Swiss Re

Swiss Re Corporate Solutions Ltd

Annual Report 2014

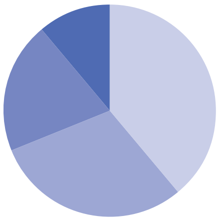
Key Information

Financial highlights
For the years ended 31 December

USD millions	2013	2014	Change in %
Swiss Re Corporate Solutions Group			
Net income attributable to common shareholder	290	**393**	36
Gross premium written	3 877	**4 311**	11
Premiums earned	2 888	**3 444**	19
Combined ratio in %	91.9	**89.9**	
Return on equity[1] in %	10.3	**15.6**	

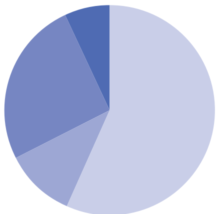
[1] Return on equity is calculated by dividing net income attributable to common shareholder by average common shareholder's equity.

Net premiums earned by line of business, 2014
(Total USD 3 444 million)



39% Property
30% Casualty
20% Speciality
11% Credit

Gross premiums earned by regions, 2014
(Total USD 3 931 million)



57% North America
11% Latin America
25% Europe (including Middle East and Africa)
7% Asia-Pacific

Financial Strength Rating of Corporate Solutions Entities

	AM Best	Moody's	Standard & Poor's
Swiss Re Corporate Solutions Ltd	A+	A1	AA–
Swiss Re International SE	A+	A1	AA–
Westport Insurance Corporation	A+	A1	AA–
Other Corporate Solutions US entities (NAS, NAE, NAC, WIIC, FSIC)	A+	Not rated	AA–
Swiss Re Corporate Solutions Brasil Seguros	Not rated	Baa2	Not rated

Content

Income statement

For the years ended 31 December

USD millions	Note	2013	2014
Revenues			
Premiums earned	3	2 888	**3 444**
Net investment income	7	90	**89**
Net realised investment gains	7	63	**158**
Total revenues		3 041	**3 691**
Expenses			
Claims and claim adjustment expenses	3	–1 729	**–2 054**
Acquisition costs	3	–412	**–463**
Other expenses		–513	**–579**
Interest expenses			**–8**
Total expenses		–2 654	**–3 104**
Income before income tax expense		387	**587**
Income tax expense	11	–97	**–195**
Net income before attribution of non-controlling interests		290	**392**
Income/loss attributable to non-controlling interests			**1**
Net income attributable to common shareholder		290	**393**

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2013	**2014**
Net income before attribution of non-controlling interests	290	**392**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	–15	**18**
Change in foreign currency translation	–26	**–48**
Total comprehensive income before attribution of non-controlling interests	249	**362**
Comprehensive income attributable to non-controlling interests		**1**
Total comprehensive income attributable to common shareholder	249	**363**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2013 USD millions	Unrealised gains/losses[1]	Foreign currency translation[1,2]	Accumulated other comprehensive income
Balance as of 1 January	113	129	242
Change during the period	74	–19	55
Amounts reclassified out of accumulated other comprehensive income	–99		–99
Tax	10	–7	3
Balance as of period end	98	103	201

2014 USD millions	Unrealised gains/losses[1]	Foreign currency translation[1,2]	**Accumulated other comprehensive income**
Balance as of 1 January	98	103	**201**
Change during the period	137	–40	**97**
Amounts reclassified out of accumulated other comprehensive income	–105		**–105**
Tax	–14	–8	**–22**
Balance as of period end	**116**	**55**	**171**

[1] Reclassification adjustment included in net income is presented in the ''Net realised investment gains/losses'' line.
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

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

Balance sheet

As of 31 December

Assets

USD millions	Note	2013	2014
Investments	7,8,9		
Fixed income securities, available-for-sale, at fair value (including 565 in 2013 and 352 in 2014 subject to securities lending and repurchase agreements) (amortised cost: 2013: 4 578; 2014: 5 116)		4 551	**5 148**
Equity securities, available-for-sale, at fair value (including 0 in 2013 and 121 in 2014 subject to securities lending and repurchase agreements) (cost: 2013: 791; 2014: 586)		966	**732**
Short-term investments, at fair value (including 852 in 2013 and 1088 in 2014 subject to securities lending and repurchase agreements)		1 587	**2 348**
Other invested assets		133	**55**
Total investments		7 237	**8 283**
Cash and cash equivalents (including 0 in 2013 and 20 in 2014 subject to securities lending)		404	**568**
Accrued investment income		30	**44**
Premiums and other receivables		1 984	**2 274**
Reinsurance recoverable on unpaid claims	4	7 836	**7 434**
Funds held by ceding companies		364	**388**
Deferred acquisition costs	5	332	**360**
Goodwill		17	**109**
Income taxes recoverable		12	**31**
Deferred tax assets	11	233	**258**
Other assets		643	**720**
Total assets		19 092	**20 469**

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

Liabilities and equity

USD millions	Note	2013	2014
Liabilities			
Unpaid claims and claim adjustment expenses	4	11 364	**11 721**
Unearned premiums		2 469	**2 936**
Funds held under reinsurance treaties		1 471	**1 391**
Reinsurance balances payable		233	**406**
Income taxes payable		74	**101**
Deferred and other non-current tax liabilities	11	267	**425**
Accrued expenses and other liabilities		527	**541**
Long-term debt	10		**496**
Total liabilities		16 405	**18 017**
Equity			
Common shares, CHF 1 000 par value 2013: 100 000; 2014: 100 000 shares authorised and issued		119	**119**
Additional paid-in capital		1 276	**677**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		98	**116**
Cumulative translation adjustments, net of tax		103	**55**
Total accumulated other comprehensive income		201	**171**
Retained earnings		1 091	**1 396**
Shareholder's equity		2 687	**2 363**
Non-controlling interests			**89**
Total equity		2 687	**2 452**
Total liabilities and equity		19 092	**20 469**

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

Statement of shareholder's equity

For the years ended 31 December

USD millions	2013	2014
Common shares		
Balance as of 1 January	119	**119**
Issue of common shares		
Balance as of period end	119	**119**
Additional paid-in capital		
Balance as of 1 January	1 713	**1 276**
Dividends on common shares[1]	–437	**–599**
Balance as of period end	1 276	**677**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	113	**98**
Changes during the period	–15	**18**
Balance as of period end	98	**116**
Foreign currency translation, net of tax		
Balance as of 1 January	129	**103**
Changes during the period	–26	**–48**
Balance as of period end	103	**55**
Retained earnings		
Balance as of 1 January	853	**1 091**
Net income attributable to common shareholder	290	**393**
Effect of change in Group structure[2]		**13**
Dividends on common shares	–52	**–101**
Balance as of period end	1 091	**1 396**
Shareholder's equity	2 687	**2 363**
Non-controlling interests		
Balance as of 1 January	0	**0**
Change during the period		**90**
Income attributable to non-controlling interests		**–1**
Balance as of period end	0	**89**
Total equity	2 687	**2 452**

[1] Dividends to the shareholder were paid in the form of a repayment of legal reserves from capital contributions.
[2] During Q3 2014, Swiss Reinsurance Company Ltd transferred the shares of Swiss Re Corporate Solutions Brasil Seguros S.A. to Swiss Re Corporate Solutions Ltd, please refer to Note 1 "Organisation and summary of significant accounting policies".

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

Statement of cashflow

For the years ended 31 December

USD millions	2013	2014
Cash flows from operating activities		
Net income attributable to common shareholder	290	**393**
Add net income attributable to non-controlling interests		**–1**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	74	**70**
Net realised investment gains/losses	–63	**–158**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	–404	**80**
Funds held by ceding companies and under reinsurance treaties	–136	**–111**
Reinsurance recoverable on unpaid claims and policy benefits	1 003	**787**
Other assets and liabilities, net	–103	**–24**
Income taxes payable/recoverable	28	**129**
Trading positions, net	5	**100**
Securities purchased/sold under agreement to resell/repurchase, net	–111	**112**
Net cash provided/used by operating activities	583	**1 377**
Cash flows from investing activities		
Fixed income securities:		
Sales	4 470	**4 745**
Maturities	153	**452**
Purchases	–4 831	**–5 621**
Net purchase/sale/maturities of short-term investments	–40	**–774**
Equity securities:		
Sales	380	**833**
Purchases	–568	**–488**
Cash paid/received for acquisitions/disposal of reinsurance transactions, net	2	**–131**
Net purchases/sales/maturities of other investments	2	**–13**
Net cash provided/used by investing activities	–432	**–997**
Cash flows from financing activities		
Issuance/repayment of long-term debt		**496**
Dividends paid to parent	–489	**–700**
Net cash provided/used by financing activities	–489	**–204**
Total net cash provided/used	–338	**176**
Effect of foreign currency translation	–12	**–12**
Change in cash and cash equivalents	–350	**164**
Cash and cash equivalents as of 1 January	754	**404**
Cash and cash equivalents as of 31 December	404	**568**

Tax paid was USD 75 million and USD 63 million for the years ended 31 December 2013 and 2014, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

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

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

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

During the third quarter of 2014, Swiss Re Corporate Solutions completed the acquisition of the outstanding common shares of Swiss Re Corporate Solutions Brasil Seguros S.A. ("SRCSB") from Swiss Reinsurance Company Ltd ("SRZ"). Following the acquisition, SRCSB ceased to be a subsidiary of SRZ, and therefore is no longer part of the Swiss Reinsurance Company Group (the "SRZ Group"). These financial statements were prepared as if SRCSB had been transferred to SRCS as of 1 January 2014. As the assets and liabilities of SRCSB were reflected in the SRZ Group's financial statements for the year-end 2013, comparatives have not been restated.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of SRCS and its subsidiaries. Voting entities which SRCS directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

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

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

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

Valuation of financial assets

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

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

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2014, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

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

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

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

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

As of 1 January 2014, the Group measures its short-term investments at fair value with changes in fair value recognised in net income. Previously, the Group carried short-term investments at amortised cost, which approximated fair value. The impact of this change is immaterial and comparatives have therefore not been restated. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Capitalised software costs

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

Income taxes

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

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

Unpaid claims and claim adjustment expenses

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

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

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

Funds held assets and liabilities

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

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

Premiums

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

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

Insurance and reinsurance ceded

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

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

Receivables

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

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 17 March 2015. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

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

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

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

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

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2 Information on business segments

The Group provides innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes to customized solutions tailored to the needs of clients. The business segments are determined by the organisational structure and the way in which management reviews the operating performance of the Group.

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

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

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

The Group operating segments are outlined below.

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

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

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

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

a) Business segments

For the years ended 31 December

2013 USD millions	Property	Casualty	Specialty	Credit	Total
Premiums earned	1 104	901	613	270	2 888
Expenses					
Claims and claim adjustment expenses	–609	–692	–384	–44	–1 729
Acquisition costs	–151	–89	–87	–85	–412
Other expenses	–193	–208	–76	–36	–513
Total expenses before interest expenses	–953	–989	–547	–165	–2 654
Underwriting result	151	–88	66	105	234
Net investment income					90
Net realised investment gains/losses					63
Interest expenses					0
Income before income tax expenses					387
Claims ratio in %	55.1	76.8	62.6	16.3	59.9
Expense ratio in %	31.2	33.0	26.6	44.8	32.0
Combined ratio in %	86.3	109.8	89.2	61.1	91.9

2014 USD millions	Property	Casualty	Specialty	Credit	Total
Premiums earned	**1 348**	**1 034**	**698**	**364**	**3 444**
Expenses					
Claims and claim adjustment expenses	–636	–864	–476	–78	–2 054
Acquisition costs	–157	–95	–113	–98	–463
Other expenses	–252	–154	–97	–76	–579
Total expenses before interest expenses	**–1 045**	**–1 113**	**–686**	**–252**	**–3 096**
Underwriting result	**303**	**–79**	**12**	**112**	**348**
Net investment income					89
Net realised investment gains/losses					158
Interest expenses					–8
Income before income tax expenses					**587**
Claims ratio in %	47.2	83.5	68.2	21.4	59.6
Expense ratio in %	30.3	24.1	30.1	47.8	30.3
Combined ratio in %	77.5	107.6	98.3	69.2	89.9

b) Gross premiums earned by geography

Gross premiums earned by regions for the years ended 31 December

USD millions	2013	2014
North America	2 189	2 228
Latin America	234	429
Europe (including Middle East and Africa)	840	1 008
Asia-Pacific	254	266
Total	3 517	**3 931**

Gross premiums earned by country for the years ended 31 December

USD millions	2013	2014
United States	1 928	1 876
United Kingdom	261	293
Canada	189	202
Germany	111	150
Brazil	21	145
Australia	155	138
Mexico	90	111
France	82	106
Bermuda	58	101
Switzerland	88	90
Other	534	719
Total	3 517	**3 931**

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

3 Insurance information

For the years ended 31 December

Premiums written and premiums earned

USD millions	2013	2014
Premiums written		
Direct	2 759	2 996
Reinsurance	1 118	1 315
Ceded	–439	–516
Net premiums written	3 438	**3 795**
Premiums earned		
Direct	2 487	2 745
Reinsurance	1 030	1 186
Ceded	–629	–487
Net premiums earned	2 888	**3 444**

Claims and claim adjustment expenses

USD millions	2013	2014
Claims paid		
Gross	–3 137	–2 214
Retro	1 937	918
Net claims paid	–1 200	**–1 296**
Change in unpaid claims and claim adjustment expenses		
Gross	1 024	–165
Retro	–1 553	–593
Net unpaid claims and claim adjustment expenses	–529	**–758**
Claims and claim adjustment expenses	–1 729	**–2 054**

Acquisition costs

USD millions	2013	2014
Acquisition costs		
Gross	–533	–562
Retro	121	99
Net acquisition costs	–412	**–463**

Insurance receivables

Insurance receivables as of 31 December were as follows:

USD millions	2013	2014
Premium receivables invoiced	392	412
Receivables invoiced from ceded re/insurance business	305	178
Recognised allowance	–31	–24

4 Unpaid claims and claim adjustment expenses

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

USD millions	2013	**2014**
Balance as of 1 January	12 071	11 364
Reinsurance recoverable	–9 063	–7 836
Net balance as of 1 January	3 008	**3 528**
Incurred related to:		
Current year	1 794	2 106
Prior year	–91	–78
Total incurred	1 703	2 028
Paid related to:		
Current year	–368	–398
Prior year	–832	–898
Total paid	–1 200	–1 296
Foreign exchange	–3	–88
Effect of acquisitions, disposals, new retroactive reinsurance and other items	20	115
Net balance as of 31 December	3 528	**4 287**
Reinsurance recoverable	7 836	7 434
Balance as of 31 December	11 364	**11 721**

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

Prior-year development

In 2014, claims development on prior years was driven by favourable experience in all lines except liability and accident & health. The largest favourable experience came from property. For property, most of the releases were from the US and were spread among the more recent treaty years.

US asbestos and environmental claims exposure

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

At the end of 2014, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 178 million. During 2014, the Group incurred net losses of USD 27 million and paid net against these liabilities USD 16 million.

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

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

5 Deferred acquisition costs (DAC)

As of 31 December, the DAC were as follows:

USD millions	2013	2014
Opening balance as of 1 January	228	332
Deferred	516	504
Effect of acquisitions/disposals and retrocessions		–13
Amortisation	–412	–461
Effect of foreign currency translation		–2
Closing balance as of 31 December	332	**360**

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

6 Acquisitions and disposals

Compañía Aseguradora de Fianzas S.A. Confianza

On 4 November 2014, Swiss Re Corporate Solutions completed the acquisition of 51% of the outstanding common shares of Compañía Aseguradora de Fianzas S.A. Confianza (referred to as "Confianza"). Confianza offers a broad range of surety insurance products, third-party liability and all-risk construction insurance solutions. The results of the operations of Confianza have been included in the consolidated financial statements since 4 November 2014. This transaction supports the Group's growth strategy and will enable it to expand business in Latin America through local representation.

Qualifying purchased intangible assets, including agent relationship intangibles and goodwill, have been established.

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

USD millions	Amortisation period	Carrying value
Agent relationship intangibles	7 years	47

The goodwill of USD 92 million relates to the Credit business segment. The goodwill is not expected to be deductible for tax purposes.

Swiss Re Corporate Solutions Brasil Seguros SA

During the third quarter of 2014, Swiss Re Corporate Solutions completed the acquisition of the outstanding common shares of Swiss Re Corporate Solutions Brasil Seguros SA (referred to as "SRCSB") from Swiss Reinsurance Company Ltd. The results of the operations of SRCSB have been included in the consolidated financial statements of the Group as of 1 January 2014.

7 Investments

Investment income

Net investment income by source was as follows:

USD millions	2013	2014
Fixed income securities	98	106
Equity securities	17	15
Short-term investments	4	5
Other current investments	9	7
Cash and cash equivalents	3	2
Net result from deposit-accounted contracts	4	3
Deposits with ceding companies	56	24
Gross investment income	191	**162**
Investment expenses	–26	–29
Interest charged for funds held	–75	–44
Net investment income	90	**89**

Realised gains and losses

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

USD millions	2013	2014
Fixed income securities available-for-sale:		
Gross realised gains	48	25
Gross realised losses	–32	–13
Equity securities available-for-sale:		
Gross realised gains	80	97
Gross realised losses	–1	–7
Other-than-temporary impairments	–5	–4
Net realised investment gains/losses on trading securities		1
Other investments:		
Net realised/unrealised gains/losses	1	–5
Net realised/unrealised gains/losses on insurance-related activities	3	46
Foreign exchange gains/losses	–31	18
Net realised investment gains/losses	63	**158**

Investments available-for-sale

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

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	1 300	2	–18	1 284
US Agency securitised products	418	1	–2	417
States of the United States and political subdivisions of the states	230		–15	215
Canada	247	3	–3	247
Germany	32	2		34
France	12			12
Other	121	3	–4	120
Total	2 360	11	–42	2 329
Corporate debt securities	1 737	21	–23	1 735
Mortgage-and asset-backed securities	481	12	–6	487
Fixed income securities available-for-sale	4 578	44	–71	4 551
Equity securities available-for-sale	791	178	–3	966

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	1 534	33	–5	1 562
US Agency securitised products	224		–1	223
States of the United States and political subdivisions of the states	230	5		235
Canada	310	2	–16	296
Germany	31	1	–1	31
France	11		–1	10
Other	220	3	–6	217
Total	2 560	44	–30	2 574
Corporate debt securities	2 089	24	–12	2 101
Mortgage- and asset-backed securities	467	7	–1	473
Fixed income securities available-for-sale	**5 116**	**75**	**–43**	**5 148**
Equity securities available-for-sale	**586**	**161**	**–15**	**732**

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 2013 and 2014, USD 1 211 million and USD 1 376 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2013 Amortised cost or cost	2013 Estimated fair value	2014 Amortised cost or cost	2014 Estimated fair value
Due in one year or less	461	463	544	536
Due after one year through five years	2012	2020	1832	1829
Due after five years through ten years	1002	973	1335	1339
Due after ten years	622	607	938	971
Mortgage- and asset-backed securities with no fixed maturity	481	488	467	473
Total fixed income securities available-for-sale	4578	4551	**5116**	**5148**

Assets pledged

As of 31 December 2014, investments with a carrying value of USD 1 055 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 197 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2013 and 2014, securities of USD 1 417 million and USD 1 581 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. There were no associated liabilities.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2013 and 2014. As of 31 December 2013 and 2014, USD 2 million and USD 13 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 1 million and USD 2 million, respectively, to declines in value for more than 12 months.

2013 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	797	18			797	18
US Agency securitised products	147	2			147	2
States of the United States and political subdivisions of the states	214	15			214	15
Canada	137	3			137	3
Germany					0	0
Other	39	3	3	1	42	4
Total	1 334	41	3	1	1 337	42
Corporate debt securities	871	22	8	1	879	23
Mortgage-and asset-backed securities	240	5	8	1	248	6
Total	2 445	68	19	3	2 464	71

2014 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	136	1	202	4	338	5
US Agency securitised products	107	1	29		136	1
States of the United States and political subdivisions of the states	63		18		81	0
Canada	104	5	87	11	191	16
Germany	20	1			20	1
Other	124	6	11	1	135	7
Total	554	14	347	16	901	30
Corporate debt securities	808	10	42	2	850	12
Mortgage-and asset-backed securities	115		40	1	155	1
Total	**1 477**	**24**	**429**	**19**	**1 906**	**43**

8 Fair value disclosures

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

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

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

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

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

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

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

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

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. 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 2014, these adjustments were not material.

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

Valuation techniques

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

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

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

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

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

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

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities held for proprietary investment purposes	1 273	3 238	40	4 551
Debt securities issued by US government and government agencies	1 273	226		1 499
US Agency securitised products		417		417
Debt securities issued by non-US governments and government agencies		413		413
Corporate debt securities		1 695	40	1 735
Mortgage and asset-backed securities		487		487
Equity securities held for proprietary investment purposes	966			966
Other invested assets			21	21
Total assets at fair value	2 239	3 238	61	5 538

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities held for proprietary investment purposes	1 556	3 579	13	5 148
Debt securities issued by US government and government agencies	1 556	241		1 797
US Agency securitised products		224		224
Debt securities issued by non-US governments and government agencies		553		553
Corporate debt securities		2 088	13	2 101
Mortgage asset-backed securities		473		473
Equity securities held for proprietary investment purposes	732			732
Short-term investments held for proprietary investment purposes[1]	1 723	625		2 348
Derivative financial instruments			11	11
Other invested assets			21	21
Total assets at fair value	**4 011**	**4 204**	**45**	**8 260**
Liabilities				
Derivative financial instruments			–72	–72
Total liabilities at fair value	**0**	**0**	**–72**	**–72**

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

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

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

2013 USD millions	Corporate debt securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	**Total liabilities**
Assets and liabilities						
Balance as of 1 January	58	0	27	85	0	0
Realised/unrealised gains/losses:						
Included in net income			–4	–4		0
Included in other comprehensive income	–2		–1	–3		0
Purchases			3	3		0
Issuances				0		0
Sales	–1		–4	–5		0
Settlements	–15			–15		0
Transfers into level 3				0		0
Transfers out of level 3				0		0
Impact of foreign exchange movements				0		0
Closing balance as of 31 December	40	0	21	61	0	0

2014 USD millions	Corporate debt securities	Derivative assets	Other invested assets	**Total assets**	Derivative liabilities	**Total liabilities**
Assets and liabilities						
Balance as of 1 January	40	0	21	**61**	0	**0**
Realised/unrealised gains/losses:						
Included in net income		25	–4	**21**	15	**15**
Included in other comprehensive income	–1		4	**3**		**0**
Purchases		15	1	**16**		**0**
Issuances				**0**	–92	**–92**
Sales	–3	–27	–1	**–31**	3	**3**
Settlements	–23	–2		**–25**	2	**2**
Transfers into level 3				**0**		**0**
Transfers out of level 3				**0**		**0**
Impact of foreign exchange movements				**0**		**0**
Closing balance as of 31 December	**13**	**11**	**21**	**45**	**–72**	**–72**

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	2013	**2014**
Gains/losses included in net income for the period	–4	36
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–5	33

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	2013 Fair value	**2014** Fair value	Valuation technique	Unobservable input	Range (weighted average)
Liabilities					
Derivative financial instruments	0	**–72**			
Environmental commodity contracts	0	–35	Proprietary Option Model	Risk Margin	7% - 10% (9%)

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's environmental commodity contracts is a risk margin. Significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value of the Group's obligation.

Other invested assets measured at net asset value

As of 31 December 2013 and 2014, other assets measured at net asset value were USD 21 million.

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

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

As of 31 December 2014, the subordinated financial debt issued by the Group was valued at USD 493 million. The debt position is fair valued based on executable broker quotes and is classified as a level 2 measurement.

9 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2014, the fair values and notional amounts of the derivatives outstanding were as follows:

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivative financial instruments				
ECM/Weather contracts	1 269	11	–72	–61
Total derivative financial instruments	**1 269**	**11**	**–72**	**–61**

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

Gains and losses of derivative financial instruments

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

USD millions	**2014**
Derivative financial instruments	
Foreign exchange contracts	–6
ECM/Weather contracts	47
Total gain/loss recognised in income	**41**

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 was approximately USD 11 million. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties.

10 Debt

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

USD millions	2014
Long-term subordinated financial debt	496
Total carrying value	**496**
Total fair value	**493**

Interest expense on long-term debt

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

USD millions	2014
Subordinated financial debt	7
Total	**7**

Long-term debt issued in 2014

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

11 Income taxes

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

USD millions	2013	**2014**
Current taxes	74	77
Deferred taxes	23	118
Income tax expense	97	**195**

Tax rate reconciliation

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

USD millions	2013	**2014**
Income tax at the Swiss statutory tax rate of 20.5% (2013 - 21.0%)	81	121
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	27	42
Impact of foreign exchange movement	–3	23
Tax exempt income/dividends received deduction	–6	–12
Other income based taxes	5	10
Other, net	–7	11
Total	97	**195**

The Group reported a tax charge of USD 195 million on a pre-tax income of USD 587 million for 2014, compared to a charge of USD 97 million on a pre-tax income of USD 387 million for 2013. This translates into an effective tax rate in the current and prior-year reporting periods of 33.2% and 25.1%, respectively. The higher tax rate in the current year compared to the prior year is largely driven by tax charges from foreign exchange movements.

Deferred and other non-current taxes

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

USD millions	2013	2014
Deferred tax assets		
Deferred acquisition costs	16	38
Income accrued/deferred	31	23
Unearned premium reserve	25	14
Technical provisions	3	37
Benefit on loss carryforwards	18	13
Currency translation adjustments	34	34
Tax credits	79	61
Other	27	38
Total deferred tax assets	233	**258**
Deferred tax liabilities		
Deferred acquisition costs	–13	–36
Present value of future profits	–49	–72
Property amortisation	–23	–25
Income accrued/deferred	–15	–30
Technical provisions	–32	–75
Unrealised gains on investments	–52	–68
Foreign exchange provision	–8	–27
Currency translation adjustments	–40	–51
Other	–22	–31
Total deferred tax liabilities	–254	**–415**
Liability for unrecognised tax benefits including interest and penalties	–13	–10
Total deferred and other non-current tax liabilities	–267	**–425**

As of 31 December 2014, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 135 million. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2014, the Group had USD 50 million net operating tax loss carryforwards, expiring as follows: USD 2 million in 2019, USD 17 million in 2020 and beyond, and USD 31 million never expire.

The Group has no capital loss carryforwards.

Net operating tax losses of USD 45 million were utilised during the period ended 31 December 2014.

Income taxes paid in 2013 and 2014 were USD 75 million and USD 63 million, respectively.

Unrecognised tax benefits

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

USD millions	2013	2014
Balance as of 1 January	14	12
Additions based on tax positions related to the current year		1
Additions for tax positions related to the prior years	5	19
Reductions for tax positions of prior years		–17
Settlements	–7	–6
Balance as of 31 December	12	**9**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 10 million and USD 9 million at 31 December 2013 and 2014, respectively.

Interest and penalties related to unrecognized tax benefits are recorded in income tax expense. The balance of gross unrecognised tax benefits as of 31 December 2014 presented in the table above excludes accrued interest and penalties (USD 1 million).

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

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

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

Australia	2010–2014
Brasil	2010–2014
Canada	2010–2014
Columbia	1999, 2009, 2013–2014
Denmark	2010–2014
France	2012–2014
Germany	2010–2014
Italy	2009–2014
Japan	2009–2014
Luxembourg	2010–2014
Netherlands	2010–2014
Singapore	2013–2014
Switzerland	2013–2014
United Kingdom	2012–2014
United States	2009–2014

12 Related parties

Insurance activities

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

For the years ended 31 December USD millions	2013	2014
Premiums earned	256	157
Net investment income	–74	–43
Total revenues	182	**114**
Claims and claim adjustment expenses	–298	33
Acquisition costs	–57	–24
Total expenses	–355	**9**

As of 31 December USD millions	2013	2014
Premiums and other receivables	378	220
Reinsurance recoverable on unpaid claims	6 209	5 835
Deferred acquisition costs	49	–3
Other assets	96	177
Total assets	6 732	**6 229**
Unpaid claims and claim adjustment expenses	472	488
Unearned premiums	356	203
Funds held under reinsurance treaties	1 414	1 337
Reinsurance balances payable	34	115
Total liabilities	2 276	**2 143**

Investment activities

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

For the years ended 31 December USD millions	2013	2014
Net investment income/loss	–9	–7
Net realised investment gains/losses		34

As of 31 December USD millions	2013	2014
Accrued expenses and other liabilities		32

Operating transactions

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

For the years ended 31 December USD millions	2013	2014
Other expenses	–473	–496

As of 31 December USD millions	2013	2014
Other assets	143	46
Accrued expenses and other liabilities	194	88

13 Subsidiaries

Significant subsidiaries	Currency	Share capital (millions)	Affiliation in % as of 31.12.2014	Method of consolidation
Europe				
Luxembourg				
Swiss Re International SE, Luxembourg	EUR	182	100	f
United Kingdom				
Swiss Re Specialty Insurance (UK) Limited, London	GBP	18	100	f
The Palatine Insurance Company Limited, London	GBP	8	100	f
Americas				
Brazil				
Swiss Re Corporate Solutions Brasil Seguros S.A., Sao Paulo	BRL	108	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogota	COP	223 551	51	f
United States				
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f

Method of consolidation

f full

14 Risk assessment

Risk management bodies and functions

Swiss Re's Board of Directors is ultimately responsible for the Group's governance principles and policies. It mainly performs risk oversight and governance through three committees:

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

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

The Group CRO, who is a member of the Group EC, reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. He leads the Group Risk Management function, which is responsible for risk oversight and control across Swiss Re. The Group Risk Management function is comprised of central risk management units providing shared services, along with dedicated teams for the Reinsurance, Corporate Solutions, and Admin Re® Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers, who report directly to the Group CRO and have a secondary reporting line to their respective Business Unit CEO. The Business Unit CROs are responsible for risk oversight in their respective Business Unit, as well as for establishing proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs, who are responsible for overseeing risk management issues that arise at regional or legal entity level.

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

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

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

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

The monitoring of reserves for the three Business Units is provided by a dedicated Actuarial Control Unit within Risk Management. In addition, actuarial management for Corporate Solutions and Admin Re® is part of Risk Management, whereas in Reinsurance the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are also supported by our Group Internal Audit and Compliance units. Group Internal Audit performs independent, objective assessments of adequacy and effectiveness of internal control systems. It evaluates execution processes of Swiss Re, including those within Risk Management. Our Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group's Code of Conduct. In addition, it assists the Board of Directors, the Group EC and management in identifying, mitigating and managing compliance risks.

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Report of the statutory auditor

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

Report of the statutory auditor on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Swiss Re Corporate Solutions Ltd and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2014, and the related consolidated income statement, statement of comprehensive income, statement of shareholders' equity, statement of cash flow and notes (pages 2 to 38) for the year then ended.

Board of Directors' responsibility for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Swiss Re Corporate Solutions Ltd and its subsidiaries at 31 December 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

PricewaterhouseCoopers Ltd

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 17 March 2015

Annual Report
Swiss Re Corporate Solutions Ltd

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

Financial year 2014
Net income for the financial year 2014 amounted to CHF 288 million, compared to CHF 90 million in the prior year.

The financial year under review was mainly characterised by the increase of business volume, reflecting growth of external business as well as internal reinsurance from Corporate Solutions' subsidiaries.

The Company paid an ordinary dividend in cash of CHF 265 million. An extraordinary dividend in cash of CHF 393 million was paid in the 4th quarter, following a subordinated debt issuance of CHF 497 million in the previous quarter.

Reinsurance result
Reinsurance result amounted to CHF 192 million in 2014, compared to CHF 135 million in 2013.

Premiums earned increased by 30% to CHF 2 464 million in 2014. At constant foreign exchange rates the growth was 33%. The increase was mainly driven by business growth in the Corporate Solutions Group companies combined with increased cession shares and of the reinsurance written with external clients.

Claims and claim adjustment expenses increased by 30% to CHF 1 420 million in 2014. At constant foreign exchange rates the increase was 33%. The increase reflected the higher property and liability business volume and several man-made losses, but also benefited from lower natural catastrophe losses.

In 2014, the Company increased the equalisation provision by CHF 79 million.

Operating costs amounted to CHF 194 million, representing mainly cost recharges from Swiss Re Group companies for administration and other services rendered to the Company. This is an increase of CHF 27 million compared to the prior year.

Investment result
Net investment result amounted to CHF 135 million, compared to CHF 3 million in the prior year.

In 2014, investment income was mainly driven by higher realised gains on sale of investments of CHF 37 million and higher dividend income of CHF 29 million from a subsidiary, compared to prior year. In addition, investment expenses decreased due to lower valuation adjustments on fixed income securities and shares in investments funds.

Result from other income and expenses
Result from other income and expenses was driven by foreign exchange gains in 2014, mainly due to the strengthening of the US dollar against the Swiss franc, compared to foreign exchange losses in 2013.

Assets
Total assets increased by 35% to CHF 6 674 million as of 31 December 2014, compared to 31 December 2013. At constant foreign exchange rates the growth was 26%.

Total investments increased from CHF 3 406 million as of 31 December 2013 to CHF 4 567 million as of 31 December 2014, driven by the investment of the proceeds from the issuance of a subordinated debt and higher reinsurance business volume, partly offset by the funding of the dividends to Swiss Re Ltd.

In 2014, the Company acquired 100% of Swiss Re Corporate Solutions Brasil Seguros S.A. and a 51% stake in Compañia Aseguradora de Fianzas S.A. Confianza.

Liabilities
Total liabilities increased by 76% to CHF 4 890 million as of 31 December 2014, compared to 31 December 2013. At constant foreign exchange rates the growth was 61%.

Technical provisions increased from CHF 2 710 million as of 31 December 2013 to CHF 4 255 million as of 31 December 2014, mainly reflecting increased business volume and the increase of the equalisation provision by CHF 79 million.

In addition, the Company issued a subordinated debt of CHF 497 million in 2014.

Shareholder's equity
Shareholder's equity decreased from CHF 2 154 million as of 31 December 2013 to CHF 1 784 million as of 31 December 2014.

The decrease resulted from the ordinary dividend in cash of CHF 265 million and an extraordinary dividend in cash of CHF 393 million to Swiss Re Ltd, partly offset by the net income for 2014 of CHF 288 million.

The nominal share capital of the Company remained unchanged at CHF 100 million as of 31 December 2014.

Income statement
Swiss Re Corporate Solutions Ltd

For the years ended 31 December

CHF millions	Notes	2013	2014
Reinsurance	2		
Premiums earned		1 891	**2 464**
Claims and claim adjustment expenses		–1 096	**–1 420**
Change in equalisation provision		–60	**–79**
Acquisition costs		–464	**–615**
Other reinsurance result		3	**3**
Operating costs		–167	**–194**
Allocated investment return		28	**33**
Reinsurance result		135	**192**
Investments	3		
Investment income		129	**199**
Investment expenses		–98	**–31**
Allocated investment return		–28	**–33**
Investment result		3	**135**
Other income and expenses			
Other interest income		0	**0**
Other interest expenses		–	**–6**
Other income		–	**37**
Other expenses		–53	**–26**
Result from other income and expenses		–53	**5**
Income before income tax expense		85	**332**
Income tax expense		5	**–44**
Net income		90	**288**

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

Balance sheet
Swiss Re Corporate Solutions Ltd

As of 31 December

Assets

CHF millions	Notes	2013	2014
Investments			
Investments in subsidiaries and affiliated companies		1 284	**1 435**
Loans to subsidiaries and affiliated companies		934	**944**
Fixed income securities		434	**879**
Shares in investment funds		115	**40**
Short-term investments		639	**1 269**
Total investments		3 406	**4 567**
Tangible assets		0	**0**
Current assets			
Premiums and other receivables from reinsurance	4	857	**1 233**
Funds held by ceding companies	4	327	**486**
Deferred acquisition costs	4	218	**336**
Cash and cash equivalents		41	**33**
Other receivables		86	**10**
Accrued income		4	**9**
Total current assets		1 533	**2 107**
Total assets		4 939	**6 674**

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

Liabilities

CHF millions	Notes	2013	2014
Liabilities			
Technical provisions	5		
Unpaid claims		1 419	**2 397**
Unearned premiums		1 229	**1 712**
Provisions for profit commissions		2	**7**
Equalisation provision		60	**139**
Total technical provisions		2 710	**4 255**
Non-technical provisions			
Provision for taxation		0	**30**
Provision for currency fluctuation		–	**72**
Other provisions		1	**4**
Total non-technical provisions		1	**106**
Debt			
Debentures		–	**497**
Total debt		–	**497**
Reinsurance balances payable	5	7	**21**
Other liabilities		67	**3**
Accrued expenses		0	**8**
Total liabilities		2 785	**4 890**
Shareholder's equity	6		
Share capital	7	100	**100**
Other legal reserves		52	**52**
Legal reserves from capital contributions		1 910	**1 342**
Other reserves		–	**–**
Retained earnings brought forward		2	**2**
Net income for the financial year		90	**288**
Total shareholder's equity		2 154	**1 784**
Total liabilities and shareholder's equity		4 939	**6 674**

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

Notes
Swiss Re Corporate Solutions Ltd

1 Significant accounting principles

Basis of presentation
On 1 January 2013, new Swiss accounting and financial reporting legislation entered into force based on partial revisions of the Swiss Code of Obligations. Based on the transitional provisions, the new provisions have to be implemented for annual accounts from the 2015 financial year onwards, at the latest. The Swiss Re Corporate Solutions Ltd's financial statements 2014 have still been prepared based on the accounting provisions of the Swiss Code of Obligations in effect until 31 December 2012.

Time period
The financial year 2014 comprises the accounting period from 1 January 2014 to 31 December 2014.

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

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

Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

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

			2013		**2014**
Currency exchange rates in CHF per 100 units of foreign currency		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	79.55	90.27	**81.35**	**82.63**
British pound	GBP	147.25	144.92	**154.91**	**150.57**
Canadian dollar	CAD	83.69	90.32	**85.77**	**82.80**
Euro	EUR	122.54	123.08	**120.23**	**121.52**
Japanese yen	JPY	0.85	0.96	**0.83**	**0.87**
US dollar	USD	88.92	92.86	**99.35**	**91.22**

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

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

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

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

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

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

Deferred acquisition costs
Deferred acquisition costs consist principally of commissions and are related to the generation of new reinsurance business. Deferred acquisition costs are amortised in proportion to premiums earned.

Other current assets
Other current assets are carried at nominal value after deduction of known credit risks if applicable.

Accrued income
Accrued income includes other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but which are receivable in a subsequent financial year.

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

Premiums written relating to future periods are recorded as unearned premiums and are earned based on an individual treaty basis over the underlying risk period. The accrual of commissions is determined proportionally and is reported under "Deferred acquisition costs".

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

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

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

Liabilities assumed and consideration provided in connection with portfolio transactions are established through the respective lines in the income statement. The initial recognition of the assumed outstanding claims is recorded as change in unpaid claims, with the consideration being recognised as negative claims paid. The assumption of the provision for unearned premiums is established through the change in unearned premiums, with the respective consideration accounted for as premiums written.

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

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

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

Debt
Debt is held at redemption value.

Reinsurance balances payable
Reinsurance balances payable are held at redemption value.

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

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

Management expenses
The overall management expenses are allocated to the reinsurance business and the investment business on an imputed basis.

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

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

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

2 Reinsurance result

CHF millions	Gross	Retro	2013 Net	Gross	Retro	2014 Net
Premiums written	2 110	–127	1 983	**2 907**	**–103**	**2 804**
Change in unearned premiums	–95	3	–92	**–343**	**3**	**–340**
Premiums earned	2 015	–124	1 891	**2 564**	**–100**	**2 464**
Claims paid and claim adjustment expenses	–450	–	–450	**–676**	**45**	**–631**
Change in unpaid claims	–651	5	–646	**–786**	**–3**	**–789**
Claims and claim adjustment expenses	–1 101	5	–1 096	**–1 462**	**42**	**–1 420**
Change in equalisation provision	–60	–	–60	**–79**	**–**	**–79**
Fixed commissions	–462	0	–462	**–606**	**0**	**–606**
Profit commissions	–2	–	–2	**–9**	**–**	**–9**
Acquisition costs	–464	0	–464	**–615**	**0**	**–615**
Other reinsurance income and expenses	3	–	3	**3**	**–**	**3**
Other reinsurance result	3	–	3	**3**	**–**	**3**
Operating costs			–167			**–194**
Allocated investment return			28			**33**
Reinsurance result			135			**192**

3 Investment result

CHF millions	2013	2014
Income from subsidiaries and affiliated companies	111	**138**
Income from fixed income securities	14	**20**
Income from shares in investment funds	2	**1**
Income from short-term investments	2	**1**
Income from investment services	0	**1**
Realised gains on sale of investments	0	**38**
Investment income	129	**199**
Investment management expenses	–8	**–18**
Realised losses on sale of investments	–4	**–8**
Valuation adjustments on investments	–86	**–5**
Investment expenses	–98	**–31**
Allocated investment return	–28	**–33**
Investment result	3	**135**

4 Assets from reinsurance

CHF millions	Gross	Retro	2013 Net	Gross	Retro	2014 Net
Premiums and other receivables from reinsurance	854	3	857	**1231**	**2**	**1233**
Funds held by ceding companies	327	–	327	**486**	**–**	**486**
Deferred acquisition costs	217	1	218	**336**	**0**	**336**
Assets from reinsurance	1398	4	1402	**2053**	**2**	**2055**

5 Liabilities from reinsurance

CHF millions	Gross	Retro	2013 Net	Gross	Retro	2014 Net
Unpaid claims	1424	–5	1419	**2401**	**–4**	**2397**
Unearned premiums	1236	–7	1229	**1723**	**–11**	**1712**
Provisions for profit commissions	2	–	2	**7**	**–**	**7**
Equalisation provision	60	–	60	**139**	**–**	**139**
Reinsurance balances payable	5	2	7	**11**	**10**	**21**
Liabilities from reinsurance	2727	–10	2717	**4281**	**–5**	**4276**

6 Change in shareholder's equity

CHF millions	2013	2014
Shareholder's equity as of 1 January	2532	**2154**
Dividend paid for the previous year	–468	**–265**
Extraordinary cash dividend	–	**–393**
Net income for the financial year	90	**288**
Shareholder's equity as of 31 December	2154	**1784**

7 Share capital

The nominal share capital of the Company amounted to CHF 100 million. It is divided into 100000 shares, each with a nominal value of CHF 1000.

8 Investments in subsidiaries

Details on the Company's subsidiaries are disclosed on page 37.

9 Debentures

As of 31 December 2014, the following public placed debenture was outstanding:

Instrument	Issued in	Currency	Nominal in millions	Interest rate	Maturity/ First call in	Book value CHF millions
Subordinated bond	2014	USD	500	4.500%	2024	497

10 Contingent liabilities

As of 31 December 2014, the Company has issued a limited guarantee of CHF 242 million (2013: nil) to a subsidiary in support of its business activities or specific transactions.

11 Security deposits

To secure the technical provisions at the 2014 balance sheet date, securities with a value of CHF 562 million (2013: CHF 436 million) were deposited in favour of ceding companies. Thereof CHF 150 million referred to external parties and CHF 412 million to Swiss Re Group companies. In 2013 the full amount was with Swiss Re Group companies.

12 Securities lending

As of 31 December 2014, securities of CHF 999 million (2013: CHF 533 million) were lent to Swiss Re Group companies under securities lending agreements. As of 31 December 2014 and 2013, there were no securities lent to third parties.

13 Deposit arrangements

The following balances were related to deposit accounted reinsurance contracts:

CHF millions	2013	**2014**
Reinsurance result	3	**2**
Premiums and other receivables from reinsurance	2	**1**
Reinsurance balances payable	4	**2**

14 Claims on and obligations towards Swiss Re Group companies

CHF millions	2013	**2014**
Premiums and other receivables from reinsurance	842	**1 089**
Funds held by ceding companies	327	**486**
Other receivables	85	**4**
Reinsurance balances payable	4	**2**
Other liabilities	67	**3**

15 Personnel information and administrative expenses

In general, Swiss Re Corporate Solutions Ltd is managed by certain employees of Swiss Reinsurance Company Ltd. As of 31 December 2014, the Company directly employed a worldwide staff of 9 (2013: 9).

Total administrative expenses for the 2014 financial year, including charges by affiliates, amounted to CHF 210 million (2013: CHF 185 million).

16 Risk assessment

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

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

Details are disclosed on page 38.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting of the Company, to be held on 27 March 2015, to approve the following allocations and payment of an ordinary cash dividend of USD 200 million, which must not exceed CHF 210 million, translated into CHF at spot rate on the settlement date. The ordinary cash dividend is paid to its sole shareholder Swiss Re Ltd out of other reserves.

In order to comply with the Swiss Code of Obligations, dividends must meet the capital protection requirements in CHF. In addition, it requires also that maximum amounts must be approved by the Annual General Meeting. For 2014, the Board of Directors proposes to set this maximum amount to CHF 210 million. This CHF 210 million shall be funded by CHF 210 million from the retained earnings as shown in the tables below.

As such the effective ordinary cash dividend, translated into CHF at spot rate on the settlement date, must not exceed CHF 210 million. In the below tables the threshold of CHF 210 million is presented and reflect the maximum amount in CHF to be paid out. The effective CHF amount, translated at spot rate on the settlement date, will not exceed the below stated figures in CHF.

CHF millions	2013	2014
Retained earnings brought forward	2	**2**
Net income for the financial year	90	**288**
Disposable profit	92	**290**
Allocation to other reserves	–90	**–210**
Retained earnings after allocation	2	**80**

CHF millions	2013	2014
Other reserves brought forward	–	**–**
Allocation from retained earnings	90	**210**
Reclassification of legal reserves from capital contributions to other reserves	175	**–**
Dividend payment out of other reserves	–265	**–**
Other reserves before proposed allocation of legal reserves from capital contributions and ordinary cash dividend	–	**210**
Proposed cash dividend (maximal amount in CHF of the proposed dividend in USD translated into CHF)	–	**–210**[1]
Other reserves after proposed allocation of legal reserves from capital contributions and ordinary cash dividend	–	**–**

[1] The Board of Directors proposes to the Annual General Meeting of the Company, to be held on 27 March 2015, to approve the payment of an ordinary cash dividend of USD 200 million to its sole shareholder Swiss Re Ltd out of other reserves on 30 March 2015. In order to comply with the Swiss Code of Obligations the proposed ordinary cash dividend, translated into CHF at spot rate on the settlement date, must not exceed CHF 210 million.

Zurich, 27 March 2015

Report of the statutory auditor

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

Report of the statutory auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Re Corporate Solutions Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 43 to 52), for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the Company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers Ltd

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 27 March 2015

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements. Such factors include, among others:
- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group's ability to successfully implement its business strategy especially during "soft" market cycles;
- the Group's relationship with the rest of the Swiss Re Group;
- the Group's ability to maintain sufficient liquidity and access to capital;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realize amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;
- the lowering or loss of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the insurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- policy renewal rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting us or the Group's clients and other counterparties and interpretations of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- the timely and full recoverability of reinsurance placed by us with third parties, or other amounts due to us;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

Note on risk factors

General impact of adverse market conditions

Pessimistic global growth forecasts, particularly in respect of Europe, and heightened volatility due to the constraints inherent in current monetary policies of the world's principal central banks, among other factors, highlight the continued uncertainties around the post-crisis recovery and the risks that the world economy continues to face, notwithstanding positive macro-economic trends in the United States. The International Monetary Fund recently reduced its forecast for global economic growth and reports that the risk of a recession and deflation in the eurozone has risen sharply. In the European Union, it remains unclear whether proposals for a single resolution mechanism and other components of a banking union in the European Union, as well as actions of the European Central Bank, will create the conditions necessary for increased bank lending and greater economic growth. Uncertainty around economic growth could be compounded by domestic political considerations in various EU member states.

Countries in emerging market regions in Asia and Latin America recently have experienced deceleration in GDP growth. Policy uncertainty and volatile, negative or uncertain economic conditions in developed markets could also adversely impact economies in Asia and Latin America, undermining business confidence. Periods of economic upheaval could also result in sudden government actions such as imposition of capital, price or currency controls, or changes in legal and regulatory requirements.

Political or geopolitical developments, and international responses thereto, also can have an adverse impact on global financial markets and economic conditions.

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 ability of Swiss Re Corporate Solutions ("Corporate Solutions") and its subsidiaries (the "Group") to access the capital markets and bank funding markets, and could adversely affect the ability of counterparties to meet their obligations. Any such developments and trends could also have an adverse effect on Corporate Solutions' investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on overall results.

Regulatory changes

The Group's activities are regulated in a number of jurisdictions in which the Group conducts business. In addition, the Group could be affected by regulatory changes or developments affecting the overall Swiss Re group, of which the Group is a part (the "Swiss Re Group"). New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, increased regulatory capital requirements, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions.

Although early regulatory efforts following the credit crisis in 2008 were focused primarily on banking institutions, there has been a noticeable trend in recent years to extend the scope of reforms and oversight beyond such institutions to cover insurance and reinsurance operations. Legislative initiatives directly impacting the Group's industry include the establishment of a pan-European regulator for insurance companies, the European Insurance and Occupational Pensions Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, the Group is subject to the Swiss Solvency Test, and will be subject to Solvency II, which will enter into force 1 January 2016. The Group is also monitoring the proposed Swiss Federal Act on Financial Market Infrastructure (which will introduce new regulations for over-the-counter derivatives trading in line with international standards) and the proposed Swiss Federal Financial Services Act and Financial Institutions Act (which contain rules for financial services providers that are based on the EU Markets in Financial Instruments Directive ("MiFID") regulations). In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to MiFID, in respect of derivatives could have a significant impact on the Group.

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

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

Market risk
Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk
If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience further losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face further write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could once again face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

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.

Liquidity risks
The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its insurance obligations, and that this would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes, that would trigger insurance coverage obligations. The Group's uses of funds include obligations arising in its insurance business, which may include large and unpredictable claims (including catastrophe claims), funding of capital

requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the Group's trading operations, it could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to it. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints.

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

The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks
The Group's general exposure to counterparty risk was heightened during the credit crisis, and this risk could still be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the Group. In addition, trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse impact on the Group.

Risks relating to credit rating downgrades
Ratings are an important factor in establishing the competitive position of insurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength insurers such as Corporate Solutions. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of insurers, a decline in ratings alone could make insurance provided by the Group less attractive to clients relative to insurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase insurance only from insurers with certain ratings. A decline in ratings could also impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its insurance business or trigger early termination of funding arrangements potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

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Legal and regulatory risks

The Group could be named, from time to time, as a defendant in legal actions in connection with its operations. The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by our direct regulators, but also in respect of compliance with broader business conduct rules including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions and fires) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, 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. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements. Particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

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

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

Risks related to the Swiss Re structure

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

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

Capital, funding, reserve and cost allocations are made at the Swiss Re Group level across the four operating segments based principally on business plans as measured against U.S. GAAP and Economic Value Management metrics. Decisions at the Swiss Re Group level in respect of the broader group could have an adverse impact on the Group's financial condition, including its capital and liquidity levels, as well as on its SST ratio. As part of the Swiss Re Group's focus on efficient capital allocation, the Group expects to be paying dividends to SRL. Decisions on dividends payable by each of the operating segments, including the Group, are made at the Swiss Re Group level based on legal, capital and liquidity considerations.

While further changes to the Swiss Re Group structure may not have a financial statement impact on a Swiss Re Group consolidated basis, they would impact the Group to the extent that operations are transferred into or from the Group, or as a result of intra-group transactions (from the perspective of the Swiss Re Group) to the extent the Group is a counterparty to any such transactions. The process of optimizing the structure as between the Swiss Re Group and its operating segments will continue to evolve over time.

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