

Financial Review 2020

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This 2020 Financial Review of the Swiss Re Group contains updates on our business and results and preliminary unaudited financial information for 2020. The updates on our business and results will be included in our 2020 Annual Report, together with our audited financial statements for 2020 and other disclosures we are required to include or historically have included in an annual report. This Financial Review is not intended to be a substitute for the full 2020 Annual Report, which will be published on the Swiss Re website on 18 March 2021.

Financial highlights

Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2019	2020	Change in %
Group			
Net income/loss attributable to common shareholders	727	-878	-
Gross premiums written	42 228	42 951	2
Premiums earned and fee income	38 594	40 770	6
Earnings per share in CHF	2.46	-2.97	-
Shareholders' equity	29 251	27 135	-7
Return on equity in % ¹	2.5	-3.1	
Return on investments in %	4.7	3.5	
Net operating margin in % ²	3.4	-1.1	
Number of employees ³	15 401	13 189	-14
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	396	-247	-
Gross premiums written	21 562	21 512	-
Premiums earned	19 275	20 832	8
Combined ratio in %	107.8	109.0	
Net operating margin in % ²	3.8	0.1	
Return on equity in % ¹	4.4	-2.8	
Life & Health Reinsurance			
Net income attributable to common shareholders	899	71	-92
Gross premiums written	14 452	15 067	4
Premiums earned and fee income	13 004	13 883	7
Net operating margin in % ²	10.0	2.9	
Return on equity in % ¹	12.4	0.9	
Corporate Solutions			
Net loss attributable to common shareholders	-647	-350	46
Gross premiums written	4 974	4 839	-3
Premiums earned	4 166	4 047	-3
Combined ratio in %	127.9	116.5	
Net operating margin in % ²	-16.7	-10.5	
Return on equity in % ¹	-34.1	-17.4	
Life Capital			
Net loss attributable to common shareholders	-177	-265	-50
Gross premiums written	2 831	2 533	-11
Premiums earned and fee income	2 149	1 984	-8
Gross premiums written – open books	1 790	2 171	21
Net operating margin in % ²	2.4	-6.6	
Return on equity in % ¹	-3.4	-7.5	

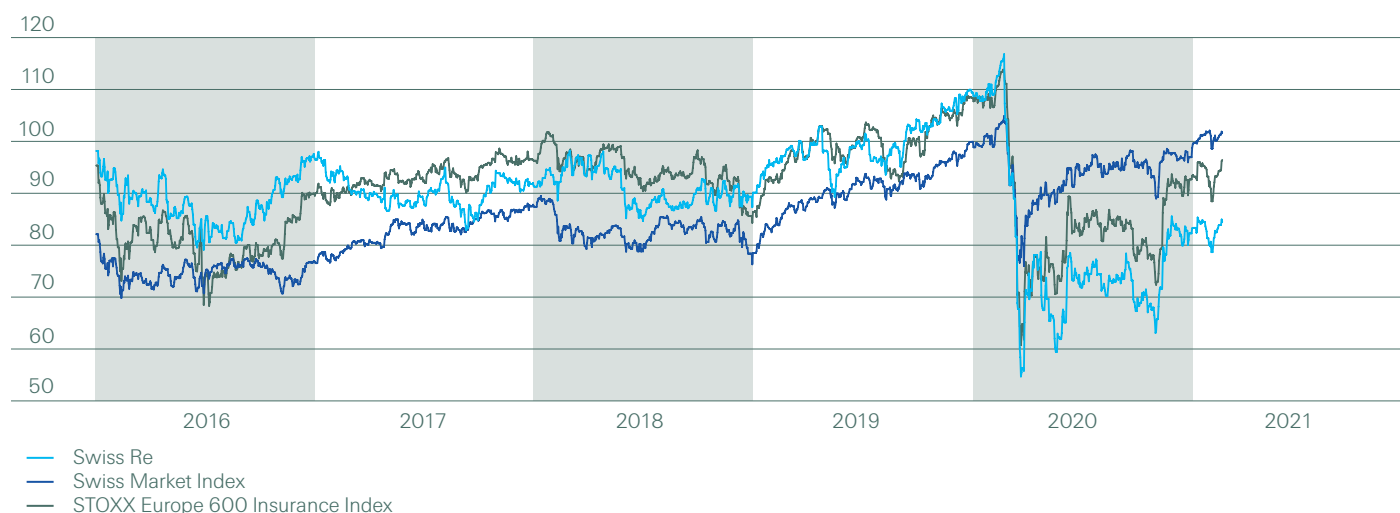
¹ Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.

² Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

³ Regular staff.

Share information

Share price (CHF)



Share information

As of 16 February 2021

Share price in CHF	84.46
Market capitalisation in CHF millions	26 816

Share performance

Share performance in %	1 January 2016 – 16 February 2021 (p.a.)	2020
Swiss Re	-2.9	-23.3
Swiss Market Index	4.2	0.8
STOXX Europe 600 Insurance Index	0.2	-13.5

Financial strength ratings

As of 16 February 2021	Standard&Poor's	Moody's	A.M.Best
Rating	AA-	Aa3	A+
Outlook	Negative	Stable	Stable
Last update	25 November 2020	22 January 2021	17 July 2020

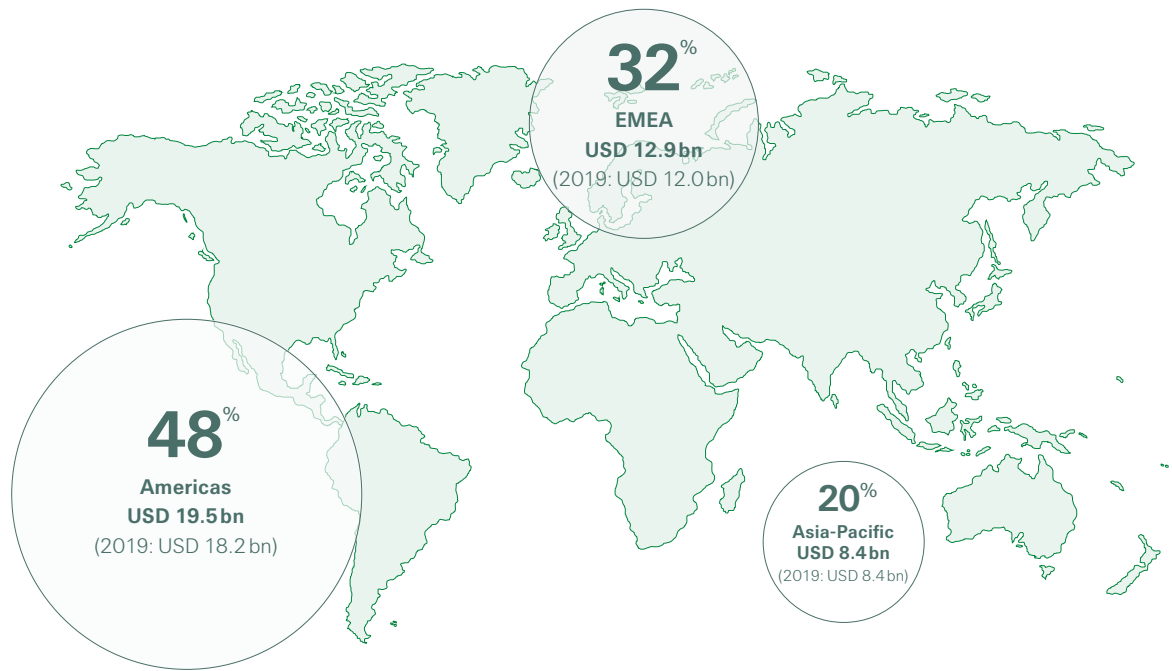
Swiss Re at a glance

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient.

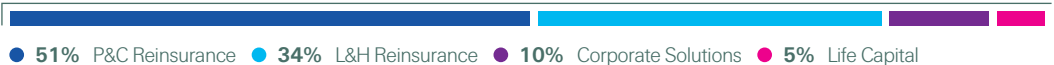
Diversified and global

Net premiums earned and fee income by region

USD **40.8** bn
(2019: USD 38.6 bn)



By business segment



Financial strength

AA-
Standard&Poor's

-3.1%
Return on equity
(2019: 2.5%)

7.3%
Return on equity
(excl. COVID-19)¹

-1.1%
Net operating margin
(2019: 3.4%)

7.4%
Net operating margin
(excl. COVID-19)¹

Commitment to sustainability

AAA
MSCI ESG rating
(as of July 2020)

71%
Employee engagement
(2019: 63%)

35%
Carbon intensity reduction target in our corporate credit and listed equity portfolio by 2025

¹ These figures exclude the impact of claims and reserves established for COVID-19 and the associated estimated tax impacts.

Reinsurance

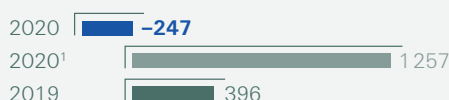
Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

Property & Casualty

Net premiums earned (USD billions)



Net income/loss (USD millions)



-2.8%
Return on equity
(2019: 4.4%)

13.2%
Return on equity
(excl. COVID-19)¹

109.0%
Combined ratio
(2019: 107.8%)

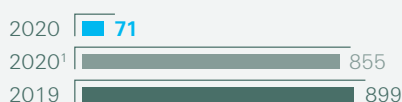
99.8%
Combined ratio
(excl. COVID-19)¹

Life & Health

Net premiums earned and fee income (USD billions)



Net income (USD millions)



0.9%
Return on equity
(2019: 12.4%)

10.4%
Return on equity
(excl. COVID-19)¹

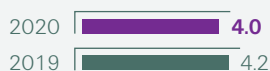
2.9%
Net operating margin
(2019: 10.0%)

9.4%
Net operating margin
(excl. COVID-19)¹

Corporate Solutions

Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers help to make businesses more resilient, while its industry-leading claims service provides additional peace of mind.

Net premiums earned (USD billions)



Net income/loss (USD millions)



-17.4%
Return on equity
(2019: -34.1%)

16.5%
Return on equity
(excl. COVID-19)¹

116.5%
Combined ratio
(2019: 127.9%)

93.2%
Combined ratio
(excl. COVID-19)¹

Life Capital

Life Capital supported and incubated entities in the B2B2C primary business, B2B corporate business and the closed book consolidation space. Following the successful sale of ReAssure, the Life Capital Business Unit disbanded at the end of 2020. Corporate Solutions has assumed responsibility for elipsLife, while iptiQ is now operating as a standalone division.

Net premiums earned and fee income (USD billions)



Net loss (USD millions)



-7.5%
Return on equity
(2019: -3.4%)

-6.9%
Return on equity
(excl. COVID-19)¹

2171^m
GPW open books
(2019: USD 1 790 m)

¹ These figures exclude the impact of claims and reserves established for COVID-19 and the associated estimated tax impacts.

Summary of financial statements

Income statement

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	42 228	42 951	2
Net premiums written	39 649	39 827	–
Change in unearned premiums	–1 675	494	–
Premiums earned	37 974	40 321	6
Fee income from policyholders	620	449	–28
Net investment income – non-participating business	4 171	2 988	–28
Net realised investment gains/losses – non-participating business	1 580	1 730	9
Net investment result – unit-linked and with-profit business	4 939	–2 187	–
Other revenues	30	37	23
Total revenues	49 314	43 338	–12
Expenses			
Claims and claim adjustment expenses	–18 683	–19 838	6
Life and health benefits	–13 087	–13 929	6
Return credited to policyholders	–4 633	1 760	–
Acquisition costs	–7 834	–8 236	5
Operating expenses	–3 579	–3 597	1
Total expenses before interest expenses	–47 816	–43 840	–8
Income/loss before interest and income tax expense	1 498	–502	–
Interest expenses	–589	–588	–
Income/loss before income tax expense	909	–1 090	–
Income tax expense/benefit	–140	266	–
Net income/loss before attribution of non-controlling interests	769	–824	–
Income/loss attributable to non-controlling interests	–42	–54	29
Net income/loss attributable to common shareholders	727	–878	–

Changes in equity

USD millions	2019	2020	Change in %
Total shareholders' equity as of 1 January	27 930	29 251	5
Net income/loss attributable to common shareholders	727	–878	–
Dividends	–1 659	–1 765	6
Change in unrealised gains/losses on securities, net of tax	3 249	608	–81
Change in foreign currency translation, net of tax	110	39	–65
Purchase/sale of treasury shares and share based payments	–925	–174	–81
Adjustment for pension and other post-retirement benefits, net	–22	42	–
Other changes in equity	–159	12	–
Total shareholders' equity as of 31 December	29 251	27 135	–7
Non-controlling interests	1 786	123	–93
Total equity as of 31 December	31 037	27 258	–12

Summary balance sheet

USD millions	2019	2020	Change in %
Assets			
Fixed income securities	81 573	83 018	2
Equity securities	2 993	4 899	64
Other investments	12 892	16 231	26
Short-term investments	5 768	16 082	179
Investments for unit-linked and with-profit business	520	463	-11
Cash and cash equivalents	7 562	5 470	-28
Deferred acquisition costs	7 838	8 230	5
Acquired present value of future profits	1 042	928	-11
Reinsurance recoverable	5 898	5 892	-
Other reinsurance assets	24 743	26 660	8
Goodwill	3 945	4 021	2
Other	9 354	10 728	15
Assets held for sale ¹	74 439	-	-
Total assets	238 567	182 622	-23
Liabilities and equity			
Unpaid claims and claim adjustment expenses	72 373	81 258	12
Liabilities for life and health policy benefits	19 836	22 456	13
Policyholder account balances	5 405	5 192	-4
Other reinsurance liabilities	17 775	19 552	10
Short-term debt	185	153	-17
Long-term debt	10 138	11 584	14
Other	13 232	15 169	15
Liabilities held for sale ¹	68 586	-	-
Total liabilities	207 530	155 364	-25
Shareholders' equity	29 251	27 135	-7
Non-controlling interests	1 786	123	-93
Total equity	31 037	27 258	-12
Total liabilities and equity	238 567	182 622	-23

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

Group results

Swiss Re reported a strong underlying performance for 2020, despite the large losses related to the COVID-19 pandemic.

Strategy and priorities

Swiss Re took early steps to navigate the COVID-19 pandemic in 2020. Even in 2019, before COVID-19 became a pandemic, our experts were monitoring the situation and collecting data. As the situation unfolded, Swiss Re's crisis management and robust IT infrastructure allowed business operations to continue uninterrupted. Swiss Re employees continued to conduct renewals, process claims, steer the asset portfolio, share knowledge and build long-term partnerships.

Throughout 2020, Swiss Re showed a strong underlying performance across the Group. Excluding COVID-19 losses, Group net income increased to USD 2.2 billion for the year, up from USD 727 million in 2019.

All Business Units executed on key strategic initiatives in 2020. Reinsurance achieved growth in its targeted areas. Corporate Solutions finished 2020 well ahead on its turnaround plan, while Life Capital successfully closed the sale of ReAssure and paid a USD 1.5 billion dividend to the Group.

Against a backdrop of hardening prices in key lines of business, Property and Casualty Reinsurance (P&C Re) was able to grow its core business. It increased natural catastrophe exposure by 7% over the year, maintaining its market-leading position in North America. For Life and Health Reinsurance (L&H Re), there was growth in areas such as critical illness business in China and in the longevity portfolio in EMEA.

Reinsurance saw demand for large transactions and tailored solutions, closing over 200 tailored reinsurance deals and increasing the number of new insurance propositions delivered to clients in 2020.

P&C Re's focus on underwriting quality and improved terms and conditions in recent renewals allow for an improved normalised¹ combined ratio estimate of less than 95% in 2021.

Corporate Solutions' turnaround has been achieved through disciplined execution on the decisive management actions announced in 2019. At the end of 2020, portfolio pruning and gross cost reductions were largely completed and the unit delivered a normalised¹ combined ratio of 96.8%, well ahead of the expected 105%. Corporate Solutions will target a normalised combined ratio of less than 97% in 2021, compared with the original 98% goal.

Corporate Solutions is repositioning its product offering by focusing on segments with a clear competitive advantage. Other important strategic objectives include deploying proven technology to drive expansion, leveraging direct access to corporates for the Swiss Re Group and fostering a more disciplined and data-driven underwriting culture.

iptiQ, Swiss Re's global B2B2C digital insurance platform, achieved 76% premium growth in its core business in 2020, writing gross premiums in excess of USD 370 million for the year. iptiQ increased the number of distribution partners by 11 in 2020 period to a total of 40.

Following the successful sale of ReAssure, the Life Capital Business Unit was disbanded at the end of 2020. Corporate Solutions has assumed responsibility for elipsLife, while iptiQ is now operating as a standalone division.

iptiQ's growth is an example of the success of the Group-wide strategy to create new partnerships and develop Swiss Re's position as a technology-driven risk knowledge company.

¹ Assumes an average large natural catastrophe loss burden and excludes prior-year reserve developments as well as the COVID-19 impact.

Performance

Swiss Re reported a net loss of USD 878 million for the year after booking claims and reserves related to COVID-19 of USD 3.9 billion. The vast majority of the Group's COVID-19 losses was driven by affirmative non-damage business interruption, higher mortality claims as well as cancelled or postponed events. Excluding the after-tax impact of COVID-19 related losses, the Group's net income would have been USD 2.2 billion, compared with USD 727 million for 2019. The Group's net operating margin² was -1.1%, compared with 3.4% in the prior year.

Reinsurance reported a net loss of USD 176 million for the year, including COVID-19 claims impacts. Excluding the after-tax impact of COVID-19 related claims and reserves, the Business Unit's net income would have been USD 2.1 billion compared with USD 1.3 billion in 2019.

P&C Re reported a net loss of USD 247 million in 2020, including claims and reserves of USD 1.9 billion related to the COVID-19 crisis. Excluding the after-tax impacts of COVID-19 related claims and reserves, the Business Unit would have contributed USD 1.3 billion, up from USD 396 million in 2019. The result was supported by strong new business generation with higher premiums earned and price increases. This was adversely impacted by significant claims from large catastrophe losses of USD 1.7 billion, primarily caused by a record-breaking Atlantic hurricane season, Australia hailstorm and flooding events, as well as wildfires in the US West Coast. Large man-made losses were dominated by the Beirut port explosion. The net operating margin was 0.1%, compared with 3.8% in 2019.

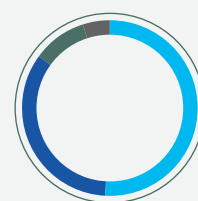
L&H Re reported a net income of USD 71 million in 2020, including COVID-19-related claims of USD 999 million, largely caused by higher mortality claims. Excluding the after-tax impact of COVID-19-related losses, L&H Re's net income would have been USD 855 million in 2020, compared with USD 899 million in 2019. The result was supported by a strong investment result with a return on investments (ROI) of 3.7%. The net operating margin was 2.9% in 2020 and 10.0% in 2019.

Corporate Solutions incurred a net loss of USD 350 million in 2020, with claims and reserves related to COVID-19 totalling USD 943 million in 2020. Excluding the after-tax impact of COVID-19 related losses, the Business Unit swung to a net income of USD 393 million, compared with a net loss of USD 647 million in 2019, benefitting from rate increases, lower large man-made losses, favourable prior accident years development and strict expense management.

Life Capital reported a net loss of USD 265 million in 2020, compared with a net loss of USD 177 million in 2019, driven by ongoing investment into the open book businesses' growth and elipsLife's underperformance due to reserve strengthening and COVID-19 impacts. COVID-19-related losses for Life Capital were minimal at USD 27 million. The net operating margin declined to -6.6% in 2020 from 2.4% in the same period of the previous year. Following the successful deconsolidation of ReAssure, Life Capital paid a dividend of USD 1.5 billion to Swiss Re Group.

Net premiums and fees earned by business segment, 2020

Total: USD 40.8 billion



- 51% P&C Reinsurance
- 34% L&H Reinsurance
- 10% Corporate Solutions
- 5% Life Capital

² Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

3.0**Net investment
income in USD
billions, 2020**

(2019: USD 4.2 billion)

3.5%**Group return on
investments, 2020**

(2019: 4.7%)

Shareholders' equity, excluding non-controlling interests, decreased to USD 27.1 billion at the end of 2020, down from USD 29.3 billion at the end of 2019, mainly reflecting payments to shareholders of USD 2.0 billion for the 2019 regular dividend and the share buyback programme, as well as the current-year net loss, partly offset by unrealised gains on fixed income securities of USD 0.6 billion. The return on equity was -3.1% in 2020, compared with 2.5% in 2019.

Earnings per share for 2020 were USD -3.04 or CHF -2.97, down from USD 2.46 or CHF 2.46 for 2019.

Book value per share stood at USD 93.90 or CHF 83.00 at the end of 2020, compared with USD 100.64 or CHF 97.46 at the end of 2019. Book value per share is based on shareholders' equity and excludes non-controlling interests.

Business performance

Net premiums earned and fee income for the Group amounted to USD 40.8 billion for 2020, an increase of 5.6% year-on-year. At constant exchange rates, net premiums earned and fee income increased by 5.5%.

Gross premiums written increased by 1.7% to USD 43 billion in 2020, mainly reflecting large longevity deals and higher volumes in the open book businesses.

Net premiums earned by P&C Re were USD 20.8 billion, an increase from USD 19.3 billion in 2019, benefitting from large transactions and growth in the natural catastrophe business. At constant exchange rates, premiums earned increased by 8.0%. The P&C Re combined

ratio increased to 109.0% in 2020 from 107.8% in the prior year, mainly driven by COVID-19 losses. Excluding the pre-tax impact of COVID-19-related losses, the combined ratio would have been 99.8%.

L&H Re's net premiums earned and fee income amounted to USD 13.9 billion, an increase from USD 13.0 billion in the prior-year period, supported by individual large transactions including longevity deals. At constant exchange rates, premiums earned and fee income increased by 6.7%.

Corporate Solutions' net premiums earned decreased slightly to USD 4.0 billion from USD 4.2 billion in the prior year, driven by the active portfolio pruning and less business activity due to COVID-19, partially offset by rate increases. At constant exchange rates, net premiums earned decreased by 2.5% year-on-year. The Corporate Solutions combined ratio decreased to 116.5% in 2020 from 127.9% in 2019. Excluding the pre-tax impact of COVID-19-related losses, the combined ratio would have been 93.2% for the year. The normalised combined ratio remains well ahead of the 105% estimate for 2020.

Life Capital's net premiums earned and fee income were USD 2.0 billion, slightly below the prior-year period of USD 2.1 billion, as the growth in the open book business was offset by the impact from the deconsolidation of the ReAssure business. At constant exchange rates, premiums earned and fee income decreased by 9.2%.

Investment result and expenses

Fundamentally, the portfolio performed well with insignificant impairments alongside gains generated from the fixed income portfolio, as well as market value gains on equity positions.

The Group's non-participating investment portfolio decreased from USD 134.5 billion at the end of 2019 to USD 125.7 billion in 2020, in part due to the sale of the ReAssure portfolio in July 2020. The ROI was 3.5% for 2020, compared with 4.7% for 2019. The strong investment result, although lower than in the prior year, was driven by timely and effective portfolio management actions throughout the global financial market turbulence.

The Group's non-participating net investment income was USD 3.0 billion in 2020, compared with USD 4.2 billion in 2019. The decrease was mainly driven by the impact of reinvestment into lower yields and reduced contribution from equity-accounted investments, as well as the absence of the ReAssure portfolio in the second half of the year. The Group's running yield was 2.4% in 2020, compared with 2.8% in 2019, reflecting the impact from historically low reinvestment yields alongside de-risking actions. A high concentration of unrealised gains on long-maturity fixed income securities supports our running yield's persistency looking forward.

The Group reported non-participating net realised gains of USD 1.7 billion in 2020, compared with USD 1.6 billion in 2019. The increase reflects the fact that the prior year was impacted by the loss from the agreed sale of ReAssure and additional foreign exchange losses, while the current year reflects reduced gains from sales of fixed income securities.

Acquisition costs for the Group amounted to USD 8.2 billion in 2020, up from USD 7.8 billion in 2019.

Operating expenses remained stable at USD 3.6 billion in both years. Interest expenses were USD 588 million in 2020, slightly down from USD 589 million in 2019.

The Group reported a tax benefit of USD 266 million on a pre-tax loss of USD 1.1 billion for 2020, compared to a tax charge of USD 140 million on a pre-tax income of USD 909 million for 2019. This translated into an effective tax rate in the current and prior-year reporting periods of 24.4% and 15.4%, respectively. The tax rate in 2020 was largely driven by tax benefits from tax-exempt income and the release of valuation allowance on deferred tax assets, partially offset by tax charges from intra-entity transfers and foreign currency translation differences between statutory and US GAAP accounts.

Reinsurance

As windstorms, floods, earthquakes and wildfires continued to hit communities around the world, reinsurance again served as a key resilience tool.

Making the world more resilient

2020 was a year in which our clients and partners needed us more than ever to help mitigate the impact of COVID-19 – whether from the pure financial impact, or support in their operations, underwriting, product development or claims assessment and payments.

Our Reinsurance business responded by increasing our commitment to our clients. For example, we offered insurance companies across the world free access to Life Guide – the industry’s top-rated¹ digital underwriting manual for individual health risk. This enabled clients to provide important life insurance coverage to individuals, based on improved criteria for current and past infections and guidelines for possible exposures.

Across P&C Re, our strong product support helped European insurers to structure a workable affirmative disease product for business closures that excludes systemic accumulation such as pandemics. We also found ways to support clients who faced premium challenges linked to COVID-19.

Through Swiss Re’s Insurance Response Centre, our free collaborative platform designed to accelerate the industry’s ability to tackle the challenges caused by COVID-19, our clients were able to upload portfolio data and layer on further information sources, such as hospital and ICU bed occupancy. By running statistical

analyses and reports using the platform’s coding environments, clients could create new and more accurate models. This allows them to understand and forecast topics such as business interruption patterns and small business resilience.

The right strategy

In 2020, we confirmed our ambition to build on the three strategic pillars of Reinsurance: Core, Transactions and Solutions. We will continue to focus on strengthening our key assets: global scale and presence, risk diversification, deep risk knowledge, and client collaboration and access. By continuing to invest in these assets, we ensure that we provide the right support to our clients when it is most needed.

Over the last year we saw progress in all areas of our strategy. In our core business, we grew our natural catastrophe exposure by 7% and maintained our market-leading position in North America. Reinsurance grew its critical illness book in China and longevity portfolio in EMEA. We increased our deployed capacity and premiums written in our life and health business, where we remained the number one provider of reinsurance globally. During 2020 in L&H Re, we reinsured 235 million policies and paid out USD 10.8 billion in claims. In P&C Re, 3 223 clients benefitted from our support with USD 10.9 billion paid in claims.

¹ By NMG Consulting

Transactions are tailor-made reinsurance structures that enable clients to achieve their objectives, and Reinsurance engaged in over 200 deals in 2020. Our Transactions portfolio is spread across all lines of business and increasingly across all regions and markets, bringing attractive diversification within this business segment.

Beyond traditional risk transfer, more clients used our Solutions offerings in 2020 than ever before. We have continued to grow our breadth of services to support clients in accessing and understanding new risk pools and opportunities in accelerated technology developments. In life and health markets, COVID-19 increased the demand for automated underwriting systems such as Magnum, which enables a faster and better assessment of risk by leveraging electronic health records. In property and casualty markets, we achieved our best year by far for SwiftRe[®], our digital channel for automated single risk reinsurance capacity that is available 24/7. The business placed through SwiftRe[®] grew by 20% in 2020 and we also saw a record number of new clients onboarded. In addition, we successfully concluded more than 400 solutions deals, including many innovative propositions such as digital and lean motor insurance aimed at millennials in the US and Asia Pacific region, and parametric earthquake products supporting the needs of small businesses.

Summary

Successful execution of our strategy has once again delivered value for our clients, partners and stakeholders. It has also allowed us to adapt quickly to rapidly changing environments. Looking ahead, we will continue to strengthen our partnerships across insurance and the wider ecosystem, remain relentless in our knowledge development and sharing, and draw on our global scale and capital strength to live up to our vision – to make the world more resilient.

Property & Casualty Reinsurance

Property & Casualty Reinsurance

Property & Casualty Reinsurance (P&C Re) reported a net loss for 2020 of USD 247 million. The result included claims and reserves related to the COVID-19 crisis of USD 1.9 billion, reflecting affirmative non-damage business interruption, cancelled or postponed events, casualty and credit & surety losses. COVID-19 losses increased in the fourth quarter, mainly due to business interruption claims. Excluding the after-tax impact of these losses, net income would have been USD 1.3 billion, up from USD 396 million in 2019. P&C Re delivered strong new business generation with higher premiums earned, taking advantage of price improvements, particularly in April and July renewals.

Natural catastrophe losses amounted to USD 1.7 billion for 2020. This was largely driven by the Atlantic hurricane season, which included a record 30 named storms, and secondary perils across the globe. Large man-made losses were dominated by the Beirut port explosion in the third quarter. The result was further impacted by prior-year development, the majority of which was in the first quarter from higher cedent-reported claims in casualty. In comparison, 2019 was affected by a larger natural catastrophe loss burden and late claims development from Typhoon Jebi.

The investment portfolio made a strong contribution with an ROI of 3.0% for 2020, as the impact of global financial market turbulence was partly mitigated by timely and effective portfolio management actions taken early on in the first half year.

Premiums

Net premiums earned increased by 8.1% to USD 20.8 billion, driven by strong new business generation. This included growth in natural catastrophe business, taking advantage of price improvements. In addition, the increase was supported by large casualty transactions written in 2019. Premiums written included portfolio

Property & Casualty Reinsurance results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	21 562	21 512	-
Net premiums written	20 882	20 636	-1
Change in unearned premiums	-1 607	196	-
Premiums earned	19 275	20 832	8
Net investment income	1 419	1 178	-17
Net realised investment gains/losses	883	683	-23
Other revenues	18	26	44
Total revenues	21 595	22 719	5
Expenses			
Claims and claim adjustment expenses	-14 783	-16 403	11
Acquisition costs	-4 810	-5 104	6
Operating expenses	-1 189	-1 200	1
Total expenses before interest expenses	-20 782	-22 707	9
Income before interest and income tax expense			
	813	12	-99
Interest expenses	-352	-321	-9
Income/loss before income tax expense	461	-309	-
Income tax expense/benefit	-65	62	-
Net income/loss attributable to common shareholders	396	-247	-
Claims ratio in %	76.7	78.7	
Expense ratio in %	31.1	30.3	
Combined ratio in %	107.8	109.0	

mix changes and active management actions implemented in 2020. As a result, gross premiums written were stable at USD 21.5 billion in 2020.

Combined ratio

The P&C Re combined ratio was 109.0% in 2020, compared with a reported combined ratio of 107.8% in 2019. Excluding the impact of COVID-19-related losses, the combined ratio would have been 99.8%. This was above the expected level for the year due to adverse large natural catastrophe experience of 1.4% points and the unfavourable prior-year development of 1.5% points. The normalised¹ combined ratio was 96.9%, in line with the estimate of 97% for the full year provided at the beginning of 2020.

Administrative expense ratio²

The administrative expense ratio decreased to 5.8% in 2020, compared with 6.2% in 2019, due to higher net premiums earned, while expenses had significant efficiency gains, supported by lower travel activity.

Lines of business

The property combined ratio increased to 109.4% in 2020, compared with 101.3% a year earlier. While both periods were impacted by large natural catastrophe losses, the 2020 deterioration also included COVID-19-related losses of 17.4% points and the Beirut port explosion loss. This was partly compensated by natural catastrophe reserve releases.

¹ Assumes an average large natural catastrophe loss burden and excludes prior-year reserve developments as well as the COVID-19 impact.

² Operating expenses divided by premiums earned.

The casualty combined ratio was 111.8% in 2020, compared with 116.6% in 2019. This included COVID-19-related losses of 3.2% points and an adverse casualty experience, the majority of which was in the first quarter of 2020.

The specialty combined ratio deteriorated to 98.7% in 2020, compared with 95.3% in 2019. The current period included COVID-19-related claims in credit & surety of 5.3% points, partly compensated by positive experience in marine business.

Investment result

The return on investments was 3.0% for 2020, compared with 4.3% in 2019, reflecting a decrease in the investment result of USD 603 million.

Net investment income decreased by USD 267 million to USD 1 043 million for 2020, driven by declining yields on fixed income securities.

Net realised gains were USD 649 million for 2020, compared with USD 985 million for the prior period, as prior year benefitted from significant equity market value gains.

Insurance-related investment results and foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Shareholders' equity increased to USD 9.2 billion as of 31 December 2020 from USD 8.3 billion on 31 December 2019, primarily driven by unrealised gains and the impact from a restructure of internal loans. This was compensated by the net loss and the dividend paid to the Group. The return on equity for 2020 was -2.8%, compared with 4.4% in 2019. Excluding the after-tax impact of COVID-19-related losses, the ROE was 13.2%.

Outlook

Property business showed improving margins, which enabled us to continue to de-risk the portfolio from business most exposed to climate change and non-modelled risks, and minimise infectious disease business interruption coverage, while meeting planned profit targets.

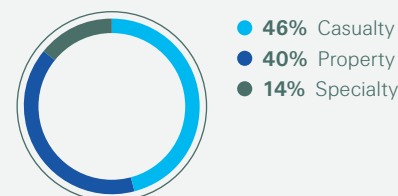
Specialty lines, especially marine, engineering and aviation, showed positive momentum, and we continued to capitalise on our leading franchise in these lines.

For casualty, we further de-risked our US liability portfolio with a clear focus on profitability. We see increasing rate momentum in several markets, which is partially offset by loss trends and yield reduction.

P&C Re continues to see some good opportunities for transactions and solutions and participated in those that meet its return requirements. Upcoming 2021 renewals will likely show further market hardening, albeit with decreasing momentum due to an increasingly competitive environment.

Premiums earned by line of business, 2020

Total: USD 20.8 billion



Life & Health Reinsurance

Life & Health Reinsurance

Life & Health Reinsurance (L&H Re) reported a net income for 2020 of USD 71 million. COVID-19-related claims and reserves included in this result amounted to USD 999 million (pre-tax), driven primarily by higher mortality rates in the US and the UK, as well as increased disability claims mainly in ANZ. Excluding the after-tax impact of COVID-19-related losses, net income was USD 855 million in 2020, compared with USD 899 million in 2019. This result was supported by a strong investment performance, which delivered a ROI of 3.7%, despite the global financial market volatility. The underwriting result reflected continuous improvements in the Americas mortality experience, compensated by adverse morbidity experience mainly in ANZ.

The ROE, excluding the impact of COVID-19-related losses, would have been 10.4%, compared to 12.4% reported in 2019. This was mainly due to significantly higher average equity base in 2020. Reflecting the after-tax impact of COVID-19, the ROE was 0.9% in 2020.

Premiums

Net premiums earned and fee income increased by 6.8% to USD 13.9 billion, compared with USD 13.0 billion in 2019, supported by individual large transactions, including longevity deals. Gross premiums written in 2020 increased by USD 0.6 billion, or 4.3%, to USD 15.1 billion, compared with USD 14.5 billion in 2019.

Net operating margin

The net operating margin, excluding the pre-tax impact of COVID-19-related losses, would have been 9.4% in 2020, compared with 10.0% reported in 2019. Both years benefitted from a strong investment performance.

Management expense ratio

The management expense ratio in 2020 was 5.2%, in line with prior year. An increase in operating expenses was in line with strong premium growth.

Life & Health Reinsurance results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	14 452	15 067	4
Net premiums written	12 734	13 657	7
Change in unearned premiums	101	68	-33
Premiums earned	12 835	13 725	7
Fee income from policyholders	169	158	-7
Net investment income – non-participating business	1 207	1 140	-6
Net realised investment gains/losses – non-participating business	628	445	-29
Net investment result – unit-linked and with-profit business	118	-32	-
Other revenues	4	4	-
Total revenues	14 961	15 440	3
Expenses			
Life and health benefits	-10 587	-12 204	15
Return credited to policyholders	-162	5	-
Acquisition costs	-1 975	-1 999	1
Operating expenses	-746	-786	5
Total expenses before interest expenses	-13 470	-14 984	11
Income before interest and income tax expense	1 491	456	-69
Interest expenses	-445	-367	-18
Income before income tax expense	1 046	89	-91
Income tax expense	-147	-18	-88
Net income attributable to common shareholders	899	71	-92
Management expense ratio in %	5.2	5.2	
Net operating margin in %	10.0	2.9	

Lines of business

Income before interest and income tax (EBIT) for the life segment decreased to USD -168 million in 2020, from USD 581 million in the prior year. The current-year result was impacted by COVID-19 related losses of USD 889 million, driven primarily by higher mortality claims in the US and the UK. Excluding this impact, the underlying result showed further signs of continuous improvements in the Americas mortality experience.

EBIT for the health segment was USD 221 million in 2020, compared with USD 258 million in the prior-year period. COVID-19 losses included in this result amounted to USD 110 million, mainly related to disability claims which emerged in the second half of the year. Further profitable growth of the health business was partly muted by adverse experience across various markets in Asia impacting both years.

Investment result

The return on investments for 2020 was 3.7%, down from 5.0% in 2019, reflecting a decrease in the investment result of USD 323 million driven by the impact of global financial market volatility.

Net investment income decreased by USD 74 million to USD 1 039 million in 2020 and was driven by recurring income on the fixed income portfolio. The running yield for 2020 was 3.0%, compared to 3.3% in 2019.

Net realised gains were USD 438 million for 2020, compared with USD 687 million for the prior period. The decrease was mainly due to fewer gains from sales of fixed income securities, as well as lower market value gains on equity securities and impairments.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Shareholders' equity decreased to USD 7.4 billion as of 31 December 2020, compared with USD 8.3 billion as of 31 December 2019. Positive change in net unrealised gains was more than offset by the dividend paid to the Group, as well as foreign exchange and the impact from restructuring of internal loans.

Return on equity, excluding the after-tax impact of COVID-19-related losses, was 10.4%.

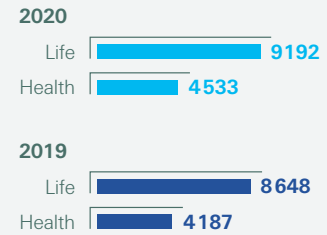
Outlook

While the current pandemic leads to disruption in sales and claims activity for insurers, L&H Re expects increases in life and health treaty reinsurance new business to remain driven by high-growth markets, with more modest growth in mature markets. However, the prolonged low interest rate environment continues to have an unfavorable impact on long-term life business. Cession rates are expected to remain broadly stable in major markets.

L&H Re sees a continued strong focus of clients on capital, risk and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions. L&H Re will continue to pursue growth opportunities in high-growth markets and in large transactions, including longevity deals. L&H Re is responding to the expanding need for health protection driven by ageing societies, and is applying its risk knowledge to help reduce the protection gap in all regions.

Premiums earned by line of business, 2020

Total: USD 13.7 billion



Corporate Solutions

Corporate Solutions' turnaround is ahead of plan at the end of 2020, reflecting the successful execution on the management actions and continued pricing momentum.

Strategy and priorities

Corporate Solutions' turnaround is ahead of plan, with pruning and gross cost reductions largely completed by the end of 2020.

Portfolio repositioning, a low level of large man-made claims, together with efficiency improvements and improved momentum in insurance rates, helped Corporate Solutions to achieve a normalised¹ combined ratio of 96.8%, well ahead of the estimate of 105% for 2020. The Business Unit will now target a normalised combined ratio of less than 97% in 2021, compared with the original 98% goal. While maintaining a strong focus on underwriting and operational performance, Corporate Solutions continues its longer-term strategic transformation as it invests in new capabilities and moves towards being a truly customer-focused, better diversified and more cycle-resilient commercial insurance provider.

Performance

Corporate Solutions' net profit, excluding the COVID-19 impact, would have been USD 393 million in 2020 with a net operating margin of 11.6%, compared with a net loss of USD 647 million in 2019 with a net operating margin of -16.7% in 2019. The strong improvement in the result excluding COVID-19 impacts reflected the benefits of the management actions taken to improve profitability, as well as continued rate increases, favourable prior-year development and lower than expected large man-made losses.

In addition, strict execution of the expense management actions laid out in 2019 helped the unit achieve almost all of the expense savings. Claims and reserves related to COVID-19 amounted to USD 943 million pre-tax, resulting in a net reported loss of USD 350 million for 2020.

The investment performance contributed to the result, although to a lesser extent than in 2019.

Premiums

Net premiums earned were USD 4.0 billion in 2020, a decrease of 2.9% year-on-year, as active portfolio pruning was cushioned by realised rate increases and higher volumes in targeted growth areas. Gross premiums written decreased by 2.7% to USD 4.8 billion in 2020, reflecting the pruning impacts, a more selective underwriting approach in credit & surety and reduced business activity due to the COVID-19 pandemic. These factors were partially offset by the strong pricing momentum which continues in 2020, with Corporate Solutions achieving an average price increases of 15%, as well as a higher volume of fronted business.

Combined ratio

The Business Unit's combined ratio decreased to 116.5% in 2020 from 127.9% in 2019, mainly driven by strongly improved underlying business, a reduction in large man-made losses and favourable development from prior accident years, partially offset by COVID-19 impacts. The normalised¹ combined ratio was 96.8%, reflecting the successful execution on the management actions to improve profitability, achieved rate increases, as well as lower than expected large man-made losses.

Lines of business

The property combined ratio for 2020 deteriorated by 12.2 percentage points to 128.8%, mainly driven by COVID-19 reserves related to event cancellation and non-damage business interruption. Excluding COVID-19 impacts, the combined ratio would have been 83.6%.

The casualty combined ratio decreased to 108.1% in 2020, compared with 137.6% in 2019, reflecting the benefits of management actions previously taken. Excluding COVID-19 impacts, the combined ratio would have been 106.6%.

The specialty combined ratio for 2020 improved by 19.3 percentage points to 109.9%, driven by management actions to improve profitability, partially offset by COVID-19-related losses on the credit & surety portfolio. Excluding COVID-19 impacts, the combined ratio would have been 89.7%.

Investment result

The return on investments was 2.6% for 2020, compared with 3.4% in 2019, reflecting a decrease in the investment result of USD 97 million.

Net investment income decreased by USD 86 million to USD 154 million in 2020, mainly due to reinvestment into lower yields, as well as a lower average invested asset base.

Net realised gains were USD 73 million in 2020, down from USD 84 million in 2019, reflecting lower market value gains on equity securities, partially offset by additional realised gains on sales of fixed income securities.

Insurance-related derivative results and foreign exchange gains/losses are not included in the investment figures.

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised loss of USD 8 million in 2020, compared with net realised gain of USD 89 million in 2019. The current period was impacted by the mild winter temperatures in Europe.

¹ Assumes an average large natural catastrophe loss burden and excludes prior-year reserve developments, as well as the COVID-19 impact.

Corporate Solutions results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	4 974	4 839	-3
Net premiums written	4 253	3 824	-10
Change in unearned premiums	-87	223	-
Premiums earned	4 166	4 047	-3
Net investment income	234	140	-40
Net realised investment gains/losses	162	74	-54
Other revenues	5	5	-
Total revenues	4 567	4 266	-7
Expenses			
Claims and claim adjustment expenses	-3 900	-3 433	-12
Acquisition costs	-640	-592	-8
Operating expenses	-788	-690	-12
Total expenses before interest expenses	-5 328	-4 715	-12
Loss before interest and income tax expense	-761	-449	-41
Interest expenses	-40	-31	-23
Loss before income tax expense	-801	-480	-40
Income tax expense/benefit	143	136	-5
Net loss before attribution of non-controlling interests	-658	-344	-48
Income/loss attributable to non-controlling interests	11	-6	-
Net loss attributable to common shareholders	-647	-350	-46
Claims ratio in %	93.6	84.8	
Expense ratio in %	34.3	31.7	
Combined ratio in %	127.9	116.5	

Shareholders' equity

Shareholders' equity remained unchanged at USD 2.0 billion since the end of 2019, as the net loss for the period was offset by net unrealised gains and the conversion of a hybrid loan of USD 300 million from debt to equity in the second quarter of 2020.

The ROE was -17.4% in 2020, compared with -34.1% in 2019. Excluding COVID-19 impacts, the ROE would have been 16.5%.

Outlook

The commercial insurance market experienced significant price gains through 2020, continuing the trend started in 2019. Swiss Re expects the positive momentum in commercial insurance to continue in 2021, but to potentially slow down by end of year as pricing deficiencies narrow and capital re-enters the market.

Life Capital

Life Capital achieved its key strategic milestone in 2020 with the sale of ReAssure and continued strong growth of its digital B2B2C business.

Strategy and priorities

Life Capital continued its strong growth in the open book businesses and achieved major strategic milestones with the completion of the ReAssure sale and the deconsolidation of the business.

The completion of the sale of ReAssure to Phoenix Group on 22 July 2020 represented a significant strategic milestone for the Group. The transaction had valued ReAssure at GBP 3.25 billion, with Swiss Re receiving a cash payment of GBP 1.2 billion and shares representing a 13.3% stake in Phoenix.

The successful deconsolidation of ReAssure allowed Life Capital to pay a dividend to Swiss Re Group of USD 1.5 billion in September 2020. In our open book businesses, Life Capital continued to further enhance Swiss Re's access to primary risk pools. Through the use of technology, elipsLife and iptiQ demonstrated strong growth despite the headwinds created by COVID-19. In 2020, iptiQ's gross premiums written in its core business increased by 76% compared to 2019 and elipsLife's core gross premiums written increased by 22%.

iptiQ currently operates with 40 partners globally, a net increase of 11 compared with 2019. The successful expansion into the EMEA property and casualty business in 2020 has contributed positively to the overall growth and development of the business. iptiQ currently provides protection to 668 000 customers globally. Continued

progress was made for expansion into Asia with the intention to enter China in the near term. The continued dynamic growth of the business contributes to its positive standalone valuation.

Performance

Life Capital reported a net loss of USD 265 million in 2020. The result was driven by continued investment into the growth of our open book businesses, underperformance in the elipsLife unit and COVID-19 losses. Overall, COVID-19 losses of USD 27 million for Life Capital are within expectations, given the underlying businesses.

The net operating margin in 2020 was -6.6%, compared with 2.4% in the prior year, in line with movements in income.

Premiums

Gross premiums written in the open book businesses increased by 22% during 2020 when measured at constant exchange rates. Overall, net premiums earned and fee income were at USD 2.0 billion for 2020, compared with USD 2.1 billion in 2019, driven by the deconsolidation of the ReAssure business for five months in 2020. This was partially offset by solid growth in the open book businesses.

Investment result

The return on investments was 3.4% for 2020, compared with 3.7% in 2019. In 2020, the investment portfolio return related to ReAssure Group plc was excluded from the ROI calculation for the Business Unit and the Group due to the interim classification of ReAssure Group plc as held for sale.

Net investment income decreased by USD 674 million to USD 113 million in 2020, mainly due to the exclusion of the ReAssure investment portfolio from the investment result.

Net realised gains decreased by USD 148 million to USD 43 million in 2020. The current period was largely driven by market value gains on equity securities.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Operating expenses

Operating expenses were USD 613 million in 2020, compared with USD 721 million in 2019. The decrease was driven by the deconsolidation of ReAssure for five months of the year, partially offset by the continued investment into the growth of the open book businesses.

Shareholders' equity

Shareholders' equity decreased by USD 3.5 billion to USD 1.8 billion, mainly driven by the USD 1.5 billion dividend payment as well as a reduction in unrealised gains related to the disposal of ReAssure and the net loss. Return on equity was -7.5% for 2020, compared with -3.4% for 2019.

Life Capital results

USD millions	2019	2020	Change in %
Revenues			
Gross premiums written	2 831	2 533	-11
Net premiums written	1 780	1 686	-5
Change in unearned premiums	-82	7	-
Premiums earned	1 698	1 693	-
Fee income from policyholders	451	291	-35
Net investment income – non-participating business	1 193	827	-31
Net realised investment gains/losses – non-participating business	18	243	-
Net investment result – unit-linked and with-profit business	4 821	-2 155	-
Other revenues	1	1	-
Total revenues	8 182	900	-89
Expenses			
Life and health benefits	-2 500	-1 718	-31
Return credited to policyholders	-4 471	1 755	-
Acquisition costs	-409	-527	29
Operating expenses	-721	-613	-15
Total expenses before interest expenses	-8 101	-1 103	-86
Income/loss before interest and income tax expense	81	-203	-
Interest expenses	-72	-55	-24
Income/loss before income tax expense/benefit	9	-258	-
Income tax expense/benefit	-133	41	-
Net loss before attribution of non-controlling interests	-124	-217	75
Loss attributable to non-controlling interests	-53	-48	-9
Net loss attributable to common shareholders	-177	-265	50

Outlook

As of 1 January 2021, the Life Capital segment is officially disbanded, with the former Life Capital businesses reported in their new operating segments from the first quarter of 2021. Swiss Re will continue to increase access to the primary insurance risk pool through its global B2B2C digital platform iptiQ, which is becoming a standalone division. elipsLife will be reported as part of the Corporate Solutions segment.

iptiQ currently writes property and casualty business in Europe and intends to launch operations in China in 2021. On the life and health front, iptiQ operates in Europe, the US, Australia and New Zealand, and is exploring other expansion opportunities in Asia.

Although the outlook has improved, COVID-19 continues to shape our business environment in 2021. While the pandemic is clearly a challenge for society and insurers, it has significantly accelerated the shift toward digital insurance channels. This is of strategic importance for iptiQ. We have already witnessed an increased rate of flow and activity in digital interaction models and we expect this to continue further. This trend plays to iptiQ's strengths, and we are well placed to help partners become closer to consumers as they increasingly use digital channels to purchase insurance.

Swiss Re Institute

Underwriting performance in 2020

As a result of the COVID-19 pandemic and its unparalleled containment measures, the Group booked substantial claims and reserves for the event across the year, amounting to USD 3.9 billion. Most of these are incurred but not reported (IBNR) reserves, reflecting a developing situation. Besides higher mortality claims, reserves are primarily related to non-damage business interruption and event cancellations.

Swiss Re's large natural catastrophe and man-made large losses amounted to USD 5.37 billion¹ in 2020. Natural catastrophe events were above expectations, predominantly from secondary perils across the globe. The largest man-made loss was the explosion in Beirut.

While the impact of COVID-19, natural catastrophes and man-made losses are significant, our P&C businesses showed improved underlying performance following determined actions to strengthen the quality of our underwriting. We steered our portfolio mix to an increasingly attractive risk-return profile with continued growth in special lines, a cautious cycle management approach in credit and surety, and continuous updates to our natural catastrophe risk models to reflect recent events. Furthermore, we executed a focused de-risking of our P&C Re casualty business in North America. We continued Corporate Solutions' exit from North America general liability.

Our underwriting performance was supported by a hardening price environment to compensate for lower interest rates, continued negative loss trends and years of soft markets.

Increasing rates and successful growth in natural catastrophe business helped P&C Re achieve a normalised combined ratio of 96.9%. L&H Re achieved a strong ROE of 10.4%, excluding the impact of COVID-19. This was supported by strict new business underwriting rules and careful capital deployment to disability business. Corporate Solutions delivered on its turnaround plans, with pruning and gross cost reductions largely completed. Together with significant rate increases and low large man-made loss activity, the decisive management actions resulted in a normalised combined ratio of 96.8%.

Swiss Re underwriting and COVID-19

The COVID-19 pandemic has been a major mortality event for Swiss Re's L&H portfolio. Despite the high human cost of COVID-19, the overall mortality impact is significantly below our modelled one-in-two-hundred-year pandemic event.

The pandemic highlighted the need to increase the clarity of reinsurance contracts in order to manage our exposure to complex risk scenarios. We are engaging with clients to improve our insights into their products. This will ensure that all exposures transferred to us are understood and priced for and that we have content clarity in our reinsurance contracts.

Looking forward, the arrival of vaccines is a cause for optimism and we are hopeful that the expected reopening of economies will provide a boost for our re/insurance business.

The switch to digital working and home office will continue into the future, requiring new forms of cyber coverage at individual, business and platform levels. Swiss Re can support the development of cyber insurance from both the investment and underwriting sides of the business.

An evolving natural catastrophe risk landscape

The 2020 hurricane season saw a record number of hurricanes in the North Atlantic and significant insured losses from secondary perils. Severe convective storms, hail and tornados in Australia, Canada and the United States caused USD 36 billion in insured losses for the industry. Wildfires in Australia and in the United States caused total insured losses well exceeding USD 10 billion.

A warming climate explains some of the increase in secondary perils. However, since 1980, a steady growth of losses associated with weather events has mainly been due to exposure accumulation that comes with economic growth and urbanisation.

¹ Gross of external retro and IGR, for loss events which are individually exceeding USD 20m for SR Share.

In 2020, we advanced our understanding of the contribution of climate change and other climate conditions to hurricane and typhoon activity. Climate data points to an ongoing elevated hurricane activity level for 2021.

Through our research, we have continued to develop forward-looking models for new and emerging risks. In 2020, this led to significant revisions of underwriting risk views for multiple markets, most notably in Asia. These models allowed us to better reflect emerging risks in our underwriting, addressing the need for sustainable pricing.

At the same time, we have applied our modelling insights to a range of new natural catastrophe risk transfer solutions, enabling our clients and partners to offer new insurance products. These include index-based cover schemes for communities and public entities.

We have sharpened our focus on sustainability by steering our risk-taking away from carbon-intensive industries, expanding into sustainable industrial activities like renewable energy and developing sustainability metrics to steer our liability portfolios, alongside our financial metrics.

**Underwriting outlook:
Data and analytics at the core**

Underwriting excellence and discipline are the key success factors in a changing insurance landscape. We are evolving our underwriting capabilities through cutting-edge research, while putting emphasis on more and better data, advanced analytics and sharpening the skills of our people.

Underwriting data at an individual contract level and live monitoring that enables real-time underwriting decisions are a cornerstone of our efforts. End-to-end digitisation of our contracts helps us track exposures and review wordings, aided by machine learning. We are strengthening geospatial risk insights for individual locations, risks and policies. These enhancements to our core underwriting will strengthen our portfolio quality further. They will be supported by an increasingly data-driven Target Liability Portfolio, including advanced scenario modelling.

Underwriting discipline and covering the true cost of risk is imperative. Swiss Re is well-equipped to benefit from improving market conditions. We see a confluence of factors working towards further rate increases: growth in insurance demand alongside economic recovery, COVID-19-triggered risk awareness and widening protection gaps. We will remain focused on sharper risk assessment, application of tighter terms and conditions and working closely with our clients.

Group Investments

Financial markets and investment strategy

The COVID-19 pandemic as well as the ensuing monetary and fiscal policy responses were the key drivers of financial markets in 2020. In February/March, risk assets sold off sharply amid the first wave of COVID-19 infections, the related lockdown measures in many countries and the collapse in economic activity. However, decisive actions by central banks and governments to provide significant amount of stimulus contributed to an impressive recovery in equity and other asset classes that has continued.

Swiss Re's investment performance was strong in 2020, despite the global financial market volatility. The focus on high-quality fixed income assets helped to reduce the impact of the financial market turmoil, as did our industry-leading ESG approach. Active and timely portfolio management activities also contributed to the strong investment performance. Actions included the targeted and early reduction of sectors with high vulnerability to COVID-19-related market impacts, as well as dynamically managed portfolio hedging following the onset of the crisis.

In terms of specific key market developments, US 10-year Treasury yields declined to just above 0.5% in August, a new all-time low. Since then, they have increased again to slightly above 1% amid the economic recovery. Meanwhile, credit spreads of

investment grade corporate bonds moved to their widest levels since the Global Financial Crisis in March, before narrowing again to levels close to the beginning of the year, in part due the Federal Reserve providing a backstop to credit markets. Our active portfolio management and emphasis on high-quality exposure resulted in minimal impairments. Finally, equities rose sharply after hitting multi-year lows in late March, with the S&P 500 reaching new record highs in December as the uncertainty surrounding the US election outcome dissipated and positive news emerged on the effectiveness of various COVID-19 vaccines. This led to notable market value gains in the equity portfolio.

Investment result

Fundamentally, the portfolio performed well with insignificant impairments alongside gains generated from the fixed income portfolio, as well as market value gains on equity positions.

The Group's non-participating investment portfolio decreased from USD 134.5 billion at the end of 2019 to USD 125.7 billion in 2020, in part due to the sale of the ReAssure portfolio in July 2020. The ROI was 3.5% for 2020, compared with 4.7% for 2019. The strong investment result, although lower than in the prior year, was driven by timely and effective portfolio management actions throughout the global financial market turbulence.

3.0

**Net investment
income in USD
billions, 2020**

(2019: USD 4.2 billion)

3.5%

**Group return on
investments 2020**

(2019: 4.7%)

2.4%

**Group running
yield 2020**

(2019: 2.8%)

The Group's non-participating net investment income was USD 3.0 billion in 2020, compared with USD 4.2 billion in 2019. The decrease was mainly driven by the impact of reinvestment into lower yields and reduced contribution from equity-accounted investments, as well as the absence of the ReAssure portfolio in the second half of the year. The Group's running yield was 2.4% in 2020, compared with 2.8% in 2019, reflecting the impact from historically low reinvestment yields alongside de-risking actions. A high concentration of unrealised gains on long maturity fixed income securities supports our running yield's persistency looking forward.

The Group reported non-participating net realised gains of USD 1.7 billion in 2020, compared with USD 1.6 billion in 2019. The increase reflects the fact that the prior year was impacted by the loss from the agreed sale of ReAssure and additional foreign exchange losses, while the current year reflects reduced gains from sales of fixed income securities.

Outlook

The global economy has seen a stronger-than-expected recovery after the pandemic-induced "sudden stop" in spring. However, renewed COVID-19 waves in both the US and Europe weighed on economic growth in the fourth quarter, resulting in global real GDP growth in 2020 that is still deeply negative.

Looking ahead, the global economy is expected to recover in 2021, although not all economies are expected to reach pre-COVID-19 GDP levels this year. Inflationary pressure is expected to remain moderate even though base effects are likely to lead to a temporary increase in the very near term. In this environment, monetary policy is set to remain highly accommodative. Continued fiscal support is likely necessary to sustain the recovery.

Our investment portfolio remains well diversified across asset classes and underlying sectors, with an ongoing focus on quality and ESG integration. We look to moderately increase our allocation to private markets, including investments in private debt and private equity, which will further diversify the overall investment portfolio. Subject to market conditions, we also plan to add to our credit and equity allocations.

Additionally, we intend to further increase our focus on thematic investing, in light of a financial market outlook where differentiation within asset classes will become even more key to generating performance. We will also continue our efforts to apply technology, such as big data and smart analytics, across the investment process to enable continued outperformance. Lastly, we remain committed towards responsible investing, having incorporated ESG across the entire investment value chain.

Income statement

For the years ended 31 December

USD millions	Note	2019	2020
Revenues			
Gross premiums written	4	42 228	42 951
Net premiums written	4	39 649	39 827
Change in unearned premiums		-1 675	494
Premiums earned	3	37 974	40 321
Fee income from policyholders	3	620	449
Net investment income – non-participating business ¹	7	4 171	2 988
Net realised investment gains/losses – non-participating business ²	7	1 580	1 730
Net investment result – unit-linked and with-profit business	7	4 939	-2 187
Other revenues		30	37
Total revenues		49 314	43 338
Expenses			
Claims and claim adjustment expenses	3	-18 683	-19 838
Life and health benefits	3	-13 087	-13 929
Return credited to policyholders		-4 633	1 760
Acquisition costs	3	-7 834	-8 236
Operating expenses		-3 579	-3 597
Total expenses before interest expenses		-47 816	-43 840
Income/loss before interest and income tax expense		1 498	-502
Interest expenses		-589	-588
Income/loss before income tax expense		909	-1 090
Income tax expense/benefit		-140	266
Net income/loss before attribution of non-controlling interests		769	-824
Income/loss attributable to non-controlling interests		-42	-54
Net income/loss attributable to common shareholders		727	-878
Earnings per share in USD			
Basic	13	2.46	-3.04
Diluted	13	2.39	-3.04
Earnings per share in CHF³			
Basic	13	2.46	-2.97
Diluted	13	2.40	-2.97

¹ Total impairments for the years ended 31 December of USD 80 million in 2019 and of USD 5 million in 2020, respectively, were fully recognised in earnings.

² Total impairments for the years ended 31 December of USD 10 million in 2019 and of USD 29 million in 2020, respectively, were fully 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	2019	2020
Net income/loss before attribution of non-controlling interests	769	-824
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	3 375	2 741
Change in other-than-temporary impairment	2	
Change in cash flow hedges	-9	2
Change in foreign currency translation	46	52
Change in adjustment for pension benefits	-29	-24
Change in credit risk of financial liabilities at fair value option	-2	1
Transactions with non-controlling interests	-56	
Disposal of ReAssure		-2 080
Other comprehensive income/loss attributable to non-controlling interests	341	127
Total comprehensive income/loss before attribution of non-controlling interests	4 437	-5
Comprehensive income/loss attributable to non-controlling interests	-383	-181
Total comprehensive income/loss attributable to common shareholders	4 054	-186

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

Reclassification out of accumulated other comprehensive income
For the years ended 31 December

2019 USD millions	Net unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	1 905	-3	6	-5 904	-828	5	-4 819
Transactions with non-controlling interests	-128		1	64	7		-56
Change during the period	5 668		-57		-93	-2	5 516
Amounts reclassified out of accumulated other comprehensive income	-1 491		48	135	46		-1 262
Tax	-802	2		-89	18		-871
Balance as of period end	5 152	-1	-2	-5 794	-850	3	-1 492

2020 USD millions	Net unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 152	-1	-2	-5 794	-850	3	-1 492
Amounts reclassified on disposal of ReAssure	-2 133			-13	66		-2 080
Change during the period	5 634		17	-166	-166	1	5 320
Amounts reclassified out of accumulated other comprehensive income	-2 263		-15	18	137		-2 123
Tax	-630			200	5		-425
Balance as of period end	5 760	-1	0	-5 755	-808	4	-800

¹ Reclassification adjustment included in net income is presented in "Net realised investment gains/losses – non-participating business".

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 "Operating expenses".

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

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Balance sheet

Assets

As of 31 December

USD millions	Note	2019	2020
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 14 175 in 2019 and 7 435 in 2020 subject to securities lending and repurchase agreements) (amortised cost: 2019: 74 780; 2020: 73 862)		79 163	81 080
Trading (including 1 911 in 2019 and 1 551 in 2020 subject to securities lending and repurchase agreements)		2 410	1 938
Equity securities at fair value through earnings (including 186 in 2019 and 59 in 2020 subject to securities lending and repurchase agreements)		2 993	4 899
Policy loans, mortgages and other loans		3 021	3 315
Investment real estate		2 528	2 602
Short-term investments (including 1 157 in 2019 and 3 969 in 2020 subject to securities lending and repurchase agreements)		5 768	16 082
Other invested assets		7 343	10 314
Investments for unit-linked and with-profit business (including equity securities at fair value through earnings: 520 in 2019 and 463 in 2020)		520	463
Total investments		103 746	120 693
Cash and cash equivalents (including 1 257 in 2019 and 773 in 2020 subject to securities lending, and 4 in 2019 and 3 in 2020 backing unit-linked and with-profit contracts)		7 562	5 470
Accrued investment income		673	626
Premiums and other receivables		15 271	15 934
Reinsurance recoverable on unpaid claims and policy benefits		5 898	5 892
Funds held by ceding companies		9 472	10 726
Deferred acquisition costs	6	7 838	8 230
Acquired present value of future profits	6	1 042	928
Goodwill		3 945	4 021
Income taxes recoverable		466	337
Deferred tax assets		4 726	6 079
Other assets		3 489	3 686
Assets held for sale ¹	10	74 439	
Total assets		238 567	182 622

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

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

Liabilities and Equity

USD millions	Note	2019	2020
Liabilities			
Unpaid claims and claim adjustment expenses	5	72 373	81 258
Liabilities for life and health policy benefits	8	19 836	22 456
Policyholder account balances		5 405	5 192
Unearned premiums		13 365	13 309
Funds held under reinsurance treaties		3 521	5 146
Reinsurance balances payable		889	1 097
Income taxes payable		378	336
Deferred and other non-current tax liabilities		5 663	6 740
Short-term debt	11	185	153
Accrued expenses and other liabilities	7	7 191	8 093
Long-term debt	11	10 138	11 584
Liabilities held for sale ¹	10	68 586	
Total liabilities		207 530	155 364
Equity			
Common shares, CHF 0.10 par value			
2019: 327 404 704; 2020: 317 497 306 shares authorised and issued		31	30
Additional paid-in capital		256	251
Treasury shares, net of tax		-2 220	-1 396
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 152	5 760
Other-than-temporary impairment, net of tax		-1	-1
Cash flow hedges, net of tax		-2	
Foreign currency translation, net of tax		-5 794	-5 755
Adjustment for pension and other post-retirement benefits, net of tax		-850	-808
Credit risk of financial liabilities at fair value option, net of tax		3	4
Total accumulated other comprehensive income		-1 492	-800
Retained earnings		32 676	29 050
Shareholders' equity		29 251	27 135
Non-controlling interests		1 786	123
Total equity		31 037	27 258
Total liabilities and equity		238 567	182 622

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2019	2020
Common shares		
Balance as of 1 January	32	31
Cancellation of shares bought back	-1	-1
Balance as of period end	31	30
Additional paid-in capital		
Balance as of 1 January	496	256
Transactions with non-controlling interests ¹	-241	9
Cancellation of shares bought back	-23	-27
Share-based compensation	-9	-1
Realised gains/losses on treasury shares	33	14
Balance as of period end	256	251
Treasury shares, net of tax		
Balance as of 1 January	-2 291	-2 220
Purchase of treasury shares	-1 041	-228
Cancellation of shares bought back	1 020	1 011
Issuance of treasury shares, including share-based compensation to employees	92	41
Balance as of period end	-2 220	-1 396
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	1 905	5 152
Transactions with non-controlling interests ¹	-128	
Disposal of ReAssure ²		-2 133
Changes during the period	3 375	2 741
Balance as of period end	5 152	5 760
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-3	-1
Changes during the period	2	
Balance as of period end	-1	-1
Cash flow hedges, net of tax		
Balance as of 1 January	6	-2
Transactions with non-controlling interests ¹	1	
Changes during the period	-9	2
Balance as of period end	-2	0

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

USD millions	2019	2020
Foreign currency translation, net of tax		
Balance as of 1 January	-5 904	-5 794
Transactions with non-controlling interests ¹	64	
Disposal of ReAssure ²		-13
Changes during the period	46	52
Balance as of period end	-5 794	-5 755
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-828	-850
Transactions with non-controlling interests ¹	7	
Disposal of ReAssure ²		66
Changes during the period	-29	-24
Balance as of period end	-850	-808
Credit risk of financial liabilities at fair value option, net of tax		
Balance as of 1 January	5	3
Changes during the period	-2	1
Balance as of period end	3	4
Retained earnings		
Balance as of 1 January	34 512	32 676
Net income/loss after attribution of non-controlling interests	727	-878
Dividends on common shares	-1 659	-1 765
Cancellation of shares bought back	-996	-983
Impact of ASU 2016-02 ³	92	
Balance as of period end	32 676	29 050
Shareholders' equity	29 251	27 135
Non-controlling interests		
Balance as of 1 January	797	1 786
Transactions with non-controlling interests ¹	606	4
Income/loss attributable to non-controlling interests	42	54
Other comprehensive income attributable to non-controlling interests:		
Change in net unrealised investment gains/losses	380	179
Change in foreign currency translation	-25	-53
Other	-14	1
Disposal of ReAssure ²		-1 848
Balance as of period end	1 786	123
Total equity	31 037	27 258

¹ In 2019, MS&AD Insurance Group Holdings Inc (MS&AD) acquired a 10% stake in ReAssure Group plc (ReAssure), then a subsidiary of the Group, increasing its total non-controlling interest to 25%. In the fourth quarter of 2019, the Group agreed to reacquire the 25% stake in ReAssure in connection with the agreement to sell ReAssure to Phoenix Group Holdings plc (Phoenix). In the third quarter of 2020, the Group completed the agreed sale.

² In the third quarter of 2020, the Group completed the sale of ReAssure to Phoenix.

³ Impact of Accounting Standards Update in 2019. Please refer to the Annual Report 2019 for more details.

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

Statement of cash flows

For the years ended 31 December

USD millions	2019	2020
Cash flows from operating activities		
Net income/loss attributable to common shareholders	727	-878
Add income/loss attributable to non-controlling interests	42	54
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	538	617
Net realised investment gains/losses	-5 515	972
Income from equity-accounted investees, net of dividends received	-283	175
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	10 659	4 736
Funds held by ceding companies and under reinsurance treaties	-5	393
Reinsurance recoverable on unpaid claims and policy benefits	-571	214
Other assets and liabilities, net	-472	-281
Income taxes payable/recoverable	-471	-630
Trading positions, net	-252	22
Net cash provided/used by operating activities	4 397	5 394
Cash flows from investing activities		
Fixed income securities:		
Sales	51 008	50 302
Maturities	7 732	7 333
Purchases	-58 240	-52 212
Net purchases/sales/maturities of short-term investments	-405	-9 681
Equity securities:		
Sales	2 225	1 782
Purchases	-1 495	-1 749
Securities purchased/sold under agreement to resell/repurchase, net	-869	-1 587
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	340	-2 535
Net purchases/sales/maturities of other investments	581	-1 262
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	1 584	1 888
Net cash provided/used by investing activities	2 461	-7 721
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	551	215
Withdrawals	-2 629	-1 630
Issuance/repayment of long-term debt	3 614	1 071
Issuance/repayment of short-term debt	-2 205	-190
Purchase/sale of treasury shares	-946	-199
Dividends paid to shareholders	-1 659	-1 765
Transactions with non-controlling interests	634	
Net cash provided/used by financing activities	-2 640	-2 498

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

USD millions	2019	2020
Total net cash provided/used	4 218	-4 825
Effect of foreign currency translation	88	4
Change in cash and cash equivalents	4 306	-4 821
Cash and cash equivalents as of 1 January	5 985	7 562
Cash and cash equivalents as of 1 January classified as assets held for sale		2 729
Reclassified to assets held for sale	-2 729	
Cash and cash equivalents as of 31 December	7 562	5 470

Interest paid was USD 572 million and USD 563 million (thereof USD 24 million and USD 7 million for letter of credit fees) for 2019 and 2020, respectively. Tax paid was USD 611 million and USD 364 million for 2019 and 2020, respectively.

Non-cash investing activities for 2020 amounted to USD 1.1 billion. USD 1.4 billion reflects the receipt of shares in Phoenix as part of the sales consideration for ReAssure to Phoenix. This is reduced by USD 0.3 billion representing the transaction with MS&AD. Please refer to Note 10 "Acquisitions and disposals" for more details.

Cash and cash equivalents include restricted cash and cash equivalents, for instance pledged cash and cash equivalents (please refer to Note 7 "Investments").

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

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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 consisting of insurance companies, mid-to-large-sized corporations and public-sector clients.

Basis of presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intra-group transactions and balances have been eliminated on consolidation. The accompanying condensed consolidated financial statements contain preliminary, unaudited financial information for the annual period ended 31 December 2020. The 2019 year-end balance sheet data presented were derived from audited financial statements. These condensed financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group’s audited consolidated financial statements for the year ended 31 December 2019. The Swiss Re Group’s audited consolidated financial statements for the year ended 31 December 2020 will be published on 18 March 2021.

On 22 July 2020, the Group completed the sale of ReAssure to Phoenix. Subsequently, the subject business was deconsolidated as of that date. Further details on the transaction are provided in Note 10 “Acquisitions and disposals”.

The Board of Directors of Swiss Re Ltd has decided that as of 1 January 2024 the Group’s consolidated financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements for periods ending on or prior to 31 December 2023 will continue to be prepared in accordance with US GAAP.

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.

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 by incorporating 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 a manner consistent with the aforementioned approach, with consideration given to 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 investment gains and losses in the income statement.

Financial statements

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 inputs 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 related to 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 2020, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 18 February 2021. This is the date on which the condensed unaudited financial statements are available to be issued.

Adoption of new accounting standards

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement", an update to Topic 820, "Fair Value Measurement". The amendments in this ASU add, remove and modify some disclosure requirements on fair value measurement. The Group adopted the standard retrospectively on 1 January 2020 with the exception of the amendments which require prospective adoption. The applicable amendments of ASU 2018-13 are reflected in Note 8 "Fair value disclosures".

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans", an update to Subtopic 715-20, "Compensation – Retirement Benefits – Defined Benefit Plans – General". The amendments in this Update remove, clarify and add disclosure requirements related to defined benefit pension and other postretirement plans. The Group adopted the annual disclosure requirements retrospectively as of year-end 2020.

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Cost Incurred in a Cloud Computing Arrangement That Is a Service Contract", a consensus of the FASB Emerging Issues Task Force (EITF) to Subtopic 350-40, "Internal-Use Software". The amendments in this ASU align the requirements for capitalising implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal use software. The update requires that implementation costs related to a CCA that is a service contract need to be capitalised based on the phase and nature of the costs. The Group adopted ASU 2018-15 prospectively on 1 January 2020. The adoption did not have a material impact on the Group's financial statements.

In October 2018, the FASB issued ASU 2018-17, "Targeted Improvements to Related Party Guidance for Variable Interest Entities", an update to Topic 810, "Consolidation". The standard requires that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The Group adopted the ASU retrospectively on 1 January 2020. The adoption did not have an impact on the Group's financial statements.

In November 2018, the FASB issued ASU 2018-18, "Clarifying the Interaction between Topic 808 and Topic 606", an update to Topic 808, "Collaborative Arrangements". The amendments in this ASU provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606 "Revenue from Contracts with Customers". In particular, the update requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, the presentation of the transaction together with revenue recognised under Topic 606 is precluded. The Group adopted ASU 2018-18 on 1 January 2020 retrospectively to the date of initial application of Topic 606. The adoption did not have an impact on the Group's financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments". The ASU provides selective clarifications and corrections of guidance on credit losses, hedging, and recognising and measuring financial instruments. The Group adopted the standard on 1 January 2020 with the exception of the guidance relating to ASU 2016-13 "Measurement of Credit Losses". The adoption did not have an impact on the Group's financial statements. The amendments related to credit losses will be adopted together with ASU 2016-13 as required by the standard.

In March 2020, the FASB issued ASU 2020-03, "Codification Improvements to Financial Instruments". The amendments in this ASU address seven specific issues identified related to financial instruments with the aim to improve and clarify the Codification, correct unintended application of current guidance and eliminate inconsistencies. The Group adopted issues 1, 2, 3, 4 and 5 on 9 March 2020, which is the issuance date of the ASU. The adoption did not have an impact on the Group's financial statements. Issues 6 and 7 will be adopted together with ASU 2016-13 "Measurement of Credit Losses" as required by the standard.

In March 2020, the FASB issued ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting", an update to Topic 848, "Reference Rate Reform". In response to concerns about structural risks of interbank offered rates (IBORs) and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates.

The amendments in this update provide optional expedients and exceptions for applying US GAAP accounting principles to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of these reference rate reform initiatives. The Group adopted ASU 2020-04 on 12 March 2020, which is the issuance date of the standard. There is a choice to apply the guidance by Topic or industry Subtopic at any time prospectively during the effective period from 12 March 2020 through 31 December 2022. As of 31 December 2020, the Group applied the guidance to Topic 815 related to changes to the critical terms of a hedging relationship due to reference rate reform as well as to Topic 944 related to changes resulting from the replacement of discontinued reference rates included in contracts within the scope of Topic 944, "Financial Services – Insurance". While these elections did not have a material impact on the Consolidated Financial Statements, they ease the administrative burden of accounting for contracts impacted by the reference rate reform.

Future adoption of new accounting standards

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to Topic 326, "Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. The standard is applicable to all financial assets such as financial instruments that are measured at amortised cost, available-for-sale debt securities and reinsurance recoverables. The objective of the expected credit loss model is that a reporting entity recognises its estimate of expected credit losses incorporating forward-looking information in a valuation allowance for financial assets in scope. As amended by ASU 2019-10 "Effective Dates", ASU 2016-13 is effective for annual and interim periods beginning after 15 December 2022. For most affected financial assets, the ASU must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to opening retained earnings on the adoption date. The Group is currently assessing the impact of the new requirements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment", an update to Topic 350, "Intangibles – Goodwill and Other". This ASU simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity has to perform procedures to determine the fair value of its assets and liabilities (including unrecognised assets and liabilities) at the impairment testing date following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this update, an entity should perform its regular goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognise an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognised should not exceed the total amount of goodwill allocated to that reporting unit. As amended by ASU 2019-10 "Effective Dates", ASU 2017-04 is effective for goodwill impairment tests in annual and interim periods beginning after 15 December 2022. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

In August 2018, the FASB issued ASU 2018-12, "Targeted Improvements to the Accounting for Long-Duration Contracts", an update to Topic 944, "Financial Services – Insurance". This ASU requires that the cash flows and net premium ratio will be updated for changes in insurance assumptions (eg mortality, morbidity, terminations) when measuring the liability for future policy benefits for nonparticipating traditional and limited-payment insurance and reinsurance contracts. There will no longer be a provision for adverse deviation. In addition, the discount rate used to reflect the time value of money in the calculation of the liability for future policy benefits will be standardised. Further, the ASU requires deferred acquisition costs (DAC) relating to most long-duration contracts to be amortised on a constant basis over the expected term of the contract. As amended by ASU 2020-11 "Effective Date and Early Application", ASU 2018-12 is effective for annual periods beginning after 15 December 2024, and interim periods beginning after 15 December 2025. Due to the decision of the Board of Directors of Swiss Re Ltd to prepare the Group's consolidated financial statements in accordance with IFRS beginning 1 January 2024, the Group does not plan to adopt ASU 2018-12.

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 Life Capital. 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 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). Cross-segmental dividends and gains and losses on certain one-off transfers and transactions between segments are accounted for through segmental shareholders' equity.

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 highly customised solutions tailored to the needs of clients. Corporate Solutions serves customers from offices worldwide.

Life Capital

In the fourth quarter of 2019, the Group entered into an agreement to sell its subsidiary ReAssure, previously within the Life Capital business segment, to Phoenix. On 22 July 2020, the Group successfully completed the sale of ReAssure to Phoenix, following the receipt of all required regulatory and anti-trust approvals. The sale effectively led to the deconsolidation of ReAssure from the Group financial statements in the third quarter of 2020. For more details on the transaction, please refer to Note 10 "Acquisitions and disposals".

Life Capital manages Swiss Re's primary life and health business as well as its primary retail property and casualty business. It encompasses the closed and open life and health insurance books, including the ReAssure business sold in 2020 and the primary life and health insurance business comprising elipsLife and iptiQ.

Through ReAssure, Swiss Re acquired closed blocks of inforce life and health insurance business, either through reinsurance or corporate acquisition, and typically assumed responsibility for administering the underlying policies. The administration of the business was managed directly or, where appropriate, in partnership with a third party. In the open books business, elipsLife, the Group life and health insurance business, offers solutions to pension funds, corporates and affinity groups through an intermediated business to business to consumer ("B2B2C") model. The iptiQ business, primarily the individual life and health business, partners with distributors and enables individuals to address their protection needs on a white labelled basis.

As announced on 19 June 2020, the segmental disclosures will be revised to reflect the way the Group will manage its business activities going forward. As of 1 January 2021, the Life Capital reporting segment ceases to be managed as a separate Business Unit. iptiQ becomes a stand-alone division, and is reported as part of the Group items reporting segment. elipsLife moves to the Corporate Solutions reporting segment.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Group's ultimate parent company, Principal Investments and certain Treasury units and reinsurance and insurance business in run-off. 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

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	21 562	14 452	4 974	2 831		-1 591	42 228
Net premiums written	20 882	12 734	4 253	1 780			39 649
Change in unearned premiums	-1 607	101	-87	-82			-1 675
Premiums earned	19 275	12 835	4 166	1 698			37 974
Fee income from policyholders		169		451			620
Net investment income – non-participating business	1 419	1 207	234	1 193	552	-434	4 171
Net realised investment gains/losses – non-participating business	883	628	162	18	-111		1 580
Net investment result – unit-linked and with-profit business		118		4 821			4 939
Other revenues	18	4	5	1	414	-412	30
Total revenues	21 595	14 961	4 567	8 182	855	-846	49 314
Expenses							
Claims and claim adjustment expenses	-14 783		-3 900				-18 683
Life and health benefits		-10 587		-2 500			-13 087
Return credited to policyholders		-162		-4 471			-4 633
Acquisition costs	-4 810	-1 975	-640	-409			-7 834
Operating expenses	-1 189	-746	-788	-721	-547	412	-3 579
Total expenses before interest expenses	-20 782	-13 470	-5 328	-8 101	-547	412	-47 816
Income/loss before interest and income tax expense/benefit							
	813	1 491	-761	81	308	-434	1 498
Interest expenses	-352	-445	-40	-72	-114	434	-589
Income/loss before income tax expense/benefit	461	1 046	-801	9	194	0	909
Income tax expense/benefit	-65	-147	143	-133	62		-140
Net income/loss before attribution of non-controlling interests	396	899	-658	-124	256	0	769
Income/loss attributable to non-controlling interests			11	-53			-42
Net income/loss attributable to common shareholders	396	899	-647	-177	256	0	727
Claims ratio in %	76.7		93.6				79.7
Expense ratio in %	31.1		34.3				31.7
Combined ratio in %	107.8		127.9				111.4
Management expense ratio ¹ in %		5.2					
Net operating margin ² in %	3.8	10.0	-16.7	2.4			3.4

¹ Management expense ratio is calculated as "Operating expenses" divided by "Total revenues" excluding "Net realised investment gains/losses – non-participating business" and "Net investment result – unit-linked and with-profit business".

² Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Business segments – income statement

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	21 512	15 067	4 839	2 533	24	-1 024	42 951
Net premiums written	20 636	13 657	3 824	1 686	24		39 827
Change in unearned premiums	196	68	223	7			494
Premiums earned	20 832	13 725	4 047	1 693	24		40 321
Fee income from policyholders		158		291			449
Net investment income – non-participating business	1 178	1 140	140	827	20	-317	2 988
Net realised investment gains/losses – non-participating business	683	445	74	243	285		1 730
Net investment result – unit-linked and with-profit business		-32		-2 155			-2 187
Other revenues	26	4	5	1	407	-406	37
Total revenues	22 719	15 440	4 266	900	736	-723	43 338
Expenses							
Claims and claim adjustment expenses	-16 403		-3 433	-2			-19 838
Life and health benefits		-12 204		-1 716	-9		-13 929
Return credited to policyholders		5		1 755			1 760
Acquisition costs	-5 104	-1 999	-592	-527	-14		-8 236
Operating expenses	-1 200	-786	-690	-613	-714	406	-3 597
Total expenses before interest expenses	-22 707	-14 984	-4 715	-1 103	-737	406	-43 840
Income/loss before interest and income tax expense/benefit							
	12	456	-449	-203	-1	-317	-502
Interest expenses	-321	-367	-31	-55	-131	317	-588
Income/loss before income tax expense/benefit	-309	89	-480	-258	-132	0	-1 090
Income tax expense/benefit	62	-18	136	41	45		266
Net income/loss before attribution of non-controlling interests	-247	71	-344	-217	-87	0	-824
Income attributable to non-controlling interests			-6	-48			-54
Net income/loss attributable to common shareholders	-247	71	-350	-265	-87	0	-878
Claims ratio in %	78.7		84.8				79.7
Expense ratio in %	30.3		31.7				30.5
Combined ratio in %	109.0		116.5				110.2
Management expense ratio ¹ in %		5.2					
Net operating margin ² in %	0.1	2.9	-10.5	-6.6			-1.1

¹ Management expense ratio is calculated as "Operating expenses" divided by "Total revenues" excluding "Net realised investment gains/losses – non-participating business" and "Net investment result – unit-linked and with-profit business".

² Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Business segments – balance sheet

As of 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	38 877	32 008	7 473	3 088	127		81 573
Equity securities	1 749	620	172	57	395		2 993
Other investments	14 606	4 871	147	865	5 009	-12 606	12 892
Short-term investments	3 283	1 678	380	377	50		5 768
Investments for unit-linked and with-profit business		520					520
Cash and cash equivalents	3 674	1 694	1 698	494	2		7 562
Deferred acquisition costs	2 613	4 529	483	213			7 838
Acquired present value of future profits		577		465			1 042
Reinsurance recoverable	2 325	4 887	7 058	3 111		-11 483	5 898
Other reinsurance assets	12 524	8 471	2 667	5 951	3	-4 873	24 743
Goodwill	1 895	1 846	204				3 945
Other	7 723	5 325	2 342	658	2 256	-8 950	9 354
Assets held for sale ¹				74 983		-544	74 439
Total assets	89 269	67 026	22 624	90 262	7 842	-38 456	238 567
Liabilities							
Unpaid claims and claim adjustment expenses	49 963	13 094	12 881	2 489		-6 054	72 373
Liabilities for life and health policy benefits		20 679	728	4 250		-5 821	19 836
Policyholder account balances		1 401		4 004			5 405
Other reinsurance liabilities	12 899	2 904	4 987	2 034	2	-5 051	17 775
Short-term debt	915	1 500		66	60	-2 356	185
Long-term debt	5 511	11 225	798	838	494	-8 728	10 138
Other	11 662	7 970	1 093	1 015	1 900	-10 408	13 232
Liabilities held for sale ¹				68 624		-38	68 586
Total liabilities	80 950	58 773	20 487	83 320	2 456	-38 456	207 530
Shareholders' equity							
	8 318	8 253	2 005	5 289	5 386	0	29 251
Non-controlling interests	1		132	1 653			1 786
Total equity	8 319	8 253	2 137	6 942	5 386	0	31 037
Total liabilities and equity	89 269	67 026	22 624	90 262	7 842	-38 456	238 567

¹ Please refer to Note 10 "Acquisitions and disposals" for more details.

Business segments – balance sheet

As of 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	39 691	32 958	7 024	3 244	101		83 018
Equity securities	1 518	641	204	110	2 426		4 899
Other investments	19 345	3 502	144	817	5 018	-12 595	16 231
Short-term investments	9 216	4 275	1 865	535	191		16 082
Investments for unit-linked and with-profit business		463					463
Cash and cash equivalents	2 941	1 625	558	294	52		5 470
Deferred acquisition costs	2 576	4 900	413	285	56		8 230
Acquired present value of future profits		510		418			928
Reinsurance recoverable	2 030	2 042	6 733	258		-5 171	5 892
Other reinsurance assets	13 003	7 883	2 491	4 469	9	-1 195	26 660
Goodwill	1 958	1 869	194				4 021
Other	8 769	7 705	2 366	1 193	4 580	-13 885	10 728
Total assets	101 047	68 373	21 992	11 623	12 433	-32 846	182 622
Liabilities							
Unpaid claims and claim adjustment expenses	55 267	14 863	13 560	2 727	9	-5 168	81 258
Liabilities for life and health policy benefits		20 207	746	1 495	9	-1	22 456
Policyholder account balances		1 303		3 889			5 192
Other reinsurance liabilities	14 570	1 399	4 137	887	74	-1 515	19 552
Short-term debt	435	1 500		66	60	-1 908	153
Long-term debt	4 771	12 304	498		2 400	-8 389	11 584
Other	16 834	9 416	909	808	3 067	-15 865	15 169
Total liabilities	91 877	60 992	19 850	9 872	5 619	-32 846	155 364
Shareholders' equity							
	9 168	7 381	2 021	1 751	6 814	0	27 135
Non-controlling interests	2		121				123
Total equity	9 170	7 381	2 142	1 751	6 814	0	27 258
Total liabilities and equity	101 047	68 373	21 992	11 623	12 433	-32 846	182 622

b) Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2019 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	7 927	10 497	3 138		21 562
Net premiums written	7 329	10 452	3 101		20 882
Change in unearned premiums	-122	-1 166	-319		-1 607
Premiums earned					
Net investment income				1 419	1 419
Net realised investment gains/losses				883	883
Other revenues				18	18
Total revenues	7 207	9 286	2 782	2 320	21 595
Expenses					
Claims and claim adjustment expenses	-5 328	-7 675	-1 780		-14 783
Acquisition costs	-1 365	-2 758	-687		-4 810
Operating expenses	-610	-395	-184		-1 189
Total expenses before interest expenses	-7 303	-10 828	-2 651	0	-20 782
Income/loss before interest and income tax expense					
	-96	-1 542	131	2 320	813
Interest expenses				-352	-352
Income/loss before income tax expense	-96	-1 542	131	1 968	461
Claims ratio in %	73.9	82.6	64.0		76.7
Expense ratio in %	27.4	34.0	31.3		31.1
Combined ratio in %	101.3	116.6	95.3		107.8

Property & Casualty Reinsurance business segment – by line of business

For the year ended 31 December

2020 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	9 001	9 445	3 066		21 512
Net premiums written	8 278	9 364	2 994		20 636
Change in unearned premiums	-28	245	-21		196
Premiums earned	8 250	9 609	2 973		20 832
Net investment income				1 178	1 178
Net realised investment gains/losses				683	683
Other revenues				26	26
Total revenues	8 250	9 609	2 973	1 887	22 719
Expenses					
Claims and claim adjustment expenses	-6 785	-7 570	-2 048		-16 403
Acquisition costs	-1 640	-2 732	-732		-5 104
Operating expenses	-604	-443	-153		-1 200
Total expenses before interest expenses	-9 029	-10 745	-2 933	0	-22 707
Income/loss before interest and income tax expense	-779	-1 136	40	1 887	12
Interest expenses				-321	-321
Income/loss before income tax expense	-779	-1 136	40	1 566	-309
Claims ratio in %	82.2	78.8	68.9		78.7
Expense ratio in %	27.2	33.0	29.8		30.3
Combined ratio in %	109.4	111.8	98.7		109.0

c) Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2019 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	10 123	4 329		14 452
Net premiums written	8 522	4 212		12 734
Change in unearned premiums	126	-25		101
Premiums earned	8 648	4 187		12 835
Fee income from policyholders	169			169
Net investment income – non-participating business	912	295		1 207
Net realised investment gains/losses – non-participating business	-24		652	628
Net investment result – unit-linked and with-profit business	118			118
Other revenues	3	1		4
Total revenues	9 826	4 483	652	14 961
Expenses				
Life and health benefits	-7 316	-3 271		-10 587
Return credited to policyholders	-162			-162
Acquisition costs	-1 295	-680		-1 975
Operating expenses	-472	-274		-746
Total expenses before interest expenses	-9 245	-4 225	0	-13 470
Income before interest and income tax expense	581	258	652	1 491
Interest expenses			-445	-445
Income before income tax expense	581	258	207	1 046
Management expense ratio ¹ in %	4.8	6.1		5.2
Net operating margin ² in %	6.0	5.8		10.0

¹ Management expense ratio is calculated as "Operating expenses" divided by "Total revenues" excluding "Net realised investment gains/losses – non-participating business" and "Net investment result – unit-linked and with-profit business".

² Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2020				
USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	10 291	4 776		15 067
Net premiums written	9 156	4 501		13 657
Change in unearned premiums	36	32		68
Premiums earned	9 192	4 533		13 725
Fee income from policyholders	158			158
Net investment income – non-participating business	870	270		1 140
Net realised investment gains/losses – non-participating business	54	-12	403	445
Net investment result – unit-linked and with-profit business	-32			-32
Other revenues	3	1		4
Total revenues	10 245	4 792	403	15 440
Expenses				
Life and health benefits	-8 587	-3 617		-12 204
Return credited to policyholders	5			5
Acquisition costs	-1 309	-690		-1 999
Operating expenses	-522	-264		-786
Total expenses before interest expenses	-10 413	-4 571	0	-14 984
Income/loss before interest and income tax expense	-168	221	403	456
Interest expenses			-367	-367
Income/loss before income tax expense	-168	221	36	89
Management expense ratio ¹ in %	5.1	5.5		5.2
Net operating margin ² in %	-1.6	4.6		2.9

¹ Management expense ratio is calculated as "Operating expenses" divided by "Total revenues" excluding "Net realised investment gains/losses – non-participating business" and "Net investment result – unit-linked and with-profit business".

² Net operating margin is calculated as "Income/loss before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

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

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

USD millions	2019	2020
Americas	18 158	19 462
Europe (including Middle East and Africa)	12 017	12 889
Asia-Pacific	8 419	8 419
Total	38 594	40 770

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

USD millions	2019	2020
United States	15 804	17 130
United Kingdom	3 593	3 793
China	2 136	2 133
Australia	2 026	1 865
Japan	1 620	1 677
Canada	1 205	1 341
Germany	1 330	1 336
Netherlands	913	1 325
Switzerland	1 071	1 205
France	941	968
Ireland	709	757
Other	7 246	7 240
Total	38 594	40 770

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 years ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Premiums earned, thereof:						
Direct		14	3 837	2 211		6 062
Reinsurance	19 577	13 836	910	95		34 418
Intra-group transactions (assumed and ceded)	265	205	-265	-205		0
Premiums earned before retrocession to external parties						
	19 842	14 055	4 482	2 101		40 480
Retrocession to external parties	-567	-1 220	-316	-403		-2 506
Net premiums earned	19 275	12 835	4 166	1 698	0	37 974
Fee income from policyholders, thereof:						
Direct				360		360
Reinsurance		170		91		261
Gross fee income before retrocession to external parties						
		170		451		621
Retrocession to external parties		-1				-1
Net fee income	0	169	0	451	0	620

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Premiums earned, thereof:						
Direct			3 896	2 427	10	6 333
Reinsurance	21 152	14 794	940	67	14	36 967
Intra-group transactions (assumed and ceded)	418	343	-411	-350		0
Premiums earned before retrocession to external parties						
	21 570	15 137	4 425	2 144	24	43 300
Retrocession to external parties	-738	-1 412	-378	-451		-2 979
Net premiums earned	20 832	13 725	4 047	1 693	24	40 321
Fee income from policyholders, thereof:						
Direct				205		205
Reinsurance		159		86		245
Gross fee income before retrocession to external parties						
		159		291		450
Retrocession to external parties		-1				-1
Net fee income	0	158	0	291	0	449

Claims and claim adjustment expenses

For the year ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-12 453	-10 077	-3 836	-3 481		-29 847
Intra-group transactions (assumed and ceded)	-585	-165	585	165		0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	-13 038	-10 242	-3 251	-3 316		-29 847
	352	1 049	264	472		2 137
Net claims paid	-12 686	-9 193	-2 987	-2 844	0	-27 710
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-2 151	-1 394	-1 143	409		-4 279
Intra-group transactions (assumed and ceded)	-25	-8	25	8		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-2 176	-1 402	-1 118	417		-4 279
	79	8	205	-73		219
Net unpaid claims and claim adjustment expenses; life and health benefits	-2 097	-1 394	-913	344	0	-4 060
Claims and claim adjustment expenses; life and health benefits	-14 783	-10 587	-3 900	-2 500	0	-31 770

Acquisition costs

For the year ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-4 875	-2 148	-729	-458		-8 210
Intra-group transactions (assumed and ceded)	-28	-4	28	4		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	-4 903	-2 152	-701	-454		-8 210
	93	177	61	45		376
Net acquisition costs	-4 810	-1 975	-640	-409	0	-7 834

Claims and claim adjustment expenses

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-12 225	-11 813	-3 221	-2 791	-7	-30 057
Intra-group transactions (assumed and ceded)	-553	-222	553	222		0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	416	1 228	225	414		2 283
Net claims paid	-12 362	-10 807	-2 443	-2 155	-7	-27 774
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-4 087	-1 474	-646	428	-2	-5 781
Intra-group transactions (assumed and ceded)	278	-88	-284	94		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-232	165	-60	-85		-212
Net unpaid claims and claim adjustment expenses; life and health benefits	-4 041	-1 397	-990	437	-2	-5 993
Claims and claim adjustment expenses; life and health benefits	-16 403	-12 204	-3 433	-1 718	-9	-33 767

Acquisition costs

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-5 142	-2 243	-712	-599	-14	-8 710
Intra-group transactions (assumed and ceded)	-68	-24	66	26		0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	106	268	54	46		474
Net acquisition costs	-5 104	-1 999	-592	-527	-14	-8 236

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2019 and 2020, the Group had a reinsurance recoverable of USD 5 898 million and USD 5 892 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 33% and 30% of the Group's reinsurance recoverable as of year-end 2019 and 2020, respectively.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2019	2020
Premium receivables invoiced	3 589	3 960
Receivables invoiced from ceded re/insurance business	444	468
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	249	649
Recognised allowance	-56	-73

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 2019 and 2020 was 10% and 0%, respectively. The amount of policyholder dividend expense in 2019 and 2020 was USD 165 million and USD 42 million, respectively.

4 Premiums written

For the years ended 31 December

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Consolidation	Total
Gross premiums written, thereof:							
Direct		14	3 869	2 230			6 113
Reinsurance	21 189	13 794	1 037	95			36 115
Intra-group transactions (assumed)	373	644	68	506		-1 591	0
Gross premiums written	21 562	14 452	4 974	2 831		-1 591	42 228
Intra-group transactions (ceded)	-68	-506	-373	-644		1 591	0
Gross premiums written before retrocession to external parties	21 494	13 946	4 601	2 187			42 228
Retrocession to external parties	-612	-1 212	-348	-407			-2 579
Net premiums written	20 882	12 734	4 253	1 780	0	0	39 649

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Consolidation	Total
Gross premiums written, thereof:							
Direct			3 883	2 466	10		6 359
Reinsurance	20 871	14 732	908	67	14		36 592
Intra-group transactions (assumed)	641	335	48			-1 024	0
Gross premiums written	21 512	15 067	4 839	2 533	24	-1 024	42 951
Intra-group transactions (ceded)	-48		-589	-387		1 024	0
Gross premiums written before retrocession to external parties	21 464	15 067	4 250	2 146	24		42 951
Retrocession to external parties	-828	-1 410	-426	-460			-3 124
Net premiums written	20 636	13 657	3 824	1 686	24	0	39 827

5 Unpaid claims and claim adjustment expenses

A reconciliation of the opening and closing reserve balances for unpaid claims and claim adjustment expenses for the years ended 31 December is presented as follows:

USD millions	2019	2020
Balance as of 1 January	67 446	72 373
Balance as of 1 January classified as held for sale	0	497
Reinsurance recoverable	-3 606	-3 732
Deferred expense on retroactive reinsurance	-169	-168
Net balance as of 1 January	63 671	68 970
Incurred related to:		
Current year	29 338	34 064
Prior year	2 231	166
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	-23	-36
Total incurred	31 546	34 194
Paid related to:		
Current year	-9 702	-10 329
Prior year	-18 008	-17 445
Total paid	-27 710	-27 774
Foreign exchange	161	2 149
Effect of acquisitions, disposals, new retroactive reinsurance and other items	1 302	-108
Net balance as of period end	68 970	77 431
Reinsurance recoverable	3 732	3 636
Deferred expense on retroactive reinsurance	168	191
Reclassified to liabilities held for sale	-497	0
Balance as of period end	72 373	81 258

Prior-year development

Non-life claims development in the year ended 31 December 2020 on prior years is mainly due to reserve releases in property related to natural catastrophe events in Asia. The deterioration for casualty mostly comes from adverse claims experience for liability in North America partially offset by favourable development for accident & health and motor. Specialty was impacted by adverse claims experience in engineering and large losses for credit and surety, partly offset by positive claims experience and reduction of large losses for marine.

For life and health lines of business, development on prior years' unpaid claims is unfavourable. For health business, adverse experience in disability portfolios in Australia and the US led to unfavourable claims development. Claims development related to prior years for disability portfolios also includes an element of interest accretion for unpaid claims reported at an estimated present value. For life business, favourable development in the US, driven by positive experience, is partly offset by unfavourable development in Latin America and the UK due to adverse experience.

A summary of prior year net claims and claim adjustment expenses development by lines of business for the years ended 31 December is shown below¹:

USD millions	2019	2020
Line of business:		
Property	367	-582
Casualty	1 425	456
Specialty	105	26
Life and health	334	266
Total	2 231	166

¹ Adverse development is shown as positive numbers, and represents a charge to the income statement. Favourable development is shown as negative, and represents a credit to the income statement.

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 2020, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 428 million. During 2020, the Group incurred net losses of USD 18 million and net paid losses of USD 80 million in relation to these liabilities.

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:

2019 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Opening balance as of 1 January	2 156	4 784	488	789		8 217
Deferred	5 269	434	621	229		6 553
Effect of acquisitions/disposals and retrocessions		-256		68		-188
Amortisation	-4 809	-445	-626	-240		-6 120
Effect of foreign currency translation and other changes	-3	12		24		33
Reclassified to held for sale				-657		-657
Closing balance	2 613	4 529	483	213	-	7 838

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
Opening balance as of 1 January	2 613	4 529	483	213		7 838
Opening balance as of 1 January classified as held for sale				657		657
Deferred	5 016	619	504	211		6 350
Effect of acquisitions/disposals and retrocessions		-2		-593 ²		-595
Amortisation	-5 103	-417	-579	-166	-14	-6 279
Effect of foreign currency translation and other changes	50	171	5	-37	70	259
Closing balance	2 576	4 900	413	285	56	8 230

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:

2019 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	804	1 505	-491	1 014
Effect of acquisitions/disposals and retrocessions	-161 ¹	203 ²		203	42
Amortisation	-108	-220	46	-174	-282
Interest accrued on unamortised PVFP	32	103	-15	88	120
Effect of change in unrealised gains/losses		-13		-13	-13
Effect of foreign currency translation	10	43	-16	27	37
Reclassified to held for sale		-1 156	476	-680	-680
Closing balance	577	465	-	465	1 042

2020 USD millions	Life & Health Reinsurance	Positive PVFP	Negative PVFP	Life Capital Total	Total
	Opening balance as of 1 January	577	465		465
Opening balance as of 1 January classified as held for sale		1 156	-476	680	680
Effect of acquisitions/disposals and retrocessions ²		-914	444	-470	-470
Amortisation	-99	-328	33	-295	-394
Interest accrued on unamortised PVFP	28	73	-10	63	91
Effect of change in unrealised gains/losses		-8		-8	-8
Effect of foreign currency translation	4	-26	9	-17	-13
Closing balance	510	418	0	418	928

¹ Impact from termination of a reinsurance arrangement included.

² Please refer to Note 10 "Acquisitions and disposals".

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 16%, 15%, 14%, 13% and 12%.

7 Investments

Investment income

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

USD millions	2019 ¹	2020
Fixed income securities	2 889	2 251
Equity securities	66	92
Policy loans, mortgages and other loans	162	127
Investment real estate	226	241
Short-term investments	93	36
Other current investments	97	103
Share in earnings of equity-accounted investees	387	-51
Cash and cash equivalents	75	25
Net result from deposit-accounted contracts	149	128
Deposits with ceding companies	452	421
Gross investment income	4 596	3 373
Investment expenses	-412	-378
Interest charged for funds held	-13	-7
Net investment income – non-participating business	4 171	2 988

¹ The Group revised its allocation of net investment income. The revision has no impact on the income statement or balance sheet of the Group. Comparative information for 2019 has been adjusted accordingly.

Dividends received from investments accounted for using the equity method were USD 104 million and USD 124 million for 2019 and 2020, respectively.

Share in earnings of equity-accounted investees included impairments of the carrying amount of equity-accounted investees of USD 80 million and USD 5 million for 2019 and 2020, respectively.

Realised gains and losses

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

USD millions	2019	2020
Fixed income securities available-for-sale:		
Gross realised gains	1 590	1 676
Gross realised losses	-143	-256
Other-than-temporary impairments	-5	-29
Net realised investment gains/losses on equity securities	200	-87
Change in net unrealised investment gains/losses on equity securities	478	782
Net realised investment gains/losses on trading securities	153	86
Change in net unrealised investment gains/losses on trading securities	-26	-33
Net realised/unrealised gains/losses on other investments	-197	-41
Net realised/unrealised gains/losses on insurance-related activities	108	40
Foreign exchange gains/losses	-348	-163
Loss related to sale of ReAssure	-230	-245
Net realised investment gains/losses – non-participating business	1 580	1 730

Net realised/unrealised gains/losses on insurance-related activities included impairments of USD 5 million and nil for 2019 and 2020, respectively.

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 downside 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	2019		2020	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	58	101	29	50
Investment income – equity securities	733	76	401	27
Investment income – other	25	11	5	3
Total investment income – unit-linked and with-profit business	816	188	435	80
Realised gains/losses – fixed income securities	89	135	92	72
Realised gains/losses – equity securities	3 333	279	-2 566	-283
Realised gains/losses – other	90	9	-8	-9
Total realised gains/losses – unit-linked and with-profit business	3 512	423	-2 482	-220
Total net investment result – unit-linked and with-profit business	4 328	611	-2 047	-140

Impairment on fixed income securities related to credit losses

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

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and 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	2019	2020
Balance as of 1 January	80	61
Credit losses for which an other-than-temporary impairment was not previously recognised	5	18
Reductions for securities sold during the period	-24	-32
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	2	
Impact of increase in cash flows expected to be collected	-3	-2
Impact of foreign exchange movements	1	1
Balance as of 31 December	61	46

Financial statements

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:

2019 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	14 192	377	-31		14 538
US Agency securitised products	7 034	104	-14		7 124
States of the United States and political subdivisions of the states	1 783	168	-3		1 948
United Kingdom	7 936	1 309	-26		9 219
Germany	2 870	298	-35		3 133
France	2 095	343	-13		2 425
Canada	2 256	139	-4		2 391
Japan	2 028	98	-2		2 124
Other	10 589	583	-33		11 139
Total	50 783	3 419	-161		54 041
Corporate debt securities	37 293	3 749	-46		40 996
Mortgage- and asset-backed securities	4 397	195	-14	-2	4 576
Reclassified to assets held for sale	-17 693	-2 785	28		-20 450
Fixed income securities available-for-sale	74 780	4 578	-193	-2	79 163

2020 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	10 915	693	-18		11 590
US Agency securitised products	6 575	214	-10		6 779
States of the United States and political subdivisions of the states	1 444	248			1 692
United Kingdom	4 206	841	-5		5 042
Germany	3 038	494	-1		3 531
France	2 551	570	-1		3 120
Canada	2 179	223	-13		2 389
Japan	2 086	56	-24		2 118
Other	10 189	788	-20		10 957
Total	43 183	4 127	-92		47 218
Corporate debt securities	27 538	3 084	-35		30 587
Mortgage- and asset-backed securities	3 141	157	-22	-1	3 275
Fixed income securities available-for-sale	73 862	7 368	-149	-1	81 080

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.

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 2019 and 2020.

2019 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 357	31	97	0	2 454	31
US Agency securitised products	1 842	7	654	7	2 496	14
States of the United States and political subdivisions of the states	39	1	30	2	69	3
United Kingdom	1 297	22	83	4	1 380	26
Germany	669	34	17	1	686	35
France	340	12	16	1	356	13
Canada	863	3	62	1	925	4
Japan	443	1	2	1	445	2
Other	1 492	17	315	16	1 807	33
Total	9 342	128	1 276	33	10 618	161
Corporate debt securities	2 562	18	531	28	3 093	46
Mortgage- and asset-backed securities	730	5	404	11	1 134	16
Reclassified to assets held for sale	-1 071	-8	-301	-20	-1 372	-28
Total	11 563	143	1 910	52	13 473	195

2020 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 315	18			1 315	18
US Agency securitised products	382	10	9	0	391	10
States of the United States and political subdivisions of the states	8	0			8	0
United Kingdom	230	5			230	5
Germany	13	0	27	1	40	1
France	41	0	28	1	69	1
Canada	61	8	66	5	127	13
Japan	841	24			841	24
Other	1 539	11	108	9	1 647	20
Total	4 430	76	238	16	4 668	92
Corporate debt securities	1 072	31	147	4	1 219	35
Mortgage- and asset-backed securities	402	9	173	14	575	23
Total	5 904	116	558	34	6 462	150

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 2019 and 2020, USD 20 188 million and USD 20 219 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2019	Amortised cost or cost	2020
		Estimated fair value		Estimated fair value
Due in one year or less	7 294	7 324	8 806	8 863
Due after one year through five years	27 559	28 083	18 298	19 040
Due after five years through ten years	15 994	17 115	14 512	15 696
Due after ten years	37 865	43 144	29 942	35 035
Mortgage- and asset-backed securities with no fixed maturity	3 761	3 947	2 304	2 446
Reclassified to assets held for sale	-17 693	-20 450		
Total fixed income securities available-for-sale	74 780	79 163	73 862	81 080

Investments trading and at fair value through earnings

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

USD millions	2019	2020
Debt securities issued by governments and government agencies	2 358	1 907
Mortgage- and asset-backed securities	52	31
Fixed income securities trading – non-participating business	2 410	1 938
Equity securities at fair value through earnings – non-participating business	2 993	4 899

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:

USD millions	2019		2020	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	1 963	2 717		
Equity securities at fair value through earnings	35 528	2 078	463	
Investment real estate	512	200		
Other	692	3		
Reclassified to assets held for sale	-38 175	-4 998		
Total investments for unit-linked and with-profit business	520	0	463	0

Mortgage, policy and other loans, and investment real estate

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

USD millions	2019		2020	
	Carrying value ¹	Fair value	Carrying value	Fair value
Policy loans	50	50	43	43
Mortgage loans	2 104	2 144	1 410	1 458
Other loans	2 314	2 376	1 862	1 906
Investment real estate	2 674	4 706	2 602	5 118

¹ Policy loans, mortgages and other loans include a total of USD 1 447 million which were reclassified to assets held for sale. Investment real estate of USD 146 million was reclassified to assets held for sale.

Depreciation expense related to investment real estate was USD 61 million and USD 67 million for 2019 and 2020, respectively. Accumulated depreciation on investment real estate totalled USD 660 million and USD 779 million as of 31 December 2019 and 2020, respectively. Investment real estate held by the Group includes residential and commercial investment real estate.

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

Maturity of lessor cash flows

As of 31 December 2020, the total undiscounted cash flows to be received from operating leases of investment real estate for the next five years and thereafter were as follows:

USD millions	Operating leases
Less than one year	203
Between one year and two years	182
Between two years and three years	158
Between three years and four years	125
Between four years and five years	97
After five years	412
Total cash flows	1 177

The Group manages risk associated with the residual value of its leased properties through careful property selection as well as diversification by geographical region and property type. Lease contracts for residential real estate in Switzerland and Germany are usually open-ended. Cash flows for such contracts have been projected taking into consideration the average turnover rate in the region. Lease contracts for residential real estate in the US with a lease term of one year or less have been excluded from the projected cash flows in the table above. Rental income for those leases for the year ended 31 December 2019 and 2020 was USD 28 million and USD 27 million, respectively.

Other financial assets and liabilities by measurement category

As of 31 December 2019 and 2020, "Other invested assets" and "Accrued expenses and other liabilities" by measurement category were as follows:

2019 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope ¹	Total
Other invested assets						
Derivative financial instruments	472					472
Reverse repurchase agreements			2 089			2 089
Securities lending/borrowing	457		21			478
Equity-accounted investments	335			2 580		2 915
Other	76	913	905			1 894
Reclassified to liabilities held for sale	-60		-445			-505
Other invested assets	1 280	913	2 570	2 580	0	7 343
Accrued expenses and other liabilities						
Derivative financial instruments	692					692
Repurchase agreements			678			678
Securities lending	458		115			573
Securities sold short	1 764					1 764
Other			1 653		2 512	4 165
Reclassified to liabilities held for sale	-161		-329		-191	-681
Accrued expenses and other liabilities	2 753	0	2 117	0	2 321	7 191

2020 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope ¹	Total
Other invested assets						
Derivative financial instruments	266					266
Reverse repurchase agreements			3 002			3 002
Securities lending/borrowing	1 636		282			1 918
Equity-accounted investments	287			2 503		2 790
Other	302	1 026	1 010			2 338
Other invested assets	2 491	1 026	4 294	2 503	0	10 314
Accrued expenses and other liabilities						
Derivative financial instruments	495					495
Repurchase agreements			248			248
Securities lending	1 638		84			1 722
Securities sold short	1 353					1 353
Other			1 959		2 316	4 275
Accrued expenses and other liabilities	3 486	0	2 291	0	2 316	8 093

¹ Amounts do not relate to financial assets or liabilities.

Offsetting of derivatives, financial assets and financial liabilities

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

2019 USD millions	Gross amounts of recognised financial assets	Amounts 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	1 662	-1 184	478	-2	476
Reverse repurchase agreements	5 185	-3 096	2 089	-2 061	28
Securities borrowing	171	-150	21	-20	1
Total	7 018	-4 430	2 588	-2 083	505

2019 USD millions	Gross amounts of recognised financial liabilities	Amounts 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	-1 750	1 058	-692	75	-617
Repurchase agreements	-3 352	2 674	-678	653	-25
Securities lending	-1 145	572	-573	524	-49
Total	-6 247	4 304	-1 943	1 252	-691

2020 USD millions	Gross amounts of recognised financial assets	Amounts 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	1 609	-1 343	266	-3	263
Reverse repurchase agreements	4 945	-1 943	3 002	-3 002	0
Securities borrowing	292	-10	282	-280	2
Total	6 846	-3 296	3 550	-3 285	265

2020 USD millions	Gross amounts of recognised financial liabilities	Amounts 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	-1 775	1 280	-495	303	-192
Repurchase agreements	-1 891	1 643	-248	248	0
Securities lending	-2 032	310	-1 722	1 652	-70
Total	-5 698	3 233	-2 465	2 203	-262

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting, is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default, the non-defaulting party may set off the obligation against collateral received regardless if it has been offset on 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”, “Investments for unit-linked and with-profit business” and “Accrued expenses and other liabilities”.

Assets pledged

As of 31 December 2019 and 2020, investments with a carrying value of USD 5 239 million and USD 5 858 million, respectively, were on deposit with regulatory agencies in accordance with local requirements, of which USD 223 million and USD 249 million, respectively, were cash and cash equivalents. As of 31 December 2019 and 2020, investments with a carrying value of USD 14 659 million and USD 15 424 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries, of which USD 485 million and USD 259 million, respectively, were cash and cash equivalents. Cash and cash equivalents pledged include some instances where cash is legally restricted from usage or withdrawal.

As of 31 December 2019 and 2020, securities of USD 18 686 million and USD 13 787 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 251 million and USD 1 970 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 reuse.

As of 31 December 2019 and 2020, a real estate portfolio with a carrying value of USD 188 million and USD 200 million, respectively, served as collateral for a credit facility, allowing the Group to withdraw funds up to CHF 500 million.

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

As of 31 December 2019 and 2020, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 5 477 million and USD 4 837 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2019 and 2020 was USD 2 025 million and USD 1 341 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Recognised gross liability for the obligation to return collateral (from repurchase agreements and securities lending)

As of 31 December 2019 and 2020, 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.

2019 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	30	3 312			3 342
Corporate debt securities	3	7			10
Total repurchase agreements	33	3 319	0	0	3 352
Securities lending					
Debt securities issued by governments and government agencies	295		493	299	1 087
Corporate debt securities	58				58
Total securities lending	353	0	493	299	1 145
Gross amount of recognised liabilities for repurchase agreements and securities lending					4 497

2020 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	197	1 490	54		1 741
Corporate debt securities	2	148			150
Total repurchase agreements	199	1 638	54	0	1 891
Securities lending					
Debt securities issued by governments and government agencies	1 099		303	551	1 953
Corporate debt securities	79				79
Total securities lending	1 178	0	303	551	2 032
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 923

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

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 unadjusted, 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. The types of instruments include most US government and sovereign obligations, active listed equities, certain exchange-traded derivative instruments and most money market securities.

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); (iv) inputs derived from, or corroborated by, observable market data; and (v) quoted prices provided by third party brokers. The types of instruments that trade in markets that are not considered to be active include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, certain exchange-traded derivative instruments, catastrophe bonds, less liquid listed equities and state, municipal and provincial obligations.

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. 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 (ABS). 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. 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.

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 2020, 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 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. 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 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). These investments are included under investments measured at net asset value as a practical expedient.

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. 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.

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:

2019 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	Reclassified to assets held for sale	Total
Assets						
Fixed income securities held for proprietary investment purposes	14 057	86 270	1 696		-20 450	81 573
Debt securities issued by US government and government agencies	14 057	2 510			-121	16 446
US Agency securitised products		7 175				7 175
Debt securities issued by non-US governments and government agencies		32 654	3		-5 283	27 374
Corporate debt securities		39 303	1 693		-14 671	26 325
Mortgage- and asset-backed securities		4 628			-375	4 253
Fixed income securities backing unit-linked and with-profit business		4 680			-4 680	0
Equity securities held for proprietary investment purposes	2 992	1				2 993
Equity securities backing unit-linked and with-profit business	37 550	56			-37 086	520
Short-term investments held for proprietary investment purposes	1 098	4 812			-142	5 768
Derivative financial instruments	11	1 426	225	-1 184	-65	413
Interest rate contracts		492			-8	484
Foreign exchange contracts		381			-51	330
Equity contracts	2	530	186			718
Credit contracts		17				17
Other contracts	6	3	39			48
Contracts backing unit-linked and with-profit business	3	3			-6	0
Investment real estate			143		-143	0
Other invested assets	317	140	411			868
Funds held by ceding companies		174				174
Total assets at fair value	56 025	97 559	2 475	-1 184	-62 566	92 309
Liabilities						
Derivative financial instruments	-5	-1 280	-465	1 058	161	-531
Interest rate contracts		-415	-2		50	-367
Foreign exchange contracts		-296			1	-295
Equity contracts	-5	-506	-20			-531
Credit contracts		-63				-63
Other contracts			-443		111	-332
Contracts backing unit-linked and with-profit business					-1	-1
Liabilities for life and health policy benefits			-91			-91
Accrued expenses and other liabilities	-340	-1 882				-2 222
Total liabilities at fair value	-345	-3 162	-556	1 058	161	-2 844

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.

2020 USD millions	Quoted prices in active markets for identical assets and liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	11 264	70 571	1 183		83 018
Debt securities issued by US government and government agencies	11 264	2 194			13 458
US Agency securitised products		7 021			7 021
Debt securities issued by non-US governments and government agencies		28 646			28 646
Corporate debt securities		29 404	1 183		30 587
Mortgage- and asset-backed securities		3 306			3 306
Equity securities held for proprietary investment purposes	4 899				4 899
Equity securities backing unit-linked and with-profit business	463				463
Short-term investments held for proprietary investment purposes	6 846	9 236			16 082
Derivative financial instruments	5	1 372	232	-1 343	266
Interest rate contracts		494			494
Foreign exchange contracts		215			215
Equity contracts	4	653	201		858
Credit contracts		10			10
Other contracts	1		31		32
Other invested assets	551	1 085	588		2 224
Funds held by ceding companies		172			172
Total assets at fair value	24 028	82 436	2 003	-1 343	107 124
Liabilities					
Derivative financial instruments	-12	-1 422	-341	1 280	-495
Interest rate contracts		-444	-2		-446
Foreign exchange contracts		-410			-410
Equity contracts	-10	-331	-23		-364
Credit contracts		-237			-237
Other contracts	-2		-316		-318
Liabilities for life and health policy benefits			-98		-98
Accrued expenses and other liabilities	-891	-2 099			-2 990
Total liabilities at fair value	-903	-3 521	-439	1 280	-3 583

¹The 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.

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

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

2019 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	1 378	0	404	166	364	2 312	-517	-119	-636
Realised/unrealised gains/losses:									
Included in net income ¹	4		-151	16	20	-111	120	32	152
Included in other comprehensive income ²	73					73		-4	-4
Purchases	417		16		20	453			0
Issuances						0	-147		-147
Sales	-56		-9	-46	-2	-113	24		24
Settlements	-82		-37			-119	60		60
Transfers into level 3					2	2			0
Transfers out of level 3	-76					-76			0
Disposals									
Impact of foreign exchange movements	38		2	7	7	54	-5		-5
Closing balance as of 31 December	1 696	0	225	143	411	2 475	-465	-91	-556

¹ Fair value changes are reported in "Net realised investment gains/losses – non-participating business".

² Fair value changes from fixed income securities are reported in "Net unrealised investment gains/losses". Fair value changes from liabilities for life and health policy benefits are reported in "Credit risk of financial liabilities at fair value option".

2020 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	1 696	0	225	143	411	2 475	-465	-91	-556
Realised/unrealised gains/losses:									
Included in net income ¹	79		14	1	-9	85	-8	-8	-16
Included in other comprehensive income ²	-2					-2		1	1
Purchases	367				19	386			0
Issuances						0	-102		-102
Sales	-7			-14	-47	-68	6		6
Settlements	-48		-11			-59	127		127
Transfers into level 3		204	3		211	418			0
Transfers out of level 3						0			0
Disposals	-945	-204		-134		-1 283	104		104
Impact of foreign exchange movements	43		1	4	3	51	-3		-3
Closing balance as of 31 December	1 183	0	232	0	588	2 003	-341	-98	-439

¹ Fair value changes are reported in "Net realised investment gains/losses – non-participating business".

² Fair value changes from fixed income securities are reported in "Net unrealised investment gains/losses". Fair value changes from liabilities for life and health policy benefits are reported in "Credit risk of financial liabilities at fair value option".

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	2019	2020
Gains/losses included in net income for the period	41	69
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	-45	-16

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	2019 Fair value	2020 Fair value	Valuation technique	Unobservable input	Range (weighted average ¹)
Assets					
Corporate debt securities	1 693	1 183			
Infrastructure loans	1 147	701	Discounted cash flow model	Valuation spread	84–526 bps (199 bps)
Private placement corporate debt	504	440	Corporate spread matrix	Credit spread	214–236 bps (112 bps)
Private placement credit tenant leases	42	42	Discounted cash flow model	Illiquidity premium	125–150 bps (146 bps)
Derivative equity contracts	186	201			
OTC equity option referencing correlated equity indices	186	201	Proprietary option model	Correlation	-30–55% (30%)
Investment real estate	143				
Liabilities					
Derivative equity contracts	-20	-23			
OTC equity option referencing correlated equity indices	-20	-23	Proprietary option model	Correlation	-30–95% (42%)
Other derivative contracts and liabilities for life and health policy benefits	-534	-414			
Variable annuity and fair valued GMD contracts	-311	-355	Discounted cash flow model	Risk margin	4% (n/a)
				Volatility	12.8–63.8%
				Lapse	1.5–15%
				Mortality improvement	0–1.5%
				Withdrawal rate	0–90%
Swap liability referencing real estate investments	-110				
Weather contracts	-76	-30	Proprietary option model	Risk margin	6–11% (7.9%)
				Correlation	-49–45% (12.1%)
				Volatility (power/gas)	27–65% (56.4%)
				Volatility (temperature)	34–385 (164) HDD/CAT ²
				Index value (temperature)	441–7586 (2315) HDD/CAT ²

¹ Unobservable inputs were weighted by the relative fair value of the instruments. For Derivative equity contracts, the weighted average correlation is derived by computing an absolute piecewise correlation impact and is not weighted by the relative fair value.

² Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Uncertainty of recurring level 3 measurements from the use of significant unobservable inputs

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

The significant unobservable input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future cash flows from property sales. A significant increase (decrease) in this input in isolation would have resulted 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 improvement rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would have resulted in a significantly lower (higher) fair value of the Group's obligation. A significant increase (decrease) in isolation in lapse rate would, in general, have resulted in a significantly higher (lower) fair value of the Group's obligation due to the maturity of the contracts. Changes in the mortality improvement rate impact the 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 improvement rate (ie decrease (increase) in mortality) in isolation would have resulted in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality improvement rate in isolation would have resulted 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 have resulted in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would have resulted 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 have resulted 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 have resulted 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 have resulted 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 have resulted 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 were as follows:

USD millions	2019 Fair value	2020 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	565	763	589	non-redeemable	n/a
Hedge funds	208	2		redeemable ¹	45–95 days ²
Private equity direct	128	259	72	non-redeemable	n/a
Real estate funds	12	2	15	non-redeemable	n/a
Total	913	1 026	676		

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 relative value and event-driven 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. The period of time over which the underlying assets are expected to be liquidated is indeterminate as investees provide liquidation notices.

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:

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. The liability is carried at fair value and changes in fair value attributable to instrument-specific credit risk are reported on other comprehensive income and all other changes in fair value are reported as a component of earnings.

Other derivative liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability was carried at fair value and changes in fair value were reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item was included under "Liabilities held for sale" for the year ended 31 December 2019.

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	2019	2020
Assets		
Other invested assets	7 343	10 314
of which at fair value pursuant to the fair value option	335	287
Funds held by ceding companies	9 472	10 726
of which at fair value pursuant to the fair value option	174	172
Liabilities		
Liabilities for life and health policy benefits	-19 836	-22 456
of which at fair value pursuant to the fair value option	-91	-98
Liabilities held for sale	-68 586	
of which at fair value pursuant to the fair value option	-110	

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	2019	2020
Other invested assets	16	-24
Funds held by ceding companies	11	6
Liabilities for life and health policy benefits	32	-8
Liabilities held for sale	-10	
Total	49	-26

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". Fair value changes from accrued expenses and other liabilities are reported in "Net realised investment gains/losses – non-participating business".

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:

2019 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets			
Policy loans		50	50
Mortgage loans		2 144	2 144
Other loans		2 376	2 376
Investment real estate		4 563	4 563
Total assets	0	9 133	9 133
Liabilities			
Debt	-10 639	-3 565	-14 204
Total liabilities	-10 639	-3 565	-14 204

2020 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets			
Policy loans		43	43
Mortgage loans		1 458	1 458
Other loans		1 906	1 906
Investment real estate		5 118	5 118
Total assets	0	8 525	8 525
Liabilities			
Debt	-10 735	-4 014	-14 749
Total liabilities	-10 735	-4 014	-14 749

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, whilst the fair value of some other positions does not differ materially from the carrying amount. Considering these circumstances for these positions, the Group presents the carrying amount as an approximation for the fair value. For certain commercial mortgage loans and infrastructure loans, which are included in mortgage loans and other loans respectively, the fair value can be estimated using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement.

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 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:

2019 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	27 544	494	-395	99
Foreign exchange contracts	26 256	291	-108	183
Equity contracts	16 089	721	-531	190
Credit contracts	3 283	17	-63	-46
Other contracts	10 290	48	-443	-395
Total	83 462	1 571	-1 540	31
Derivatives designated as hedging instruments				
Interest rate contracts	1 403	1	-22	-21
Foreign exchange contracts	15 038	90	-188	-98
Total	16 441	91	-210	-119
Total derivative financial instruments	99 903	1 662	-1 750	-88
Amount offset				
Where a right of set-off exists		-675	675	
Due to cash collateral		-509	383	
Total net amount of derivative financial instruments		478	-692	-214

2020 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	21 315	485	-436	49
Foreign exchange contracts	27 311	195	-186	9
Equity contracts	21 583	858	-364	494
Credit contracts	9 755	10	-237	-227
Other contracts	10 128	32	-318	-286
Total	90 092	1 580	-1 541	39
Derivatives designated as hedging instruments				
Interest rate contracts	3 990	9	-10	-1
Foreign exchange contracts	18 258	20	-224	-204
Total	22 248	29	-234	-205
Total derivative financial instruments	112 340	1 609	-1 775	-166
Amount offset				
Where a right of set-off exists		-653	653	
Due to cash collateral		-690	627	
Total net amount of derivative financial instruments		266	-495	-229

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 "Investments for unit-linked and with-profit business". 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 2019 and 2020.

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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” and “Net investment result – unit-linked and with-profit 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	2019 ¹	2020
Derivatives not designated as hedging instruments		
Interest rate contracts	-116	145
Foreign exchange contracts	-123	970
Equity contracts	-183	-114
Credit contracts	-51	-93
Other contracts	112	
Total gains/losses recognised in income	-361	908

¹ The Group has revised the scope of its non-hedging derivative activities. The revision had no impact on net income or shareholders' equity. Comparative information for 2019 has been adjusted accordingly.

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 2019 and 2020, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange and interest rate swaps to reduce the exposure to foreign exchange and interest rate volatility for certain fixed income securities and its issued long-term debt positions. These derivative instruments are designated as hedging instruments in qualifying fair value hedges.

For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

USD millions	2019		2020			
	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses ¹	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses ¹
Total amounts of income and expense line items	1 580	-589	3 375	1 730	-588	2 741
Foreign exchange contracts						
Gains/losses on derivatives	40			-852		
Gains/losses on hedged items	-40			852		
Amounts excluded from the effectiveness assessment			-2			
Interest rate contracts						
Gains/losses on derivatives		-18			30	
Gains/losses on hedged items		20			-30	

¹ Represents the net change in accumulated other comprehensive income, reflecting the revised presentation of gains/losses recorded in AOCI. Comparative information for 2019 has been adjusted accordingly.

As of 31 December, the carrying values of the hedged assets and liabilities, and the cumulative amounts of fair value hedging adjustments included therein, recognised in the balance sheet, were as follows:

USD millions	2019		2020	
	Carrying value	Cumulative basis adjustment	Carrying value	Cumulative basis adjustment
Assets				
Fixed income securities available-for-sale	9 555		13 083	
Liabilities				
Long-term debt	-1 355	20	-3 968	-10

Cash flow hedges

The Group entered into cross-currency swaps to reduce the exposure to foreign exchange volatility for a long-term debt instrument issued in the second quarter of 2016. These derivative instruments were designated as cash flow hedging instruments, until the hedge was discontinued in the second quarter of 2020.

For the years ended 31 December, the gains and losses recorded in accumulated other comprehensive income, and reclassified into income were as follows:

USD millions	2019		2020	
	Net realised investment gains/losses – non-participating business	Other comprehensive income - Cash flow hedges ¹	Net realised investment gains/losses – non-participating business	Other comprehensive income - Cash flow hedges ¹
Total amounts of income and expense line items	1 580	–9	1 730	2
Foreign exchange contracts				
Gains/losses on derivatives	–48	–9	15 ²	2

¹ Represents the net change in accumulated other comprehensive income, reflecting the revised presentation of gains/losses recorded in AOCI. Comparative information for 2019 has been adjusted accordingly.

² Includes a loss of USD 11 million that was reclassified into earnings, as a result of cash flow hedge discontinuance.

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.

As of 31 December 2019 and 2020, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 895 million and USD 248 million, respectively, in “Other comprehensive income - Foreign currency translation”. 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 2019 and 2020 was approximately USD 987 million and USD 956 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 75 million and USD 71 million as of 31 December 2019 and 2020, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil and USD 48 million as of 31 December 2019 and 2020, respectively. In the event of a reduction of the Group’s credit rating to below investment grade, a fair value of USD 25 million additional collateral would have had to be posted as of 31 December 2020. The total equals the amount needed to settle the instruments immediately as of 31 December 2020.

10 Acquisitions and disposals

Disposal of ReAssure Group plc

On the 22 July 2020, the Group completed the sale of ReAssure Group Plc. (ReAssure) to Phoenix Group Holdings Plc. (Phoenix), following the receipt of all required regulatory and anti-trust approvals. The agreement to sell the subsidiary was entered into in the fourth quarter of 2019.

The principal products administered by ReAssure, formerly part of the Life Capital business segment, are long-term life and pension products, permanent health insurance, critical illness products and retirement annuities.

Swiss Re received a cash payment of USD 1.6 billion, shares in Phoenix representing a 13.3% stake and is entitled to a seat on the Board of Directors of Phoenix. ReAssure's minority shareholder, MS&AD Insurance Group Holdings Inc, received shares in Phoenix representing a 14.5% stake. Phoenix is not considered a related party of Swiss Re preceding or following the transaction.

The transaction resulted in a net loss of USD 245 million in the Life Capital business segment for the year 2020, which has been reflected in the "Net realised investment gains/losses" line in the income statement. In 2019, USD 139 million of the estimated loss was allocated against the goodwill held by ReAssure in 2019, reducing its carrying amount to zero, and for the remainder of USD 91 million an additional liability was established within "Liabilities held for sale". The Group reassessed goodwill based on the agreement to sell ReAssure to Phoenix.

For the year ended 31 December 2019 and for the period ended 22 July 2020, ReAssure reported a pre-tax income, including the loss on sale, of USD 120 million and a pre-tax loss of USD 69 million, of which a net income of USD 32 million and a net loss of USD 113 million were attributable to the Swiss Re Group, respectively.

The major classes of assets and liabilities held for sale as of 31 December 2019 and disposed on 22 July 2020 are listed below.

USD millions	2019	2020
Assets		
Fixed income securities	20 450	19 797
Short-term and other investments	2 240	2 287
Investments for unit-linked and with-profit business	43 173	37 885
Cash and cash equivalents	2 729	4 171
Reinsurance recoverable	3 134	2 031
Deferred acquisition costs	657	595
Acquired present value of future profits	680	468
Other assets	1 376	1 752
Total Assets disposed	74 439	68 986
Liabilities		
Unpaid claims and claim adjustment expenses	497	512
Liabilities for life and health policy benefits	22 624	21 300
Policyholder account balances	41 459	36 177
Accrued expenses and other liabilities	4 006	4 430
Total Liabilities disposed	68 586	62 419

Acquisition of Old Mutual Wealth Life Assurance Limited

On 31 December 2019, the Group through its ReAssure subsidiary acquired 100% of the UK closed book business of Quilter plc, consisting of Old Mutual Wealth Life Assurance Limited and its subsidiary Old Mutual Wealth Pensions Trustees Limited, including around 300 employees. The business acquired provides pension schemes, protection products, investment solutions and savings offerings, predominantly to the UK retail market.

The transaction was consistent with ReAssure's strategy to grow its closed-book business and added approximately 0.2 million customer policies, increasing ReAssure's total policy count to 3.2 million. The acquisition was funded from ReAssure's internal resources. The total consideration paid was USD 591 million in cash. As the business was acquired by ReAssure, it was recognised as held for sale upon acquisition and deconsolidated as part of the ReAssure assets and liabilities set out above on disposal.

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	2019	2020
Senior operational debt		153
Contingent capital instruments classified as financial debt	185	
Short-term debt	185	153
Senior financial debt	2 809	2 919
Senior operational debt	244	95
Subordinated financial debt	5 993	6 147
Subordinated operational debt	1 918	1 927
Contingent capital instruments classified as financial debt	494	496
Reclassified to liabilities held for sale	-1 320	
Long-term debt	10 138	11 584
Total carrying value	10 323	11 737
Total fair value	14 204	14 749

As of 31 December 2019 and 2020, operational debt, ie debt related to operational leverage, amounted to USD 2.2 billion (thereof USD 1.9 billion limited- or non-recourse) and USD 2.2 billion (thereof USD 1.9 billion limited- or non-recourse), respectively. Operational leverage is subject to asset/liability matching and is excluded from rating agency financial leverage calculations.

Maturity of long-term debt

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

USD millions	2019	2020
Due in 2021	152	
Due in 2022	804	856
Due in 2023	840	916
Due in 2024	2 573	2 271
Due in 2025	802	1 157
Due after 2025	6 287	6 384
Reclassified to liabilities held for sale	-1 320	
Total carrying value	10 138	11 584

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2022	Senior notes	2012	USD	250	2.88%	250
2023	Senior notes	2016	EUR	750	1.38%	913
2024	EMTN	2014	CHF	250	1.00%	282
2026	Senior notes ¹	1996	USD	397	7.00%	453
2027	EMTN	2015	CHF	250	0.75%	284
2030	Senior notes ¹	2000	USD	193	7.75%	246
2042	Senior notes	2012	USD	500	4.25%	491
Various	Payment undertaking agreements	various	USD	85	various	95
Total senior long-term debt as of 31 December 2020						3 014
Total senior long-term debt as of 31 December 2019						3 053

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
2035	Subordinated fixed rate resettable callable loan note	2020	SGD	350	3.13%	2025	263
2042	Subordinated fixed-to-floating rate callable loan note	2012	EUR	500	6.63%	2022	606
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	498
2049	Subordinated fixed rate reset step-up callable loan note	2019	USD	1 000	5.00%	2029	992
2050	Subordinated fixed rate reset step-up callable loan note	2019	EUR	750	2.53%	2030	913
2052	Subordinated fixed rate reset step-up callable loan note	2020	EUR	800	2.71%	2032	990
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 409	6.16%		1 927
Perpetual	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	892
Perpetual	Perpetual subordinated fixed spread callable note	2019	USD	1 000	4.25%	2024	993
Total subordinated long-term debt as of 31 December 2020						8 074	
Total subordinated long-term debt as of 31 December 2019						7 911	

Contingent capital instruments classified as long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2024	Senior unsecured exchangeable instrument with issuer stock settlement	2018	USD	500	3.25%	496
Total contingent capital instruments classified as long-term debt as of 31 December 2020						496
Total contingent capital instruments classified as long-term debt as of 31 December 2019						494

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	2019	2020
Senior financial debt	87	88
Senior operational debt	10	7
Subordinated financial debt ¹	194	263
Subordinated operational debt	111	112
Contingent capital instruments classified as financial debt	22	17
Total	424	487

¹ The Group has revised the presentation of interest expense on subordinated financial debt to exclude the change in fair value of the hedged long-term debt positions in addition to the change in fair value of the swap. The change has no impact on total interest expenses as shown in the income statement. Comparative information for 2019 has been amended accordingly.

The Group hedges the interest rate risk on some of its long-term debt positions. The net impact of the change in the fair value of the debt and interest rate swap is reflected in the interest expense line in the income statement but not in the table above. For more details on the hedging, please refer to Note 9 "Derivative financial instruments".

Long-term debt issued in 2020

In June 2020, Swiss Re Finance (UK) Plc., a subsidiary of Swiss Re Ltd, issued 32-year guaranteed subordinated fixed rate reset step-up callable notes, which are callable after 12 years. The notes have an aggregate face value of EUR 800 million, with a fixed coupon of 2.714% until the first optional redemption date (4 June 2032). The notes are guaranteed on a subordinated basis by Swiss Re Ltd.

In July 2020, Swiss Re Finance (UK) Plc., a subsidiary of Swiss Re Ltd, issued 15-year guaranteed subordinated fixed rate reset callable notes, which are callable after 5 years. The notes have an aggregate face value of SGD 350 million, with a fixed coupon of 3.125% until the first optional redemption date (3 July 2025). The notes are guaranteed on a subordinated basis by Swiss Re Ltd.

12 Leases

As part of its normal business operations, the Group as a lessee enters into a number of lease agreements mainly for office space. Certain lease agreements include rental payments adjusted periodically for inflation. Renewal or termination options that are reasonably certain of exercise by the lessee are included in the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease liabilities and right-of-use assets

Lease liabilities and right-of-use assets for operating leases as of 31 December were as follows:

USD millions	2019	2020
Operating lease right-of-use assets	485	471
Operating lease liabilities	531	524

Operating lease right-of-use assets are included in "Other assets" and operating lease liabilities are included in "Accrued expenses and other liabilities" on the balance sheet.

Maturity of lease liabilities

As of 31 December, the total undiscounted cash flows due to operating leases for the next five years and thereafter were as follows:

USD millions	2019	2020
Less than one year	89	90
Between one year and two years	77	80
Between two years and three years	69	73
Between three years and four years	61	63
Between four years and five years	55	51
After five years	239	232
Total undiscounted cash flows	590	589
Less imputed interest	-59	-65
Total lease liability	531	524

As of 31 December 2020, undiscounted sublease cash flows over the next eleven years were USD 39 million.

The discount rates used to determine the lease liability reflect the collateralised borrowing rates for the Group, where the underlying collateral is assumed to be real estate.

The weighted average discount rate for operating leases as of 31 December 2019 and 2020 was 2.5% and 2.4%, respectively. The weighted average remaining lease term for operating leases as of 31 December 2019 and 2020 was 8.9 years and 9.3 years, respectively.

Lease cost

The composition of total lease cost for all operating leases for the year ended 31 December was as follows:

USD millions	2019	2020
Fixed operating lease cost	87	89
Other lease cost ¹	3	5
Total operating lease cost	90	94
Less sublease income from operating leases	-9	-10
Total lease cost	81	84

¹ "Other lease cost" includes variable lease cost.

Other information

For the year ended 31 December 2019 and 2020, cash paid for amounts included in the measurement of operating lease liabilities was USD 91 million and USD 93 million, respectively. Right-of-use assets obtained in exchange for new operating lease liabilities in 2019 and 2020 were USD 68 million and USD 51 million, respectively.

13 Earnings per share

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

USD millions (except share data)	2019	2020
Basic earnings per share		
Net income/loss	769	-824
Non-controlling interests	-42	-54
Net income/loss attributable to common shareholders	727	-878
Weighted average common shares outstanding	295 660 059	289 126 570
Net income/loss per share in USD	2.46	-3.04
Net income/loss per share in CHF¹	2.46	-2.97
Effect of dilutive securities		
Change in income available to common shares due to convertible debt	14	
Change in average number of shares due to convertible debt	13 143 130	
Change in average number of shares due to employee options	704 411	
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	741	
Weighted average common shares outstanding	309 507 600	
Net income/loss per share in USD	2.39	-3.04
Net income/loss per share in CHF¹	2.40	-2.97

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

Dividends are declared in Swiss francs. During the years ended 31 December 2019 and 2020, the parent company of the Group (Swiss Re Ltd) paid dividends per share of CHF 5.60 and CHF 5.90, respectively.

At the 2019 Annual General Meeting held on 17 April 2019, Swiss Re Ltd's shareholders authorised a public share buyback programme consisting of two tranches of each up to CHF 1 billion purchase value of Swiss Re Ltd's own shares for cancellation purposes prior to the 2020 Annual General Meeting, the first tranche being conditional on obtaining all necessary legal and regulatory approvals and Board of Directors approval and the second tranche being conditional on (in addition to obtaining all necessary legal and regulatory approvals and Board of Directors approval) the 2019 development of the Group's excess capital position and subject to the Group's capital management priorities.

The first tranche of the public share buyback programme approved by the 2019 Annual General Meeting was completed on 18 February 2020. The total number of shares repurchased amounted to 9.9 million, of which 8.2 million and 1.7 million shares were repurchased as of 31 December 2019 and between 1 January and 18 February 2020, respectively. As announced on 31 October 2019, the Board of Directors of Swiss Re Ltd decided not to launch the second tranche of the public share buyback programme approved by the 2019 Annual General Meeting.

On 17 April 2020, the 2020 Annual General Meeting resolved the cancellation of the 9.9 million repurchased shares by way of share capital reduction. The share capital reduction was registered in the Commercial Register of the Canton of Zurich on 23 July 2020 and publication in the Swiss Commercial Gazette occurred on 28 July 2020. Swiss Re Ltd's shareholders authorised the SRL Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of Swiss Re Ltd's own shares by way of a public share buyback programme for cancellation purposes prior to the 2021 Annual General Meeting. At the post-AGM meeting, the Board of Directors decided that the share buyback programme would not be launched.

Net of tax expense effects of debt conversion, totalling USD 14 million in 2020, and the potential impact of this debt conversion as well as the issuance of employee options on the weighted average number of shares, of 14 303 549 shares, have not been included in the diluted earnings per share calculation because the impact of such an inclusion was antidilutive.

14 Commitments and contingent liabilities

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 2020 were USD 1 781 million.

The Group has entered into various real estate construction contracts. The commitments under the contracts amount to USD 127 million over the next six years.

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 resolution of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position, results of operations or cash flows.

15 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 primarily as a result of the Group's involvement in certain insurance-linked securitisations, life and health funding transactions, swaps in trusts, debt financing, investment, senior commercial mortgage and infrastructure loans as well as other entities, which meet the definition of a VIE.

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

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

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

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

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

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

Insurance-linked securitisations

The insurance-linked securitisations transfer pre-existing insurance risk to investors through the issuance of insurance-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. The securitisation vehicle generally retains the issuance proceeds as collateral, which consists of investment-grade securities. The Group does not have potentially significant variable interest in these vehicles and therefore is not a primary beneficiary.

Typically, the variable interests held by the Group arise through ownership of insurance-linked securities, in which case the Group's maximum loss equals the principal amount of the securities held by the Group.

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 the creation of funding notes by a separate 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 with a funding vehicle, which represents a potentially significant variable interest in the funding vehicle. 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 outstanding balance of the funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides interest rate and foreign exchange risk hedges to certain asset securitisation trusts which qualify as VIEs. As the Group's involvement is limited to interest rate and foreign exchange derivatives, it does not have the 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

The Group consolidates a debt-financing vehicle created to collateralise reinsurance coverage provided by the Group. The Group manages the asset portfolio in the vehicle and absorbs the variability of the investment return of the vehicle's portfolio, thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and significant economic interest.

Investment vehicles

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

The Group is a passive investor in structured securitisation vehicles issuing residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) and other asset-backed securities (ABS). The Group's investments in RMBS, CMBS and other ABS are passive in nature and do not obligate the Group to provide any financial or other support to the issuer entities. By design, RMBS, CMBS and ABS securitisation entities are not adequately capitalised and therefore considered VIEs. The Group is not the primary beneficiary, because it does not have power to direct most significant activities. These investments are accounted for as available-for-sale as described in the investment note and not included in the tables on the following pages.

The Group consolidates an investment vehicle, because the Group holds the entire interest in the entity and makes investment decisions related to the entity. The investment vehicle is a VIE because it is structured as an umbrella company comprised of multiple sub-funds. The majority of the investments held in this vehicle are accounted for as available-for-sale and are disclosed in the investment note and not included in the tables on the following pages.

Investment vehicles for unit-linked business

Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, in most cases it does not have power over the fund's investment decisions or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is borne by the policyholder.

Senior commercial mortgage and infrastructure loans

The Group also invests in structured commercial mortgage and infrastructure loans, which are held for investment.

The commercial mortgage loans are made to non-recourse special purpose entities collateralised with commercial real estate. The entities are adequately capitalised and generally structured as voting interest entities. Occasionally, the borrower entities can be structured as limited partnerships where the limited partners do not have kick-out or participating rights, which results in the VIE designation.

The infrastructure loans are made to non-recourse special purpose entities collateralised with infrastructure project assets. Some borrower entities may have insufficient equity investment at risk, which results in the VIE designation.

The Group does not have power over the activities most significant to the aforementioned borrower entities designated as VIEs and therefore does not consolidate them.

The Group's maximum exposure to loss from its investments equals the loan outstanding amount.

Other

The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2020 that it was not previously contractually required to provide.

Consolidated VIEs

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

USD millions	2019	2020
Fixed income securities available-for-sale	3 423	3 807
Investment real estate	143	
Short-term investments	260	59
Investments for unit-linked and with-profit business	654	
Cash and cash equivalents	49	20
Accrued investment income	27	30
Premiums and other receivables	31	35
Funds held by ceding companies	1	1
Deferred acquisition costs	3	5
Deferred tax assets	182	191
Other assets	15	14
Reclassified to assets held for sale	-812	
Total assets	3 976	4 162
Unpaid claims and claim adjustment expenses	55	59
Unearned premiums	12	16
Funds held under reinsurance treaties	4	4
Reinsurance balances payable	21	22
Deferred and other non-current tax liabilities	152	166
Accrued expenses and other liabilities	129	18
Long-term debt	1 918	1 926
Reclassified to liabilities held for sale	-114	
Total liabilities	2 177	2 211

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors' ownership liquidation requests. There is no recourse to the Group for the consolidated VIEs' liabilities. The assets of the consolidated VIEs are not available to the Group's creditors.

Non-consolidated VIEs

The following table shows the total assets and liabilities on 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	2019	2020
Fixed income securities available-for-sale	1 187	1 084
Equity securities at fair value through earnings	113	100
Policy loans, mortgages and other loans	1 735	1 518
Other invested assets	2 160	2 359
Investments for unit-linked and with-profit business	17 131	145
Funds held by ceding companies		25
Reclassified to assets held for sale	-17 590	
Total assets	4 736	5 231
Unpaid claims and claim adjustment expenses		19
Accrued expenses and other liabilities	43	52
Total liabilities	43	71

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	2019 Maximum exposure to loss ¹	Total assets	Total liabilities	2020 Maximum exposure to loss ¹
Insurance-linked securitisations	598		627	545		381
Life and health funding vehicles	22		2 300	20		2 377
Swaps in trusts	83	43	- ²	14	52	- ²
Investment vehicles	2 174		2 174	2 435		2 435
Investment vehicles for unit-linked business	17 131			145		
Senior commercial mortgage and infrastructure loans	2 318		2 318	2 047		2 047
Other				25	19	
Reclassified to held for sale	-17 590		-607			
Total	4 736	43	-²	5 231	71	-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.

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Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group’s actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the cyclical nature of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- the Group’s inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- the Group’s inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;

- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities;
- changes in accounting standards, practices or policies;
- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

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

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

Note on risk factors

The operations, investments and other activities of Swiss Re Ltd (“Swiss Re”) and its subsidiaries (collectively, the “Group”) are subject to a range of risks that could adversely impact the Group’s business, financial condition, results of operations, liquidity and cash flows.

Coronavirus

The global spread of the novel coronavirus and the disease it causes (“COVID-19”), and the actions taken to slow the spread of the pandemic, have had an adverse impact on communities, social and business interactions, economic activity and economies across the globe. After significant contractions in 2020, the global economy is expected to experience a protracted and uneven recovery in 2021. The impact of the pandemic on recovery of individual economies will be affected by their respective capacities to absorb shocks and the fiscal responses of their governments, and more broadly by continuing uncertainties over the impact of new strains of the virus and the effectiveness of vaccines against new strains, the timeline for the rollout of vaccination programs, the duration of immunity and resulting restrictions on mobility. Despite the impact of the pandemic on the global economy, the global insurance markets (as measured by premium growth) were less severely impacted in 2020 than expected (although the life market was more adversely affected than the non-life market) and premium growth is expected to recover, alongside recovery of the global economy, in 2021 and 2022, supported by rate hardening. Growth is expected to be led by China and, to a lesser extent, by other markets in Asia, aided in the case of life business by greater awareness of the importance post-pandemic of mortality and health coverage, as well as digital insurance penetration.

For the Group, in Property & Casualty Reinsurance, the COVID-19 crisis (in particular the impact on businesses and business activity) had the greatest impact on event cancellation, non-damage business interruption covers, and credit and surety. In Life & Health Reinsurance, the COVID-19 crisis had the greatest impact on mortality exposures. The majority of losses were incurred in the second and fourth quarters, largely driven by business closings and excess mortality, and reported 2020 losses continue to reflect high levels of incurred but not reported (IBNR) reserves.

The COVID-19 crisis prompted regulatory actions, including regulatory guidance in a number of US states in respect of temporary policyholder leniency, and legislative proposals in respect of policy exclusions and retroactive business interruption coverage. Legal challenges have been brought in a variety of jurisdictions, including, most notably, test cases brought in the United Kingdom by the Financial Conduct Authority, in respect of which the UK Supreme Court largely found on appeal, by the insurance company parties, in favour of holders of business interruption insurance policies, and in Australia, where a Court of Appeal also found in favour of policyholders. Legal actions on a range of pandemic-related claims are likely to continue in a number of jurisdictions.

The COVID-19 crisis continues, and the ultimate toll of the pandemic in terms of lives lost, societal dislocations, business activity, economic growth, broader costs to society and industry losses remains highly uncertain. Many pandemic-related developments interact with long-term trends and outlooks, including the impact of persistent low yields on the insurance industry. It also remains to be seen how public-private partnership initiatives may evolve to address future pandemics.

General impact of adverse market conditions

Swiss Re's operations as well as its investment returns are subject to conditions in the financial markets and macroeconomic factors, which are outside of its control. Financial, credit and foreign exchange markets are experiencing continued periods of volatility reflecting a range of political, geopolitical, economic and other uncertainties, some of the more significant of which are inter-related. Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions, could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance. Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current extremely low interest rate environment could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment, which continues to change over time. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The Group and its Swiss regulated entities and branches are subject to the Swiss Solvency Test and, through its legal entities and branches organised in the European Economic Area ("EEA") and the United Kingdom, Solvency II (which going forward as between the EEA and the UK could diverge).

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs.

On the international level, certain large insurance companies were designated as global systemically important insurers (“G-SIIs”) and reinsurance companies faced potential designation as G-SIIs. While further designations have been suspended until 2022, the determination to discontinue G-SII designations altogether will only be made in 2022, based on an assessment of progress made by the International Association of Insurance Supervisors (“IAIS”), in establishing a new holistic framework for systemic risk that was adopted in November 2019 and implemented as of the beginning of 2020. The new framework embraces an enhanced set of policy measures targeted at the exposures and activities that can lead to systemic risks from the insurance sector as a whole. The Group cannot predict what additional regulatory changes will be implemented as the IAIS systemic risk process evolves and what any such changes may mean for how the Group is structured in any particular jurisdiction and how aspects of its business may be affected. Moreover, the Group cannot predict whether the Financial Stability Board will endorse the new IAIS holistic framework or retain the existing G-SII approach, or what regulatory changes may apply in the future to ceding companies in the context of broader designations of reinsurers as systemically important.

In addition, large internationally active insurance groups (“IAIGs”), which is a designation compiled by the IAIS as identified by group-wide supervisors, may become subject to a risk-based group-wide global insurance capital standard (“ICS”). ICS Version 2.0 was adopted in November 2019, and is expected to take effect in 2025, following a five-year confidential reporting period during which no supervisory action will be taken on the basis of the monitoring. In November 2019, the IAIS also adopted the Common Framework for the Supervision of Internationally Active Insurance Groups (“ComFrame”), as well as some changes to a number of Insurance Core Principles (“ICPs”) – guidance and standards on supervision of insurers and which apply to insurance companies regardless of size and international exposures. ComFrame strengthens ICP requirements for IAIGs and proposes that the group-wide supervisor, in consultation with the host supervisors, should exercise discretion in requiring IAIGs to submit resolution plans. Swiss Re expects that it will be classified as an IAIG.

The Group cannot predict which legislative and/or regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group’s business. Notwithstanding the departure of the United Kingdom from the EU single market and customs union, continued uncertainty regarding the ways in which the future relationship between the United Kingdom and the European Union will evolve could also impact the legislative and/or regulatory regimes to which the Group is subject (including Solvency II), both in the United Kingdom and in the European Union.

Regulatory changes also could occur in areas of broader application, such as competition policy and tax laws. For example, changes in tax laws, or the interpretation of the tax laws or tax regulations in jurisdictions in which the Group does business, or withdrawals of tax rulings in jurisdictions such as Switzerland that have issued such rulings to Swiss Re, could increase the taxes the Group pays, or impact the attractiveness of products offered by the Group, the Group’s investment activities or the value of deferred tax assets. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business (including due to increased capital requirements), reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make reinsurance less attractive to primary insurers

Market risk

Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, low interest rates continue to pose significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns can be offset by lower combined ratios or higher returns from other asset classes, which in a soft market cycle is a challenge. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

The Group is exposed to changes in the level and volatility of equity prices, as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity contracts, are wholly or partially exposed, directly and/or indirectly, to market fluctuations, including equity prices. To the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme covering its existing variable annuity business, certain risks cannot be hedged, including actuarial, basis and correlation risks. Exposure to foreign exchange risk arises from changes in spot prices, forward prices and volatilities of currency rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks – including a possible mismatch between investments and liability benchmarks – that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

If the credit markets were to deteriorate, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. The Group could also face write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material. The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include, among other things, its obligations arising in its insurance and reinsurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to increase levels of indebtedness or to liquidate investments or other assets. Should the Group require liquidity at a time when access to bank funding and the capital markets is limited, it may be unable to secure new sources of funding. The Group's ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations. In addition, the Group's ability to meet liquidity needs through the incurrence of debt may be limited by constraints on the general availability of credit in the case of bank funding, and adverse market conditions, in the case of capital markets debt. Failure to meet covenants in lending arrangements could further constrain access to liquidity. The Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or are otherwise not tradeable. Finally, any adverse ratings action against the Group could trigger a need for further liquidity (for example, by triggering termination provisions or margin calls/collateral delivery requirements in contracts to which Swiss Re is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action. See also "Risks relating to credit rating downgrades."

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Issuers or borrowers whose securities or loans the Group holds, trading counterparties, counterparties under swaps and other derivative contracts, clearing agents, clearing houses and other financial intermediaries may default on their obligations to the Group due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operations failure, fraud or other reasons, which could also have a material adverse effect on the Group. The Group has increased its allocation to higher return-generating strategies, including high-quality corporate debt and some alternative assets, which tend to also be subject to potentially greater counterparty risk.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its insurance and reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be solicited or unsolicited and may be revised downward or revoked at the sole discretion of the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of the Group's ratings could be downgraded or withdrawn in the future. In addition, unsolicited ratings may also be downgraded or withdrawn, such as a downgrade in April 2020 of unsolicited insurer financial strength and long-term issuer default ratings assigned to various entities within the Group. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings and/or the ratings of its legal entities, which it cannot predict. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could adversely affect the Group's existing ratings or make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in Swiss Re's ratings and/or the ratings of its key rated legal entities could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance and derivative contracts may contain terms that would allow the ceding companies or counterparties to terminate the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Furthermore, ratings directly impact the availability and terms of unsecured financing (potentially impacting the Group's ability to rollover existing facilities or obtain new facilities) and declines in the Group's ratings or the ratings of legal entities within the Group could also obligate the Group to provide collateral or other guarantees in the course of its business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe. These same factors could also impact the Group's insurance business.

Legal and regulatory risks

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

The Group could in the future be involved in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. These investigations and proceedings could relate to insurance or reinsurance matters, or could involve broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions, and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to litigation or enforcement actions arising from potential employee misconduct, including non-compliance with internal policies and procedures, negligence and malfeasance, such as undertaking or facilitating cyber-attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits; risks that catastrophic events (including natural catastrophes, such as hurricanes, cyclones, tornadoes, windstorms, hail storms, wildfires, floods and earthquakes, as well as extreme space weather events such as solar storms and geomagnetic activity, and man-made disasters, such as acts of terrorism, cyberattacks and other disasters such as explosions, industrial accidents and fires, as well as pandemics) are inherently unpredictable in terms of both their frequency and severity and have exposed, and may continue to expose, the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, in particular, social inflation), which trends may potentially be exacerbated by the COVID-19 crisis; macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks (where accumulation risk is yet to be fully understood), which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure, including its information technology networks and systems. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that its management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements (such as assumptions related to the Group's capital requirements and anticipated liabilities), including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates (and could be adversely affected if premiums turn out to be lower, while claims stay the same). In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations (in the case of accounting judgments), and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

The Group uses non-GAAP financial measures in its external financial reporting. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles and should not be viewed as a substitute for measures prepared in accordance with US GAAP. Moreover, these may be different from, or otherwise inconsistent with, non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group includes in its annual report a section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among others, assets and liabilities are measured on a market consistent basis, profit recognition on new contracts is recognised at inception rather than over the life time of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from its direct and indirect operating subsidiaries. The Group is in the process of streamlining its legal entity structure, with the expectation that, over time, its structure will continue to evolve. In the future it may, for example, elect again to partner with minority investors or may elect otherwise to dispose of interests in Group businesses or portions thereof, or to grow through acquisitions. To the extent it undertakes acquisitions, it is subject to the risks inherent in acquiring and integrating new operations.

Contacts

Swiss Re has 81 office locations in 29 countries. For a full list of our office locations and service offerings, please visit www.swissre.com

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Corporate calendar

2021

16 April 2021

157th Annual General Meeting

30 April 2021

First quarter 2021 key financial data

30 July 2021

Half-year 2021 results

29 October 2021

Nine months 2021 key financial data

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