unrealised gains on investments	–1 657	–702
Untaxed realised gains	–394	–224
Foreign exchange provisions	–279	–352
Other	–671	–760
Total deferred tax liabilities	–8 778	**–7 713**
Liability for unrecognised tax benefits including interest and penalties	–667	–380
Total deferred and other non-current tax liabilities	–9 445	**–8 093**
Net deferred and other non-current taxes	–3 327	**–2 123**

As of 31 December 2015, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 4.4 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2015, the Group had USD 10 200 million net operating tax loss carryforwards, expiring as follows: USD 26 million in 2018, USD 54 million in 2019, USD 14 million in 2020, USD 8 123 million in 2021 and beyond, and USD 1 983 million never expire.

The Group also had capital loss carryforwards of USD 1 266 million, expiring as follows: USD 82 million in 2019, USD 71 million in 2020 and USD 1 113 million never expire.

Net operating tax losses of USD 1 424 million and net capital tax losses of USD 321 million were utilised during the period ended 31 December 2015.

Income taxes paid in 2014 and 2015 were USD 509 million and USD 1 190 million, respectively.

Unrecognised tax benefits

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

USD millions	2014	2015
Balance as of 1 January	1 013	579
Additions based on tax positions related to current year	26	35
Additions based on tax positions related to prior years	71	115
Reduction for tax positions of current year	–137	–1
Reductions for tax positions of prior years	–248	–265
Settlements	–90	–98
Other (including foreign currency translation)	–56	–22
Balance as of 31 December	579	**343**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 539 million and USD 345 million at 31 December 2014 and 31 December 2015, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2015 was USD 35 million (USD 19 million in 2014). As of 31 December 2014 and 31 December 2015, USD 112 million and USD 72 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2015 is included within the deferred and other non-current taxes section reflected in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2015 presented in the table above excludes accrued interest and penalties (USD 72 million).

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

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

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

Australia	2010-2015
Belgium	2013-2015
Brazil	2011-2015
Canada	2011-2015
China	2005-2015
Colombia	1999, 2009, 2013-2015
Denmark	2010-2015
France	2008-2009, 2012-2015
Germany	2007-2015
Hong Kong	2009-2015
India	2005-2015
Ireland	2010-2015
Israel	2008-2015
Italy	2011-2015

Japan	2009-2015
Korea	2013-2015
Luxembourg	2011-2015
Malaysia	2013-2015
Mexico	2009-2015
Netherlands	2011-2015
New Zealand	2009-2015
Singapore	2011-2015
Slovakia	2011-2015
South Africa	2011-2015
Spain	2011-2015
Switzerland	2012-2015
United Kingdom	2008, 2011-2015
United States	2009-2015

14 Benefit plans

Defined benefit pension plans and post-retirement benefits

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

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

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

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 531	2 305	341	6 177
Service cost	100	8	5	113
Interest cost	76	98	12	186
Amendments	–90	1		–89
Actuarial gains/losses	587	226	52	865
Benefits paid	–129	–75	–17	–221
Employee contribution	27			27
Acquisitions/disposals/additions		–4		–4
Effect of settlement, curtailment and termination	1	–24		–23
Effect of foreign currency translation	–418	–146	–22	–586
Benefit obligation as of 31 December	3 685	2 389	371	6 445
Fair value of plan assets as of 1 January	3 661	2 245	0	5 906
Actual return on plan assets	281	266		547
Company contribution	101	91	17	209
Benefits paid	–129	–76	–17	–222
Employee contribution	27			27
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1	–23		–22
Effect of foreign currency translation	–407	–149		–556
Fair value of plan assets as of 31 December	3 535	2 354	0	5 889
Funded status	–150	–35	–371	–556

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 685	2 389	371	6 445
Service cost	111	8	5	124
Interest cost	42	79	10	131
Amendments				0
Actuarial gains/losses	236	–67	–2	167
Benefits paid	–189	–74	–16	–279
Employee contribution	26			26
Acquisitions/disposals/additions		2		2
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–36	–131	–5	–172
Benefit obligation as of 31 December	**3 877**	**2 206**	**363**	**6 446**
Fair value of plan assets as of 1 January	3 535	2 354	0	5 889
Actual return on plan assets	36	7		43
Company contribution	94	85	16	195
Benefits paid	–189	–74	–16	–279
Employee contribution	26			26
Acquisitions/disposals/additions		1		1
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–25	–138		–163
Fair value of plan assets as of 31 December	**3 479**	**2 235**	**0**	**5 714**
Funded status	**–398**	**29**	**–363**	**–732**

Amounts recognised in "Other assets" and "Accrued expenses and other liabilities" in the Group's balance sheet as of 31 December were as follows:

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		208		208
Current liabilities		–3	–15	–18
Non-current liabilities	–150	–240	–356	–746
Net amount recognised	–150	–35	–371	–556

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		232		232
Current liabilities		–3	–15	–18
Non-current liabilities	–398	–200	–348	–946
Net amount recognised	**–398**	**29**	**–363**	**–732**

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

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	896	407	–45	1 258
Prior service cost/credit	–87	2	–77	–162
Total	809	409	–122	1 096

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 133	384	–43	1 474
Prior service cost/credit	–78	2	–67	–143
Total	**1 055**	**386**	**–110**	**1 331**

Components of net periodic benefit cost

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

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	100	8	5	113
Interest cost	76	98	12	186
Expected return on assets	–112	–111		–223
Amortisation of:				
Net gain/loss	43	24	–12	55
Prior service cost	–5	–3	–11	–19
Effect of settlement, curtailment and termination	1	–2		–1
Net periodic benefit cost	103	14	–6	111

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	111	8	5	124
Interest cost	42	79	10	131
Expected return on assets	–113	–95		–208
Amortisation of:				
Net gain/loss	76	22	–4	94
Prior service cost	–9		–10	–19
Effect of settlement, curtailment and termination	2			2
Net periodic benefit cost	**109**	**14**	**1**	**124**

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

2014 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	418	71	52	541
Prior service cost/credit	–90	–3		–93
Amortisation of:				
Net gain/loss	–43	–24	12	–55
Prior service cost	5	3	11	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–25		–25
Total recognised in other comprehensive income, gross of tax	290	22	75	387
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	393	36	69	498

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	313	21	–2	332
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	–76	–22	4	–94
Prior service cost	9		10	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–22		–22
Total recognised in other comprehensive income, gross of tax	**246**	**–23**	**12**	**235**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**355**	**–9**	**13**	**359**

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 87 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2016 are USD 4 million and USD 9 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 5 980 million and USD 6 016 million as of 31 December 2014 and 2015, respectively.

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

USD millions	2014	**2015**
Projected benefit obligation	4 771	4 883
Accumulated benefit obligation	4 722	4 843
Fair value of plan assets	4 379	4 283

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2014	**2015**	2014	**2015**	2014	**2015**
Assumptions used to determine obligations at the end of the year						
Discount rate	1.1%	0.8%	3.5%	3.7%	2.7%	2.7%
Rate of compensation increase	2.3%	2.0%	2.9%	2.9%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	2.3%	1.1%	4.4%	3.5%	3.5%	2.7%
Expected long-term return on plan assets	3.3%	3.3%	5.2%	4.3%		
Rate of compensation increase	2.3%	2.3%	3.4%	2.9%	2.1%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.0%	6.1%
Medical trend – ultimate rate					4.5%	4.6%
Year that the rate reaches the ultimate trend rate					2019	2020

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

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2015:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	26	–22

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2014 and 2015 was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2014	2015	Target allocation	2014	2015	Target allocation
Asset category						
Equity securities	28%	26%	25%	29%	26%	26%
Debt securities	46%	47%	47%	66%	68%	68%
Real estate	18%	21%	20%	0%	0%	1%
Other	8%	6%	8%	5%	6%	5%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

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

Equity securities include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2014 and 2015, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the following table are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

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

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

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 8.

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

2014 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	9	146		155
Debt securities issued by non-US governments and government agencies		890		890
Corporate debt securities		2 150		2 150
Residential mortgage-backed securities		22		22
Commercial mortgage-backed securities		2		2
Other asset-backed securities		1		1
Equity securities:				
Equity securities held for proprietary investment purposes	976	684		1 660
Derivative financial instruments	–3			–3
Real estate	53	10	578	641
Other assets	21	59	139	219
Total assets at fair value	1 056	3 964	717	5 737
Cash	148	4		152
Total plan assets	1 204	3 968	717	5 889

2015 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	34	149		183
Debt securities issued by non-US governments and government agencies		799		799
Corporate debt securities		2 179		2 179
Residential mortgage-backed securities		16		16
Commercial mortgage-backed securities		1		1
Other asset-backed securities		4		4
Equity securities:				
Equity securities held for proprietary investment purposes	917	572		1 489
Derivative financial instruments	–9			–9
Real estate	129	9	596	734
Other assets	19	79	142	240
Total assets at fair value	**1 090**	**3 808**	**738**	**5 636**
Cash	82	–4		78
Total plan assets	**1 172**	**3 804**	**738**	**5 714**

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

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

2014 USD millions	Real estate	Other assets	Total
Balance as of 1 January	631	132	763
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date		5	5
Relating to assets sold during the period		14	14
Purchases, issuances and settlements	13	–4	9
Impact of foreign exchange movements	–66	–8	–74
Closing balance as of 31 December	578	139	717

2015 USD millions	Real estate	Other assets	Total
Balance as of 1 January	578	139	717
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	10	–13	–3
Relating to assets sold during the period		17	17
Purchases, issuances and settlements	12	6	18
Impact of foreign exchange movements	–4	–7	–11
Closing balance as of 31 December	**596**	**142**	**738**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2016 to the defined benefit pension plans are USD 158 million and to the post-retirement benefit plan are USD 16 million.

As of 31 December 2015, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2016	204	74	16	294
2017	197	78	16	291
2018	196	81	17	294
2019	195	84	18	297
2020	191	86	19	296
Years 2021–2025	905	462	104	1471

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2014 and in 2015 was USD 79 million and USD 77 million, respectively.

15 Share-based payments

As of 31 December 2014 and 2015, the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 76 million and USD 61 million in 2014 and 2015, respectively. The related tax benefit was USD 17 million and USD 13 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans for the year ended 31 December 2015 is as follows:

	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	84	100 000
Outstanding as of 31 December	**82**	**100 000**
Exercisable as of 31 December	**82**	**100 000**

The weighted remaining contractual life is 0.3 years and all stock options outstanding are also exercisable. The fair value of each option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding options has been adjusted for the special dividend payout in 2013, 2014 and 2015.

Restricted shares

The Group granted 25 153 and 7 776 restricted shares to selected employees in 2014 and 2015, respectively. Moreover, as an alternative to the Group's cash bonus programme, 302 260 and 288 125 shares were delivered during 2014 and 2015, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2015 is as follows:

	Weighted average grant date fair value in CHF[1]	Number of shares
Non-vested at 1 January	73	578 836
Granted	87	295 901
Delivery of restricted shares	75	–343 719
Outstanding as of 31 December	**79**	**531 018**

[1] Equal to the market price of the shares on the date of grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2014 and LPP 2015 awards, an additional two-year holding period applies for all members of the Group EC and GMDs. At grant date the award is split equally into two underlying components — Restricted Share Units (RSUs) and Performance Share Units (PSUs). The RSUs are measured against a ROE performance condition and will vest within a range of 0–100%. The PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, a special dividend of CHF 4.15 for the LPP 2014, and a special dividend of CHF 3.00 for the LPP 2015 respectively) and the risk free rate based on the average of the 5-year US government bond rate taken monthly over each annual period in the performance period. This resulted in risk free rates between 1.0 and 3.1% for all LPP plans.

For the year ended 31 December 2015, the outstanding units were as follows:

RSUs	LPP 2012	LPP 2013	LPP 2014	LPP 2015
Non-vested at 1 January	439 870	334 650	359 620	
Granted				327 875
Forfeitures	–1 610	–4 790	–5 530	–3 185
Vested	–438 260			
Outstanding as of 31 December	**0**	**329 860**	**354 090**	**324 690**
Grant date fair value in CHF	**42.00**	**61.19**	**60.85**	**67.65**

PSUs	LPP 2012	LPP 2013	LPP 2014	LPP 2015
Non-vested at 1 January	518 585	389 465	363 430	
Granted				361 590
Forfeitures	–1 900	–5 585	–5 590	–3 510
Vested	–516 685			
Outstanding as of 31 December	**0**	**383 880**	**357 840**	**358 080**
Grant date fair value in CHF	**35.60**	**52.59**	**60.21**	**61.37**

Unrecognised compensation costs
As of 31 December 2015, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 56 million and the weighted average period over which that cost is expected to be recognised is 1.8 years.

The number of shares authorised for the Group's share-based payments to employees was 3 930 229 and 3 554 592 as of 31 December 2014 and 2015, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

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

At maturity, either the employee receives shares or cash equal to the accumulated savings balance, or the employee may elect to exercise the options.

From 2013 onwards, the Employee Participation Plan was discontinued and no more options were issued. In 2014 and 2015, the Group contributed USD 12 million and USD 1 million, respectively, to the outstanding plans.

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

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2014 and 2015, Swiss Re contributed USD 7 million and USD 10 million to the plans and authorised 109 461 and 211 472 shares as of 31 December 2014 and 2015, respectively.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation report on pages 147–151 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Company Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 260–261 of the Annual Report of Swiss Re Ltd.

17 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2014 and 2015, the Group's investment in mortgages and other loans included USD 285 million and USD 287 million, respectively, of loans due from employees, and USD 210 million and USD 196 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 14 Benefit plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2014 and 2015, respectively.

Share ownership and loans extended to members of BoD and Group EC are disclosed in Note 16 Compensation, participations and loans of members of governing bodies. The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies. The Group BoD members Mathis Cabiallavetta and Susan L. Wagner are also board members of BlackRock, Inc. BlackRock, Inc is acting as external asset manager for the Group.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2014	**2015**
Share in earnings of equity-accounted investees	321	52
Dividends received from equity-accounted investees	277	254

18 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2015
2016	88
2017	81
2018	64
2019	48
2020	42
After 2020	261
Total operating lease commitments	**584**
Less minimum non-cancellable sublease rentals	30
Total net future minimum lease commitments	**554**

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

USD millions	2014	2015
Minimum rentals	69	63
Sublease rental income	0	0
Total	69	**63**

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to ten years. The total commitments remaining uncalled as of 31 December 2015 were USD 1 557 million.

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

Legal proceedings

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

19 Significant subsidiaries and equity investees

Significant subsidiaries and equity investees		Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
Europe				
Belgium				
Swiss Re Treasury (Belgium) N.V., Brussels	EUR	426	100	f
Germany				
Swiss Re Germany AG, Munich	EUR	45	100	f
Guernsey				
Pension Corporation Group Limited, St. Peter Port	GBP	925	5	fv
Liechtenstein				
Elips Life AG, Triesen	CHF	12	100	f
Elips Versicherungen AG, Triesen	CHF	5	100	f
Luxembourg				
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	EUR	11 345	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Netherlands				
Algemene Levensherverzekering Maatschappij N.V., Amstelveen	EUR	1	100	f
Switzerland				
European Reinsurance Company of Zurich Ltd, Zurich	CHF	312	100	f
Swiss Re Asset Management Geneva S.A., Carouge	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Re Management Ltd, Adliswil	CHF	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Reinsurance Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f
United Kingdom				
Admin Re UK Limited, Shropshire	GBP	73	100	f
Admin Re UK Finance Limited, Shropshire	GBP	0	100	f
Reassure Limited, Shropshire	GBP	289	100	f
Swiss Re Services Limited, London	GBP	2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP	1	100	f

Method of consolidation

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

Significant subsidiaries and equity investees		Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Milvus I Reassurance Limited, Bridgetown	USD	397	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	0	100	f
Bermuda				
Ark Insurance Holdings Limited, Hamilton	USD	6	4	fv
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Swiss Re Brasil Resseguros S.A., São Paulo	BRL	194	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	0	100	f
FWD Group Ltd, George Town	USD	0	15	e
PEP SR I Umbrella L.P., George Town	USD	750	100	f
Swiss Re Strategic Investments UK Limited, George Town	GBP	0	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	224 003	51	f

Significant subsidiaries and equity investees		Share capital (millions)	Affiliation in % as of 31.12.2015	Method of consolidation
United States				
Claret Re Inc., Burlington	USD	5	100	f
Facility Insurance Holding Corporation, Dallas	USD	0	100	f
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
Pillar RE Holdings LLC, Wilmington	USD	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Sterling Re Inc., Burlington	USD	218	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD	2 116	100	f
Swiss Re Life & Health America Holding Company, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Jefferson City	USD	4	100	f
Swiss Re Partnership Holding, LLC, Dover	USD	368	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	ZAR	2	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	CNY	2 178	5	fv
Swiss Re Corporate Solutions Insurance China Ltd, Shanghai	CNY	500	100	f
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	VND	1 310 759	25	e

20 Variable interest entities

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

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

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

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

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

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

Insurance-linked and credit-linked securitisations

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

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, in which case maximum loss equals to the Group's investment balance.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract to a funding vehicle, which represents a potentially significant variable interest. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

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

Debt financing vehicles

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

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

Investment vehicles

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

Other

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

The Group did not provide financial or other support to any VIEs during 2015 that it was not previously contractually required to provide.

Consolidated VIEs

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

		2014		2015
USD millions	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities available-for-sale	4 200	4 200	3 876	3 876
Short-term investments	95	95	88	88
Other invested assets	16		26	
Cash and cash equivalents	25	25	147	147
Accrued investment income	38	38	42	42
Premiums and other receivables			34	34
Deferred acquisition costs			9	9
Deferred tax assets	19	19	38	38
Other assets	16		8	
Total assets	4 409	4 377	**4 268**	**4 234**

	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Unpaid claims and claim adjustment expenses			53	53
Unearned premiums			26	26
Reinsurance balances payable			2	2
Deferred and other non-current tax liabilities	177	177	96	96
Accrued expenses and other liabilities	7	7	17	17
Long-term debt	2 903	2 903	2 720	2 720
Total liabilities	3 087	3 087	**2 914**	**2 914**

Non-consolidated VIEs

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

USD millions	2014	**2015**
Fixed income securities available-for-sale	69	52
Policy loans, mortgages and other loans	84	1
Other invested assets	1 451	1 706
Total assets	1 604	**1 759**
Accrued expenses and other liabilities	167	45
Total liabilities	167	**45**

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

USD millions	Total assets	Total liabilities	Maximum exposure to loss[1]	2014 Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss[1]	**2015** Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	70		68	68	52		52	52
Life and health funding vehicles			1 683	1 683	2	1	1 777	1 776
Swaps in trusts	35	82	–[2]	–	146	44	–[2]	–
Debt financing	378		28	28	361		27	27
Investment vehicles	845		845	845	1 009		1 011	1 011
Other	276	85	1 076	991	189		189	189
Total	1 604	167	–[2]	–	**1 759**	**45**	**–[2]**	**–**

[1] Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.
[2] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses.

21 Restructuring provision

In 2015, the Group set up a provision of USD 13 million for restructuring costs, and released USD 2 million.

The increase of the provision in the Property & Casualty Reinsurance business segment of USD 11 million is mostly related to leaving benefits.

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

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

2014 USD millions	Property & Casualty Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	64	0	10	0	74
Increase in provision	16				16
Release of provision	–3				–3
Costs incurred	–15		–3		–18
Effect of foreign currency translation	–5		–1		–6
Balance as of 31 December	57	0	6	0	63

2015 USD millions	Property & Casualty Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Balance as of 1 January	57	0	6	0	63
Increase in provision	11	1		1	13
Release of provision	–2				–2
Costs incurred	–28	–1	–1	–1	–31
Effect of foreign currency translation	–3				–3
Balance as of 31 December	**35**	**0**	**5**	**0**	**40**

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Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of 31 December 2015, and the related consolidated income statement, statement of comprehensive income, statement of shareholders' equity, statement of cash flow and notes (pages 156 to 244) for the year ended 31 December 2015.

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at 31 December 2015, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

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

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

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zürich, 15 March 2016

Group financial years 2006–2015

USD millions	2006[1]	2007[1]	2008[1]
Income statement			
Revenues			
Premiums earned	23 526	26 337	23 577
Fee income	701	794	746
Net investment income	6 370	8 893	7 331
Net realised investment gains/losses	1 679	–615	–8 677
Other revenues	223	251	249
Total revenues	32 499	35 660	23 226
Expenses			
Claims and claim adjustment expenses	–9 405	–10 035	–9 222
Life and health benefits	–7 647	–9 243	–8 381
Return credited to policyholders	–2 253	–1 763	2 611
Acquisition costs	–4 845	–5 406	–4 950
Other operating costs and expenses	–3 679	–4 900	–4 358
Total expenses	–27 829	–31 347	–24 300
Income/loss before income tax expense	4 670	4 313	–1 074
Income tax expense	–1 033	–853	411
Net income/loss before attribution of non-controlling interests	3 637	3 460	–663
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	3 637	3 460	–663
Interest on contingent capital instruments			
Net income/loss attributable to common shareholders	3 637	3 460	–663
Balance sheet			
Assets			
Investments	167 303	201 221	154 053
Other assets	71 317	70 198	71 322
Total assets	238 620	271 419	225 375
Liabilities			
Unpaid claims and claim adjustment expenses	77 829	78 195	70 944
Liabilities for life and health policy benefits	36 779	44 187	37 497
Unearned premiums	6 574	6 821	7 330
Other liabilities	80 802	95 172	73 366
Long-term debt	11 337	18 898	17 018
Total liabilities	213 321	243 273	206 155
Shareholders' equity	25 299	28 146	19 220
Non-controlling interests			
Total equity	25 299	28 146	19 220
Earnings/losses per share in USD	10.75	9.94	–2.00
Earnings/losses per share in CHF	13.49	11.95	–2.61

[1] The Group changed its reporting currency from CHF into USD in 2010. Periods prior to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.
[2] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

	2009[1]	2010	2011	2012[2]	2013	2014	**2015**
	22 664	19 652	21 300	24 661	28 276	30 756	**29 751**
	847	918	876	785	542	506	**463**
	6 399	5 422	5 469	5 302	4 735	4 992	**4 236**
	875	2 783	388	2 688	3 325	1 059	**1 220**
	178	60	50	188	24	34	**44**
	30 963	28 835	28 083	33 624	36 902	37 347	**35 714**
	–8 336	–7 254	–8 810	–7 763	–9 655	–10 577	**–9 848**
	–8 639	–8 236	–8 414	–8 878	–9 581	–10 611	**–9 080**
	–4 597	–3 371	–61	–2 959	–3 678	–1 541	**–1 166**
	–4 495	–3 679	–4 021	–4 548	–4 895	–6 515	**–6 419**
	–3 976	–3 620	–3 902	–3 953	–4 268	–3 876	**–3 882**
	–30 043	–26 160	–25 208	–28 101	–32 077	–33 120	**–30 395**
	920	2 675	2 875	5 523	4 825	4 227	**5 319**
	–221	–541	–77	–1 125	–312	–658	**–651**
	699	2 134	2 798	4 398	4 513	3 569	**4 668**
		–154	–172	–141	–2	0	**–3**
	699	1 980	2 626	4 257	4 511	3 569	**4 665**
	–203	–1 117	0	–56	–67	–69	**–68**
	496	863	2 626	4 201	4 444	3 500	**4 597**
	151 341	156 947	162 224	152 812	150 075	143 987	**137 810**
	81 407	71 456	63 675	68 691	63 445	60 474	**58 325**
	232 748	228 403	225 899	221 503	213 520	204 461	**196 135**
	68 412	64 690	64 878	63 670	61 484	57 954	**55 518**
	39 944	39 551	39 044	36 117	36 033	33 605	**30 131**
	6 528	6 305	8 299	9 384	10 334	10 576	**10 869**
	73 336	72 524	65 850	62 020	57 970	53 670	**55 033**
	19 184	18 427	16 541	16 286	14 722	12 615	**10 978**
	207 404	201 497	194 612	187 477	180 543	168 420	**162 529**
	25 344	25 342	29 590	34 002	32 952	35 930	**33 517**
		1 564	1 697	24	25	111	**89**
	25 344	26 906	31 287	34 026	32 977	36 041	**33 606**
	1.46	2.52	7.68	11.85	12.97	10.23	**13.44**
	1.49	2.64	6.79	11.13	12.04	9.33	**12.93**

Annual Report Swiss Re Ltd

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group. Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement
Net income for 2015 amounted to CHF 3 865 million (2014: CHF 4 110 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 539 million.

The Company earned trademark licence fees of CHF 306 million and other revenues of CHF 156 million, mainly consisting of net realised foreign exchange gains of CHF 143 million. In addition, the Company incurred administrative expenses of CHF 112 million, of which CHF 107 million were charges for services provided by Swiss Reinsurance Company Ltd, and other expenses of CHF 20 million, due to financing costs of CHF 11 million and capital and indirect taxes of CHF 9 million.

Assets
Total assets increased from CHF 20 843 million as of 31 December 2014 to CHF 21 840 million as of 31 December 2015.

Short-term investments increased from CHF 159 million as of 31 December 2014 to CHF 1 917 million as of 31 December 2015 mainly due to reinvestment of dividends and loan repayments received from subsidiaries.

Loans to subsidiaries and affiliated companies, which consist of loans granted to Swiss Reinsurance Company Ltd, decreased from CHF 3 250 million as of 31 December 2014 to CHF 2 287 million as of 31 December 2015, mainly to contribute to the funding of the share buy-back programme and a capital contribution to Swiss Re Capital Ltd related to the acquisition of Guardian Financial Services in January 2016.

Investments in subsidiaries and affiliated companies increased from CHF 17 340 million as of 31 December 2014 to CHF 17 561 million as of 31 December 2015 due to capital contributions made to a subsidiary of Swiss Re Investments Holding Company Ltd of CHF 129 million and subsidiaries of Swiss Re Principal Investments Company Ltd of CHF 92 million.

Liabilities
Total liabilities increased from CHF 340 million as of 31 December 2014 to CHF 371 million as of 31 December 2015.

Short-term liabilities increased from nil as of 31 December 2014 to CHF 118 million as of 31 December 2015, mainly due to withholding tax payable of CHF 89 million related to the share buy-back programme and deferred income of CHF 25 million. Provisions decreased by CHF 87 million, mainly due to a reduction in the provision for currency fluctuations of CHF 102 million, partly offset by an increase in the tax provision of CHF 15 million.

Shareholders' equity
Shareholders' equity increased from CHF 20 503 million as of 31 December 2014 to CHF 21 469 million as of 31 December 2015, mainly due to net income of CHF 3 865 million and net gains from transactions in own shares of CHF 65 million, partly offset by dividends to shareholders of CHF 2 490 million and net purchases of own shares of CHF 474 million.

Legal reserves from capital contributions decreased from CHF 2 682 million as of 31 December 2014 to CHF 192 million as of 31 December 2015, reflecting the payment of dividends to shareholders of CHF 2 490 million.

Own shares (directly held by the Company) increased from CHF 956 million as of 31 December 2014 to CHF 1 430 million as of 31 December 2015 which was mainly due to a share buy-back programme of CHF 430 million and other net purchases of own shares of CHF 44 million.

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2014	2015
Revenues			
Investment income	2	3 974	**3 563**
Trademark licence fees		306	**306**
Other revenues		0	**156**
Total revenues		4 280	**4 025**
Expenses			
Administrative expenses	3	–142	**–112**
Investment expenses	2	0	**–1**
Other expenses		–16	**–20**
Total expenses		–158	**–133**
Income before income tax expense		4 122	**3 892**
Income tax expense		–12	**–27**
Net income		4 110	**3 865**

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

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2014	2015
Current assets			
Cash and cash equivalents		30	**26**
Short-term investments	4	159	**1 917**
Receivables from subsidiaries and affiliated companies		64	**49**
Other receivables and accrued income		0	**0**
Loans to subsidiaries and affiliated companies		3 250	**2 287**
Total current assets		3 503	**4 279**
Non-current assets			
Investments in subsidiaries and affiliated companies	5	17 340	**17 561**
Total non-current assets		17 340	**17 561**
Total assets		20 843	**21 840**

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

Liabilities and shareholders' equity

CHF millions	Notes	2014	2015
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		–	**0**
Other liabilities and accrued expenses		0	**118**
Total short-term liabilities		0	**118**
Long-term liabilities			
Provisions		340	**253**
Total long-term liabilities		340	**253**
Total liabilities		340	**371**
Shareholders' equity	7		
Share capital	9	37	**37**
Legal reserves from capital contributions	*10*	*2 682*	***192***
Other legal capital reserves		–	***65***
Legal capital reserves		2 682	**257**
Legal profit reserves		9 177	**9 168**
Reserve for own shares (indirectly held by subsidiaries)		9	**18**
Voluntary profit reserves		5 440	**9 550**
Retained earnings brought forward		4	**4**
Net income for the financial year		4 110	**3 865**
Own shares (directly held by the Company)	8	–956	**–1 430**
Total shareholders' equity		20 503	**21 469**
Total liabilities and shareholders' equity		20 843	**21 840**

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

Notes Swiss Re Ltd

1 Significant accounting principles

Basis of presentation
On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revision of the Swiss Code of Obligations which required implementation in 2015. Swiss Re Ltd adopted the new regulation for the financial statements 2015 and chose to adopt the presentation of the 2014 financial statements to be comparable with 2015. This resulted in changes to the presentation of the balance sheet and the notes as well as a reclassification of own shares from assets to shareholders' equity. This reclassification reduced the 2014 previously reported total non-current assets, total assets, total shareholders' equity and total liabilities and shareholders' equity by CHF 956 million.

Time period
The financial year 2015 comprises the accounting period from 1 January 2015 to 31 December 2015.

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

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

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

Short-term investments
Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables
These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income
Accrued income consists of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but receivable in a subsequent financial year.

Loans to subsidiaries and affiliated companies
Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Investments in subsidiaries and affiliated companies
These assets are carried at cost, less necessary and legally permissible depreciation.

Payables to subsidiaries and affiliated companies/Other liabilities
These liabilities are carried at nominal value.

Accrued expenses
Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but payable in a subsequent financial year.

Provisions
Provisions contain provision for currency fluctuation and provision for taxation.

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

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

Other legal capital reserves
Other legal capital reserves reflect gains and losses from sale of own shares (directly held by the Company).

Reserve for own shares (indirectly held by subsidiaries)
Reserve for own shares is accounted for at the book value of those shares in the statutory financial statements of the respective subsidiary.

Own shares (directly held by the Company)
Own shares are carried at cost and presented as a deduction in shareholders' equity.

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

Dividends from subsidiaries and affiliated companies
Dividends from subsidiaries and affiliated companies are recognised as investment income in the year in which they are declared.

Trademark licence fees
Trademark licence fees are charged by the Company to its direct and indirect subsidiaries and their branches that benefit from the use of the Swiss Re brand.

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

Income tax expense
As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On the federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark licence fees charged to certain subsidiaries and affiliated companies.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 15 March 2016. This is the date on which the financial statements are available to be issued.

2 Investment income and expenses

CHF millions	2014	2015
Cash dividends from subsidiaries and affiliated companies	3 964	**3 539**
Realised gains on sale of investments	1	**4**
Income from short-term investments	0	**2**
Income from loans to subsidiaries and affiliated companies	9	**17**
Investment management income	0	**1**
Other interest revenues	0	**0**
Investment income	3 974	**3 563**

CHF millions	2014	2015
Realised losses on sale of investments	0	**0**
Investment management expenses	0	**1**
Other interest expenses	0	**0**
Investment expenses	0	**1**

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2015, securities of CHF 545 million were lent to Group companies under securities lending agreements, whereas in 2014 securities of CHF 117 million were lent to Group companies. As of 31 December 2015 and 2014, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2015 and 2014, Swiss Re Ltd held directly the following investments in subsidiaries and affiliated companies:

As of 31 December 2015	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

As of 31 December 2014	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

Further disclosures in respect of investments in significant indirect subsidiaries and affiliated companies are detailed in note 19 "Significant subsidiaries and equity investees" on pages 237 to 239 in the notes to the Group financial statements, where the voting interests are equal to the affiliations disclosed.

6 Commitments

In November 2015, the Company established a subordinated debt facility with a termination date of 15 August 2025. The facility allows the Company to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 700 million, having a first optional redemption date of 15 August 2025 and a maturity date of 15 August 2050. The Company pays a fee of 3.53% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.75% per annum until the first optional redemption date. Notes, when issued under the facility, will be classified as subordinated debt. As of 31 December 2015, no notes have been issued under the facility.

In November 2015, the Company entered into a subordinated funding facility with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company of up to USD 700 million at any time before August 2030. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee, payable in annual instalments calculated as 5.80% on the total facility amount. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee equal to 2.22% per annum on the undrawn facility amount. As of 31 December 2015, the facility was undrawn.

7 Change in shareholders' equity

CHF millions	2014	2015
Opening balance of shareholders' equity	19 349	**20 503**
Share buy-back programme	-	**–430**
Other movements in own shares	–215	**–44**
Net realised gains from sale of own shares	-	**65**
Dividend payments for the previous year	–2 741	**–2 490**[1]
Net income for the financial year	4 110	**3 865**
Shareholders' equity as of 31 December before proposed dividend payment	20 503	**21 469**
Proposed dividend payment	–2 481	**–1 554**[2]
Shareholders' equity as of 31 December after proposed dividend payment	18 022	**19 915**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2014, the number of registered shares eligible for dividend, at the dividend payment date of 27 April 2015, increased due to the transfer of 1 180 649 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 9 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.
[2] Details on the proposed dividend payments for the financial year 2015 are disclosed on page 262.

8 Own shares (directly and indirectly held by the Company)

As of 31 December 2015, Swiss Re Ltd and its subsidiaries held 32 967 226 (2014: 28 508 013) of Swiss Re Ltd's own shares, of which Swiss Re Ltd owned directly 32 755 754 (2014: 28 395 225) shares.

In the year under report, 6 035 389 (2014: 4 348 768) own shares were purchased at an average price of CHF 92.91 (2014: CHF 74.66); thereof 4 420 000 own shares are related to the share buy-back programme which were purchased at an average price of CHF 97.27. In the same time period 1 575 654 (2014: 4 352 775) own shares were sold at an average price of CHF 93.31 (2014: CHF 79.99).

9 Major shareholders

As of 31 December 2015, there was one shareholder with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital[1]	Creation of the obligation to notify
BlackRock, Inc.	18 300 365	4.96	30 April 2015

[1] The percentage of voting rights is calculated at the date the obligation was created and notified.

In addition, Swiss Re Ltd held, as of 31 December 2015, directly and indirectly 32 967 226 (2014: 28 508 013) own shares, representing 8.89% (2014: 7.69%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

10 Legal reserves from capital contributions

CHF millions	2014	2015
Opening balance of legal reserves from capital contributions	5 423	**2 682**
Reclassification to voluntary profit reserves for dividend payments	–2 741	**–2 490**
Legal reserves from capital contributions as of 31 December	2 682	**192**
thereof confirmed by the Swiss Federal Tax Administration[1]	*2 490*	***1***

[1] Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Release of undisclosed reserves

In 2015, no net undisclosed reserves were released. In 2014, the net release of undisclosed reserves amounted to CHF 426 million.

12 Share ownership, options and related instruments of governing bodies

The section below is in line with articles 663c para. 3 and 959c para. 2 cif. 11 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by Swiss Re's members of the Board of Directors and Group Executive Committee (Group EC) at the end of the reporting year and of share-based compensation for the Board of Directors during the reporting year. Further disclosures in respect of board and management compensation, and persons closely related, are detailed in the Compensation Report on pages 147 to 151 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2014	**2015**
Michel M. Liès, Group CEO	187 690	262 808
David Cole, Group Chief Financial Officer	28 755	54 207
John Dacey, Group Chief Strategy Officer, Chairman Admin Re®[1]	45	171
Guido Fürer, Group Chief Investment Officer	32 315	42 302
Agostino Galvagni, CEO Corporate Solutions	64 860	65 816
Jean-Jacques Henchoz, CEO Reinsurance EMEA	38 280	35 476
Christian Mumenthaler, CEO Reinsurance	40 000	50 000
Moses Ojeisekhoba, CEO Reinsurance Asia	14 369	26 404
J. Eric Smith, CEO Swiss Re Americas	0	16 990
Matthias Weber, Group Chief Underwriting Officer	57 649	25 410
Thomas Wellauer, Group Chief Operating Officer	75 973	116 111
Total	539 936	**695 695**

[1]Chairman Admin Re® until May 2015.

Members of the Board of Directors	2014	**2015**
Walter B. Kielholz, Chairman	425 710	447 241
Renato Fassbind, Vice Chairman and Chairman of the Audit Committee	11 889	15 844
Raymund Breu, former Member[1]	37 764	n/a
Mathis Cabiallavetta, Member	92 287	71 346
Raymond K.F. Ch'ien, Member	16 921	18 459
Mary Francis, Member	2 791	4 329
Rajna Gibson Brandon, Member	27 787	20 216
C. Robert Henrikson, Chairman of the Compensation Committee	6 808	8 896
Hans Ulrich Maerki, Member	27 431	28 969
Trevor Manuel, Member[2]		868
Carlos E. Represas, Member	10 372	11 581
Jean-Pierre Roth, Member	8 234	8 443
Philip K. Ryan, Chairman of the Finance and Risk Committee[2]		3 394
Susan L. Wagner, Chairman of the Investment Committee[3]	1 267	3 485
Total	669 261	**643 071**

[1] Term of office expired as of 21 April 2015 and did not stand for re-election.
[2] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 21 April 2015.
[3] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Share-based compensation

The share-based compensation for the members of the Board of Directors for 2014 and 2015 was:

Members of the Board of Directors	2014 Fees in blocked shares[1] (CHF thousands)	2014 Number of shares[2]	**2015 Fees in blocked shares[1] (CHF thousands)**	**2015 Number of shares[2]**
Walter B. Kielholz, Chairman	1 955	26 220	1 906	21 531
Renato Fassbind, Vice Chairman and Chairman of the Audit Committee[3]	316	4 234	350	3 955
Jakob Baer, former Chairman of the Audit Committee[4]	87	1 165	n/a	n/a
Raymund Breu, former Member[5]	130	1 740	36	403
Mathis Cabiallavetta, Member[6]	977	13 110	359	4 059
Raymond K.F. Ch'ien, Member	140	1 873	136	1 538
John R. Coomber, former Member[4]	43	583	n/a	n/a
Mary Francis, Member[7]	132	1 764	136	1 538
Rajna Gibson Brandon, Member	130	1 740	126	1 429
C. Robert Henrikson, Chairman of the Compensation Committee	184	2 469	185	2 088
Malcolm D. Knight, former Member[4]	38	510	n/a	n/a
Hans Ulrich Maerki, Member	137	1 837	136	1 538
Trevor Manuel, Member[8]			77	868
Carlos E. Represas, Member[9]	110	1 472	107	1 209
Jean-Pierre Roth, Member	110	1 472	107	1 209
Philip K. Ryan, Chairman of the Finance and Risk Committee[8,9]			168	1 894
Susan L. Wagner, Chairman of the Investment Committee[10]	94	1 267	197	2 218
Total	**4 583**	**61 456**	**4 026**	**45 477**

[1] Represents the portion (40%) of the total fees for the members of the Board of Directors that is delivered in Swiss Re Ltd shares, with a four-year blocking period.
[2] The number of shares is calculated by dividing the 40% portion of the total fees with the average closing price of the shares on the SIX Swiss Exchange during the ten trading days preceding the AGM less the amount of any dividend resolved by the AGM.
[3] Acting as the Lead Independent Director. Chairman of the Audit Committee since 11 April 2014.
[4] Term of office expired as of 11 April 2014 and did not stand for re-election.
[5] Term of office expired as of 21 April 2015 and did not stand for re-election.
[6] Vice Chairman until 21 April 2015.
[7] Includes fees received for duties on the board of Luxembourg Group companies.
[8] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 21 April 2015.
[9] Includes fees received for duties on the board of US Group companies.
[10] Elected to Swiss Re's Board of Directors at the Annual General Meeting of 11 April 2014.

Restricted shares

For the year ended 31 December 2014 and 2015, neither the members of the Group EC nor the members of the Board of Directors held any restricted shares.

Vested options

The following vested options were held by members of Group governing bodies as of 31 December:

Members of the Group EC	2014	**2015**
Weighted average strike price in CHF	74.34	**n/a**
Michel Liès, Group CEO	15 000	0
Matthias Weber, Group Chief Underwriting Officer	3 500	0
Total	18 500	**0**

Member of the Board of Directors	2014	**2015**
Weighted average strike price in CHF	74.34	**n/a**
Walter B. Kielholz, Chairman	20 000	0
Total	20 000	**0**

The vested options held by members of Group governing bodies as of 31 December 2014 expired in 2015. The underlying strike price for the outstanding option series has been adjusted for special dividend payouts. The stock options shown in the table above for the member of the Board of Directors was awarded at a time when the recipient was still a member of Swiss Re's executive management.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 22 April 2016 to approve the following allocations and dividend payment:

CHF millions	2014[1]	2015
Retained earnings brought forward	4	**4**
Net income for the financial year	4 110	**3 865**
Disposable profit	4 114	**3 869**
Allocation to voluntary profit reserves	–4 110	**–3 865**
Retained earnings after allocation	4	**4**

CHF millions	2014[1]	2015
Voluntary profit reserves brought forward	5 440	**9 550**
Allocation from retained earnings	4 110	**3 865**
Reclassification of legal reserves from capital contributions into voluntary profit reserves	2 481[2]	-
Ordinary dividend payment out of voluntary profit reserves	–1 454[2]	**–1 554[3]**
Special dividend payment out of voluntary profit reserves	–1 027[2]	-
Voluntary profit reserves after allocation and dividend payment	9 550	**11 861**

[1] Some line items in the above table have been renamed based on the adoption of the new provisions of the Swiss Code of Obligations.
[2] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2014, the number of registered shares eligible for dividend, at the dividend payment date of 27 April 2015, increased due to the transfer of 1 180 649 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a higher dividend of CHF 9 million, compared to the Board of Directors' proposal, and in lower legal reserves from capital contributions by the same amount.
[3] The Board of Directors' proposal to the Annual General Meeting of 22 April 2016, is subject to the actual number of shares outstanding and eligible for dividend.

Dividend

If the Board of Directors' proposal for allocations and dividend payment is accepted, an ordinary dividend of CHF 4.60 per share will be paid on 28 April 2016 from voluntary profit reserves.

Share structure per 31 December 2015	Number of registered shares	Nominal capital in CHF
eligible for dividend[1]	337 739 705	**33 773 970**
not eligible for dividend	32 967 226	**3 296 723**
Total shares issued	370 706 931	**37 070 693**

[1] The Board of Directors' proposal to the Annual General Meeting of 22 April 2016 is subject to the actual number of shares outstanding and eligible for dividend.

Zurich, 15 March 2016

Report of the statutory auditor

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

Report of the statutory auditor on the Financial Statements
As statutory auditor, we have audited the financial statements of Swiss Re Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 251 to 261), for the year ended 31 December 2015.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the Company's Articles of Association.

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

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

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

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2016