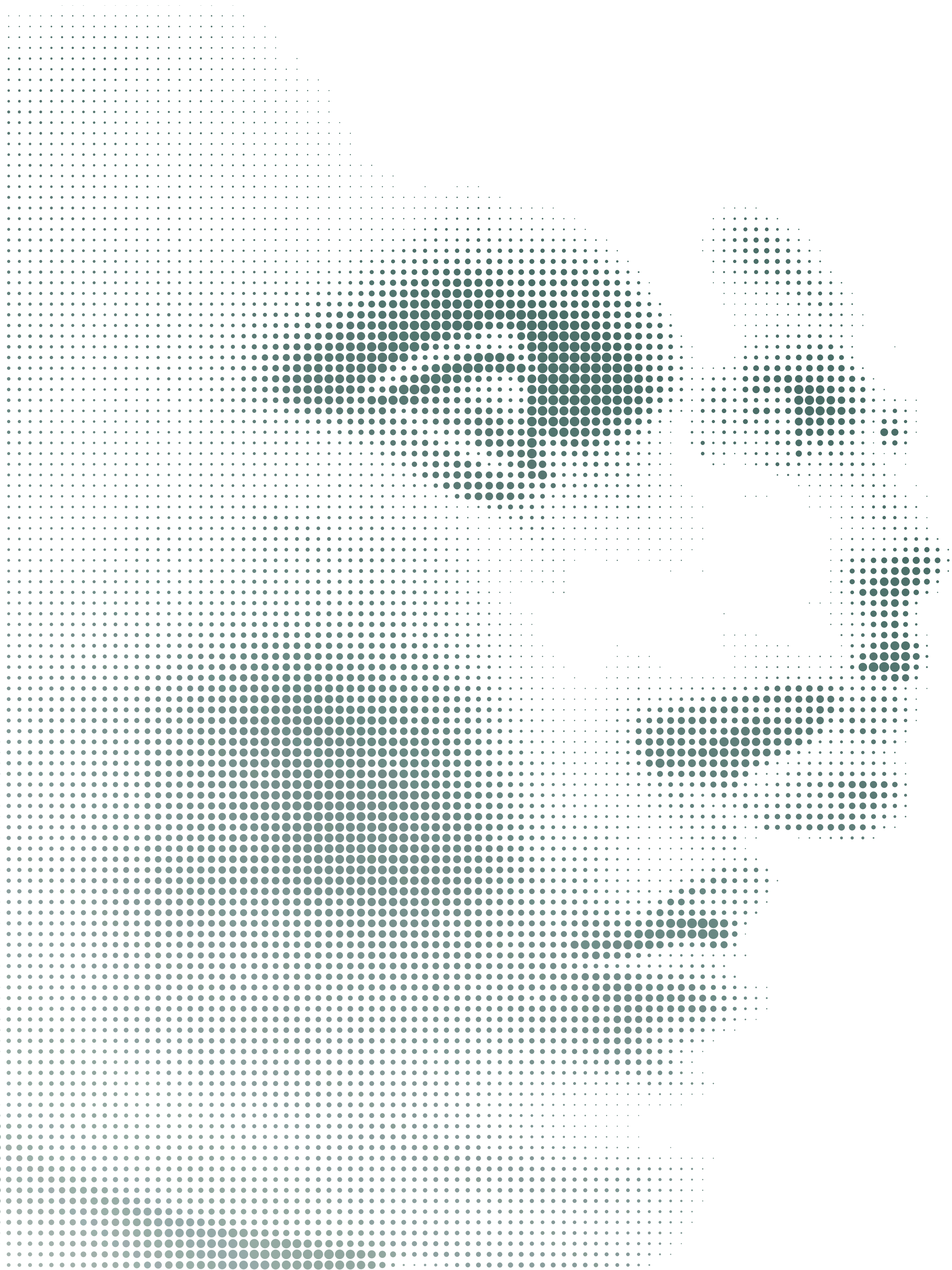
Swiss Re

Swiss Re Group
First Quarter 2014 Report



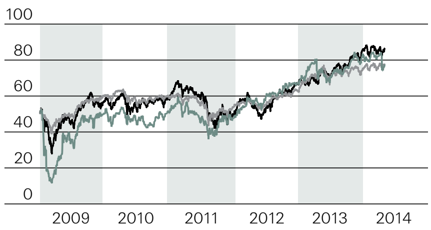
Key information

Financial highlights
For the three months ended 31 March

USD millions, unless otherwise stated	2013	2014	Change in %
Group			
Net income attributable to common shareholders	1 380	**1 226**	–11
Premiums earned and fee income	6 782	**7 551**	11
Earnings per share in CHF	3.72	**3.20**	–14
Shareholders' equity (31.12.2013/31.03.2014)	32 952	**35 021**	6
Return on equity[1] in % (annualised)	16.6	**14.9**	
Return on investments in % (annualised)	3.4	**3.7**	
Number of employees[2] (31.12.2013/31.03.2014)	11 574	**11 622**	
Property & Casualty Reinsurance			
Net income attributable to common shareholders	1 009	**1 003**	–1
Premiums earned	3 534	**3 813**	8
Combined ratio in %	69.7	**78.8**	
Return on equity[1] in %	35.5	**29.8**	
Life & Health Reinsurance			
Net income attributable to common shareholders	222	**51**	–77
Premiums earned and fee income	2 313	**2 672**	16
Operating margin in %	13.6	**9.6**	
Return on equity[1] in %	12.6	**3.6**	
Corporate Solutions			
Net income attributable to common shareholders	101	**80**	–21
Premiums earned	613	**830**	35
Combined ratio in %	87.6	**95.2**	
Return on equity[1] in %	13.1	**12.0**	
Admin Re®			
Net income attributable to common shareholders	78	**48**	–38
Premiums earned and fee income	322	**236**	–27
Return on equity[1] in %	4.8	**3.2**	

[1] Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

Share price (CHF)



Financial strength ratings

As of 30 April 2014	Standard & Poor's	Moody's	A.M.Best
Rating	AA–	Aa3	A+
Outlook	Stable	Stable	Stable
Last update	18 December 2013	10 December 2013	31 January 2014

Share information

As of 30 April 2014	
Share price in CHF	76.85
Market capitalisation in CHF millions	26 298

Share performance

in %	1 January 2009 – 30 April 2014 (p.a.)	Year to 30 April 2014
Swiss Re	8.3	–6.3
Swiss Market Index	8.3	3.3
STOXX Europe 600 Insurance Index	10.4	0.1

Content

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

Letter to shareholders

One step closer to achieving our 2011–2015 financial targets

1.2

Group net income
USD billion

Dear shareholders

This quarter we are proud to report our strong net income of USD 1.2 billion, bringing us one step closer to achieving our 2011–2015 financial targets. As we have said before, achieving these targets remains our top priority.

This result was led by Property & Casualty Reinsurance. Here our net income of USD 1.0 billion matches the very strong performance from the first quarter of the previous year. The combined ratio was 78.8%. These figures are first and foremost a reflection of our robust underwriting. The benign natural catastrophe environment certainly helped the results as well.

We face an environment of general price deterioration in the reinsurance business, especially for natural catastrophe cover. The renewal season in April showed further evidence of such rate declines, but our rates stayed at attractive levels. We also grew our business, partly by writing an expanding share of profitable casualty business and through large transactions. We are convinced that Swiss Re is ideally positioned through a combination of cycle management and portfolio steering, smart differentiation from competitors, and superior financial strength.

The Life & Health Reinsurance segment contributed net income of USD 51 million. The headline figure may fall short of expectations. The result was impacted by a loss on an interest rate hedge, but this masks good progress in the underlying business. We wrote profitable new business in Asia and Europe, and we are hard at work on the problematic US business written before 2004. We anticipate positive developments in this US business after the implementation of management actions. We are on track to achieve a 10%–12% return on equity for this segment by 2015.

Corporate Solutions has once again put in a strong performance, with net income of USD 80 million and a combined ratio of 95.2%. The Business Unit continues to make good on its promise of profitable growth, in addition to which it declared and subsequently paid a dividend to the Group of USD 300 million.

For Admin Re® we are pleased to report net income of USD 48 million, and gross cash generation of USD 202 million. Admin Re® has developed into a solid and steady earner of cash for the Group. The Business Unit is on track to pay dividends to the Group of USD 900 million for the years 2014 to 2016, and to generate USD 300 million in gross cash, on average, every year over the same period.

Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

It is important to give credit to our asset management team. They face the challenges of the low interest rate environment most directly. For this reason we want to point out the strong Group return on investments (annualised) of 3.7% for the quarter.

We are happy to report that Swiss Re's Board of Directors has appointed Patrick Raaflaub, the former CEO of Switzerland's financial services regulatory body FINMA, as new Group Chief Risk Officer, effective 1 September 2014. In his position as CEO, he led FINMA through the financial crisis of 2008–2009 and its aftermath. He has gained experience and insights into regulatory matters that will be of great value to Swiss Re. Patrick Raaflaub has already worked for Swiss Re in various functions between 1994 and 2008.

As we wrote this time last year, low interest rates are a continuing source of concern with a number of strategic implications for our industry. Given the long-term nature of our liabilities, we must eventually find alternatives to 'risk-free' investments so long as risk-free rates remain low. Largely for this reason we have been talking with regulators, industry groups and others about infrastructure investing. In February 2014, together with the Institute of International Finance, we published a paper entitled "Infrastructure Investing. It Matters.", which highlights the need for public policy measures to turn infrastructure investments into an asset class. Besides matching the needs of institutional investors like Swiss Re, such measures could help meet the world's multi-trillion dollar demand for new infrastructure.

Before concluding, let us also take the opportunity to thank our staff for their great work. It was their engagement and effort which enabled us to have a very good start into 2014. And we would also like to thank you, our shareholders, for your loyalty and confidence in us.

Zurich, 7 May 2014

Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

Key events

20 February 2014
Swiss Re earns profit of USD 4.4 billion for 2013; regular dividend of CHF 3.85 per share and special dividend of CHF 4.15 per share to be proposed
Swiss Re delivered a net income of USD 4.4 billion for 2013. The result was driven by high profitability in Property & Casualty Reinsurance and very good performances by Corporate Solutions and Admin Re®. Life & Health Reinsurance delivered a reduced profit due to reserve strengthening in Australia. Swiss Re's Board of Directors will propose a regular dividend of CHF 3.85 per share and, in addition, a special dividend of CHF 4.15 per share.

18 March 2014
Swiss Re seeks shareholder approval to be fully compliant with new Swiss governance regulation ahead of schedule
As Swiss Re aims to be fully compliant with the Swiss federal "Ordinance Against Excessive Compensation at Public Corporations" ahead of schedule, the Board of Directors proposed to make all necessary amendments to Swiss Re's Articles of Association already in 2014. The Board further proposed the election of Susan L. Wagner as a new non-executive independent member.

11 April 2014
Swiss Re shareholders approve all proposals put forward by the Board of Directors at Swiss Re's Annual General Meeting
Swiss Re's shareholders approved all proposals put forward by the Board of Directors at its Annual General Meeting held in Zurich. This included a 10% increase in the regular dividend to CHF 3.85 per share as well as an additional special dividend of CHF 4.15 per share.

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Group results

Swiss Re reported net income of USD 1.2 billion in the first quarter of 2014, compared to net income of USD 1.4 billion in the same period of the prior year. Earnings per share were CHF 3.20 or USD 3.58, compared to CHF 3.72 (USD 4.02) in 2013.

The Group results for the first quarter of 2014 reflected a good underwriting result driven by a benign loss experience along with favourable prior-year reserve development.

Net income for Reinsurance was USD 1.1 billion compared to USD 1.2 billion in the prior-year period. Property & Casualty accounted for USD 1.0 billion, in line with the prior-year period, while Life & Health accounted for USD 51 million, compared to USD 222 million in the first quarter of 2013. The Life & Health result was impacted by a loss on an interest rate hedge.

Corporate Solutions delivered net income of USD 80 million compared to USD 101 million in the prior-year period. The 2014 result reflected continued profitable business growth across most lines of business and higher realised gains, partially offset by man-made losses and unfavourable prior-year development.

Admin Re® reported net income of USD 48 million compared to USD 78 million in the prior-year period. The result was impacted by less favourable UK market performance impacting the unit-linked portfolio in the first quarter of 2014 compared to 2013.

Return on investments was 3.7%, compared to 3.4% for the same period of 2013. The result for the current quarter reflects the impact of the asset re-balancing during 2013. Note that beginning with the first quarter of 2014, the Group no longer includes foreign exchange movements and collateral balances when calculating return on investments.

Shareholders' equity increased to USD 35.0 billion as of 31 March 2014 from USD 33.0 billion at the end of December 2013 reflecting the net income for the quarter and unrealised gains on investments, driven by decreasing interest rates. Annualised return on equity was 14.9% for the first quarter of 2014 compared to 13.7% for the full year 2013 and 16.6% (annualised) for the first quarter of 2013.

Book value per common share increased to USD 99.13 or CHF 87.56 at the end of March 2014, compared to USD 93.08 or CHF 82.76 at the end of December 2013. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

For information on segment shareholders' equity, please see pages 26 to 27.

First quarter 2014 operating performance
Premiums earned for Property & Casualty Reinsurance were USD 3.8 billion, or 8% higher than the same period of 2013, mainly driven by the expiry of a major quota share agreement and an increase in business volumes in Asia. These positive effects were partially offset by lower volumes in Europe. Life & Health Reinsurance premiums and fees increased by 16%, primarily driven by recaptured business in 2013, price increases and new business growth.

Corporate Solutions premiums earned increased 35% to USD 830 million, reflecting successful organic growth across most lines of business and the expiry of the same major quota share agreement mentioned above.

The Group's non-participating net investment income was USD 1.0 billion, compared to USD 0.9 billion in the same period of the prior year. The difference primarily related to additional income from corporate and securitised bonds as well as equities and alternative investments, much of which related to the asset re-balancing that was completed during 2013. The Group running yield was 3.4% in the reporting period, compared to 3.0% in the same period of 2013.

The Group reported non-participating net realised gains of USD 285 million in the first quarter of 2014 which was primarily the result of gains from sales of equities, including a net reduction in equity exposure of USD 2.5 billion. These gains were partially offset by a loss on an interest rate hedge the Group maintains as part of its Life & Health Reinsurance portfolio.

The Property & Casualty Reinsurance combined ratio was 78.8% compared to 69.7% in the same period of 2013. The result for 2014 was mainly driven by positive claims experience in the period and reserve releases from prior years, although both effects were less favourable than in the prior year.

The Corporate Solutions combined ratio for the first quarter of 2014 was 95.2%, compared to 87.6% in the same period of 2013, mainly driven by higher man-made losses and some unfavourable prior-year reserve experience.

Life & Health Reinsurance benefits increased 23% to USD 2.1 billion compared to the same period of 2013, reflecting higher business volumes. The operating margin was 9.6% in the first quarter of 2014 compared to 13.6% for the same period of 2013.

Return credited to policyholders reflected the investment performance on the underlying assets, mainly backing unit-linked and with-profit policies, which are passed through to policyholders. In the first quarter of 2014, an investment gain of USD 152 million was passed through to policyholders compared to a gain of USD 2.1 billion in the same period of 2013.

Acquisition costs for the Group increased to USD 1.4 billion in the first quarter of 2014 reflecting higher business volumes and the impact of the recapture of retrocessions.

Administrative expenses were USD 701 million in the first quarter of 2014, 6% lower than in 2013 due to lower variable compensation expenses. Other expenses were USD 85 million.

Interest expenses were USD 188 million, in line with the same period of 2013.

The Group reported a tax expense of USD 291 million on pre-tax income of USD 1.5 billion in the first quarter of 2014, compared to an expense of USD 535 million on pre-tax income of USD 1.9 billion in the same period of 2013. This translates into an effective tax rate in the current and prior-year reporting periods of 19.0% and 27.7% respectively. The lower tax rate in the current period included benefits from the release of uncertain tax liability provisions.

Income statement

USD millions	2013	2014	Change in %
Revenues			
Premiums earned	6617	**7428**	12
Fee income from policyholders	165	**123**	–25
Net investment income – non-participating	941	**1007**	7
Net realised investment gains/losses – non-participating	208	**285**	37
Net investment result – unit-linked and with-profit	2133	**99**	–95
Other revenues	5	**2**	–60
Total revenues	10069	**8944**	–11
Expenses			
Claims and claim adjustment expenses	–1808	**–2456**	36
Life and health benefits	–2127	**–2468**	16
Return credited to policyholders	–2139	**–152**	–93
Acquisition costs	–1057	**–1359**	29
Administrative expenses	–746	**–701**	–6
Other expenses	–71	**–85**	20
Interest expenses	–188	**–188**	–
Total expenses	–8136	**–7409**	–9
Income before income tax expense	1933	**1535**	–21
Income tax expense	–535	**–291**	–46
Net income before attribution of non-controlling interests	1398	**1244**	–11
Income attributable to non-controlling interests	0	**–1**	
Net income after attribution of non-controlling interests	1398	**1243**	–11
Interest on contingent capital instruments	–18	**–17**	–6
Net income attributable to common shareholders	1380	**1226**	–11

Reinsurance

The Reinsurance Business Unit, which comprises the segments Property & Casualty Reinsurance and Life & Health Reinsurance, reported a net income of USD 1.1 billion in the first quarter of 2014. Summaries of each segment's performance are below.

Property & Casualty Reinsurance

Net income for the first quarter of 2014 was USD 1.0 billion, stable versus the comparative period of 2013. The result again reflected good underwriting results and net reserve releases from prior accident years, though both to a lesser extent than in the prior-year period. Realised gains for the first quarter of 2014 were higher than in 2013, largely due to sales of equities.

Net premiums earned
Net premiums earned increased 7.9% to USD 3.8 billion in the first quarter of 2014, compared to USD 3.5 billion in the same period of 2013, mainly driven by the expiry of a major quota share agreement and growth in Asia coming from large China motor quota share treaties written at the end of 2013.

Combined ratio
Property & Casualty Reinsurance reported a strong combined ratio of 78.8% for the first quarter of 2014, compared to an exceptionally low 69.7% in the prior-year period. The increase was mainly a result of lower net reserve releases from prior years compared to the same period in 2013 as well as a higher impact from large man-made losses.

In both periods the combined ratio benefited from a benign natural catastrophe experience. For the first quarter of 2014 the expected impact from large natural catastrophes was 9.8 percentage points, while the actual impact was 0.9 percentage points. Favourable development of prior accident years also improved the combined ratio by 5.7 percentage points this quarter, compared to 8.2 percentage points in the same quarter of 2013.

Administrative expense ratio
The administrative expense ratio decreased to 8.3% in the first quarter of 2014 compared to 9.1% in 2013, mainly driven by premium growth year-on-year.

Lines of business
The property combined ratio improved slightly to 56.1% in the first quarter of 2014, compared to 56.3% in the first quarter of 2013, reflecting very benign natural catastrophe experience and favourable prior-year development in both periods.

The casualty combined ratio was 112.0% in the first quarter of 2014, compared to 90.0% in 2013. The increase was mainly due to reserve strengthening for US asbestos and for motor business in France.

The specialty combined ratio improved to 59.8% for the first quarter of 2014, compared to 61.4% in 2013, driven by reserve releases for engineering business in Spain and favourable claims experience in marine, partly offset by losses incurred in the credit & surety and aviation lines of business.

Investment result
The return on investments was 3.6% in the first quarter of 2014 compared to 2.6% in the same period of 2013, reflecting an increase in the investment result of USD 111 million. The result was driven by higher net realised gains from sales of equities.

Net investment income decreased by USD 21 million to USD 213 million in the first quarter of 2014, mainly due to reduced investment income from government bonds as the Group currently maintains a shorter interest rate duration position, largely concentrated in Property & Casualty Reinsurance. The associated decrease in income was offset by increased income from corporate bonds, securitised bonds and equity investments, in part due to the 2013 re-balancing of the investment portfolio.

Net realised gains were USD 217 million compared to USD 85 million in the first quarter of 2013, mainly as a result of realised gains from the sale of equities in the current quarter.

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

Return on equity
The annualised return on equity for the first quarter of 2014 was 29.8% compared to 35.5% in the same quarter of 2013. The decrease was mainly due to the higher equity base year-on-year as the dividend payment to the Group was shifted from the first quarter to the second quarter in 2014.

Outlook
We anticipate further rate softening for natural catastrophe cover due to an absence of major losses and abundant capacity in the markets from traditional competitors and alternative sources. As expected, prices came under pressure in this segment in the April renewals. Casualty markets are also softening, though here we have generated business with new clients at attractive rates in the first quarter and expect this to continue.

Our superior risk selection remains a key driver in this softening environment. We believe we are well positioned to support clients in both developed and high growth markets with our expertise, knowledge and services and to meet increased demand for tailored solutions and innovative products.

Life & Health Reinsurance

Net income was USD 51 million for the first quarter of 2014, compared to USD 222 million for the first quarter of 2013. The first quarter of 2014 included realised losses of USD 100 million primarily from an interest rate hedge, while the same period in 2013 included realised gains of USD 111 million, as well as a gain from recaptured life business. Excluding these items, the 2014 results were more positive than in 2013. The improvement was driven by higher investment income, lower interest charges as a result of the 2013 capital structure optimisation and a lower tax rate. These positive changes were partially offset by less favourable experience on variable annuities business.

Net premiums earned and fee income
Premiums earned and fee income increased 15.5% to USD 2.7 billion for 2014, compared to USD 2.3 billion for 2013. The increase was driven by new business across all regions including the business recaptured in the first quarter of 2013, higher health premiums in Asia and a new longevity transaction in the UK.

Operating margin ratio
The operating margin decreased to 9.6% for the first quarter of 2014 compared to 13.6% in the same period of the prior year. Note that the first quarter of last year contained a USD 75 million gain on the recaptured life business.

Administrative expense ratio
The administrative expense ratio declined to 7.5%, compared to 8.2% in 2013 due to the higher volume of premiums and fees.

Lines of business
Operating income for the life business declined 49.6% to USD 127 million for the first quarter of 2014, compared to USD 252 million in the same period of 2013. The 2013 result included the gain from recaptured life business. The 2014 results include less favourable variable annuities business results, partially offset by higher investment income.

Operating income for the health business improved 59.3% to USD 172 million for the first quarter of 2014, compared to USD 108 million for the same period in the prior year. This was driven by growth in health business in Europe and Asia as well as higher investment income.

Investment result
The return on investments for the first quarter of 2014 was 2.8%, compared to 3.9% in the prior-year period, reflecting a reduction in the investment result of USD 110 million. The result in the reporting period was driven by net investment income from government and corporate bonds as well as mark-to-market gains on private equity positions. Net investment income was offset by net realised losses, mostly related to an interest rate hedge.

Net investment income increased by USD 83 million to USD 331 million in the first quarter of 2014, mainly due to gains from private equity investments and the effect of re-balancing the investment portfolio into higher yielding assets in 2013. The running yield increased to 3.8% compared to 3.2% for the same period in 2013.

Net realised losses were USD 82 million compared to net realised gains of USD 111 million in the first quarter of 2013.

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

Shareholders' equity
Return on equity was 3.6% for the first quarter of 2014 compared to 12.6% for the same period in 2013.

Shareholders' equity increased to USD 6.7 billion as of 31 March 2014 from USD 6.2 billion as of 31 December 2013, mainly due to a USD 0.4 billion increase in unrealised gains on available for sale securities and the net income for the first quarter of 2014.

Outlook
Growth in the traditional life business continues to be muted with cession rates decreasing as primary insurers retain more risk, in particular in mature markets. The low interest rate environment also has an unfavourable impact on the growth of long-term life business for our cedants.

We will continue to explore opportunities to write new business at attractive rates through large transactions. We are broadening our solutions and services in high growth markets where growth remains dynamic. We pursue product segments where major demographic and socioeconomic trends are leading to increased demand, for example in health and medical insurance. We are also enhancing our capabilities in product design to help close the protection gap.

The L&H Reinsurance management team is managing the in-force business in order to improve profitability. The asset reallocation programme was mostly completed in 2013, resulting in increased net investment income in the first quarter of 2014. We continued to make good progress on capital and liability management actions and new business growth is within our return on equity hurdle rates.

Corporate Solutions

Net income was USD 80 million in the first quarter of 2014, compared to USD 101 million in the same period of 2013. The 2014 result was driven by continued profitable business growth across most lines of business and higher realised gains, offset by medium and large man-made losses and unfavourable prior-year development.

Net premiums earned
Net premiums earned increased 35.4% to USD 830 million in the first quarter of 2014 compared to USD 613 million in the same period of 2013, driven by continued successful organic growth across most lines of business and the expiry of a major quota share agreement at the end of 2012. Gross premiums written, net of internal fronting for the Reinsurance Business Unit, increased 28.9% in the first quarter of 2014 compared to the same period of 2013. The exceptional growth in gross premiums written includes a large one-off transaction.

Combined ratio
The combined ratio deteriorated by 7.6 percentage points to 95.2% in the first quarter of 2014 from 87.6% in the same period of 2013. The expense ratio decreased to 31.2% in the first quarter of 2014 from 34.4% in the first quarter of 2013, as investment in long-term growth continues to pay off and premium growth more than offset additional expenses.

Lines of business
The property combined ratio for the first quarter of 2014 was 101.5% compared to 77.7% in the same period of 2013, reflecting a larger number of medium-sized man-made losses in the first quarter of 2014 and unfavourable prior-year development, in both periods, compared to the absence of any major natural catastrophe or man-made loss in the same period of 2013.

The casualty combined ratio improved by 10.9 percentage points to 100.0% in the first quarter of 2014. The first quarter of 2013 was impacted by accident & health reserve development.

The credit combined ratio increased to 89.4% in the first quarter of 2014, compared to 69.6% in the same quarter of 2013, driven by a large credit & surety loss in Australia and the absence of any major loss in the same period of 2013.

In other specialty, the combined ratio deteriorated by 2.3 percentage points to 78.6% in the first quarter of 2014 from 76.3% in the first quarter of 2013. Prior-year development was favourable in both periods, though to a lesser extent in 2014, partially offset by an engineering loss in 2014 and a large space loss in the first quarter of 2013.

Investment result
The return on investments was 3.7% in the first quarter of 2014, compared to 3.2% in the same period of 2013, reflecting an increase in the investment result of USD 13 million.

Net investment income decreased by USD 4 million to USD 26 million in the first quarter of 2014, mainly due to reduced gains from alternative investments.

Net realised gains were USD 43 million compared to USD 26 million in the first quarter of 2013, mainly due to additional realised gains from active management of the listed equity portfolio in the reporting period, compared to unfavourable movements in foreign exchange rates in the prior-year period.

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

Corporate Solutions also sells contracts that offer protection against weather perils and other risks related to insurance, accounted as derivatives. Realised gains on these contracts decreased slightly to USD 18 million in the first quarter of 2014 compared to USD 20 million in the same period of 2013.

Return on equity
Annualised return on equity was 12.0% in the first quarter of 2014, compared to 13.1% in the same period of 2013. Shareholders' equity of USD 2.6 billion decreased slightly since December 2013, mainly due to the USD 300 million dividend declared and subsequently paid to the Group, partially offset by first quarter net income.

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

Admin Re®

Admin Re® reported net income of USD 48 million in the first quarter of 2014 compared to USD 78 million in the same period of 2013. The result in the first quarter of 2014 was driven by realised gains. Compared to the prior-year period, the reduction in net income was mainly driven by less favourable year-on-year UK investment market performance impacting the unit-linked portfolio.

Operating revenues
Premiums, fee income and other revenues were USD 236 million in the first quarter of 2014 compared to USD 322 million in the prior-year period. The decrease was mainly due to the less favourable UK market performance mentioned above, as well as the diminishing premiums inherent in a closed life business.

Gross cash generation
Gross cash generation reflects the statutory surplus from life companies less working capital requirements. Admin Re® generated gross cash of USD 202 million in the first quarter of 2014 compared with USD 63 million in the prior-year period. The substantial increase in gross cash generation is following the finalisation of the 2013 UK statutory results and is driven by favourable mortality experience and a review of longevity assumptions. This review led to a one-off increase in gross cash generation of USD 142 million.

Investment result
Return on investments was 4.9% for the first quarter of 2014 compared to 4.7% for the prior-year period. The difference was driven by higher net investment income on corporate and government bonds and realised gains from the sale of government bonds.

Net investment income increased by USD 6 million to USD 229 million in the first quarter of 2014, mainly due to the portfolio re-balancing in 2013.

Net realised gains increased by USD 2 million to USD 54 million in the first quarter of 2014.

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

Expenses
Administrative expenses were USD 87 million in the first quarter of 2014, a decrease of USD 32 million compared to the first quarter of 2013. The decrease was primarily due to a one-off property write-down and higher deal-related costs in the first quarter of 2013.

Return on equity
The annualised return on equity was 3.2% in the first quarter of the year, 1.6 percentage points lower than in the prior-year period, driven by lower net income.

Shareholders' equity
Shareholders' equity increased by USD 344 million to USD 6.1 billion compared to 31 December 2013, mainly due to higher unrealised gains in the reporting period.

Outlook
Admin Re® aims to pursue selective growth opportunities in the UK, taking advantage of its unique and scalable platform. All transactions must meet Group investment criteria and hurdle rates. An external credit facility of GBP 550 million was established which improved Admin Re®'s financial flexibility as it lowers the weighted average cost of capital and allows for partial debt funding of new transactions. Admin Re® also aims to improve efficiency, achieve capital and tax synergies, and to actively manage its asset portfolios and blocks of business. Through these actions Admin Re® aims to generate approximately USD 900 million in cash from 2014 through 2016, and to pay dividends to the Group of the same amount.

Outlook

Our top priority is to deliver on our 2011–2015 financial targets.

The April treaty renewals saw volume increased by 14% amid rising competition over price. Prices are still at attractive levels for Swiss Re's renewed portfolio. This also applies to natural catastrophe business, where prices softened for all markets.

Swiss Re successfully diversified its portfolio by writing less natural catastrophe business and expanding into casualty, which has seen profitable growth across all regions. This is in line with Swiss Re's continuing strategy to allocate capital to lines of business with the most attractive returns.

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Income statement (unaudited)

For the three months ended 31 March

USD millions	Note	2013	2014
Revenues			
Premiums earned	3	6617	**7428**
Fee income from policyholders	3	165	**123**
Net investment income/loss – non-participating business	6	941	**1007**
Net realised investment gains/losses – non-participating business (total impairments for the three months ended 31 March were 12 in 2013 and 5 in 2014, of which 12 and 5, respectively, were recognised in earnings)	6	208	**285**
Net investment result – unit-linked and with-profit business	6	2133	**99**
Other revenues		5	**2**
Total revenues		10069	**8944**
Expenses			
Claims and claim adjustment expenses	3	–1808	**–2456**
Life and health benefits	3	–2127	**–2468**
Return credited to policyholders		–2139	**–152**
Acquisition costs	3	–1057	**–1359**
Other expenses		–817	**–786**
Interest expenses		–188	**–188**
Total expenses		–8136	**–7409**
Income before income tax expense		1933	**1535**
Income tax expense		–535	**–291**
Net income before attribution of non-controlling interests		1398	**1244**
Income/loss attributable to non-controlling interests		0	**–1**
Net income after attribution of non-controlling interests		1398	**1243**
Interest on contingent capital instruments		–18	**–17**
Net income attributable to common shareholders		1380	**1226**
Earnings per share in USD			
Basic	10	4.02	**3.58**
Diluted	10	3.67	**3.28**
Earnings per share in CHF[1]			
Basic	10	3.72	**3.20**
Diluted	10	3.40	**2.93**

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

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

Statement of comprehensive income (unaudited)

For the three months ended 31 March

USD millions	2013	2014
Net income before attribution of non-controlling interests	1 398	**1 244**
Other comprehensive income, net of tax:		
Change in unrealised gains/losses	–452	**829**
Change in other-than-temporary impairment	6	**2**
Change in foreign currency translation	–321	**–3**
Change in adjustment for pension benefits	46	
Total comprehensive income before attribution of non-controlling interests	677	**2 072**
Interest on contingent capital instruments	–18	**–17**
Comprehensive income attributable to non-controlling interests		**–1**
Total comprehensive income attributable to common shareholders	659	**2 054**

Reclassification out of accumulated other comprehensive income
For the three months ended 31 March

2013 USD millions	Unrealised gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	4 407	–28	–3 609	–953	**–183**
Change during the period	–367	9	–254	46	**–566**
Amounts reclassified out of accumulated other comprehensive income	–278			14	**–264**
Tax	193	–3	–67	–14	**109**
Balance as of period end	**3 955**	**–22**	**–3 930**	**–907**	**–904**

2014 USD millions	Unrealised gains/losses[1]	Other-than-temporary impairment[1]	Foreign currency translation[1,2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	1 622	–6	–3 897	–534	**–2 815**
Change during the period	1 559	3	–27	–4	**1 531**
Amounts reclassified out of accumulated other comprehensive income	–383			10	**–373**
Tax	–347	–1	24	–6	**–330**
Balance as of period end	**2 451**	**–4**	**–3 900**	**–534**	**–1 987**

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

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

Balance sheet (unaudited)

Assets

USD millions	Note	31.12.2013	31.03.2014
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale, at fair value (including 11 720 in 2013 and 15 409 in 2014 subject to securities lending and repurchase agreements) (amortised cost: 2013: 76 349; 2014: 77 319)		77 761	**80 145**
Trading (including 1 in 2013 and 0 in 2014 subject to securities lending and repurchase agreements)		1 535	**1 829**
Equity securities:			
Available-for-sale, at fair value (including 65 in 2013 and 22 in 2014 subject to securities lending and repurchase agreements) (cost: 2013: 6 110; 2014: 3 770)		7 076	**4 450**
Trading		615	**474**
Policy loans, mortgages and other loans		2 895	**3 029**
Investment real estate		825	**824**
Short-term investments at fair value (including 4 425 in 2013 and 4 736 in 2014 subject to securities lending and repurchase agreements)		20 989	**20 451**
Other invested assets		11 164	**14 823**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 585 in 2013 and 4 527 in 2014, equity securities trading: 21 180 in 2013 and 21 005 in 2014)		27 215	**26 982**
Total investments		150 075	**153 007**
Cash and cash equivalents (including 4 in 2013 and 198 in 2014 subject to securities lending)		8 072	**10 344**
Accrued investment income		1 018	**1 038**
Premiums and other receivables		12 276	**15 447**
Reinsurance recoverable on unpaid claims and policy benefits		8 327	**7 994**
Funds held by ceding companies		12 400	**12 183**
Deferred acquisition costs	5	4 756	**5 167**
Acquired present value of future profits	5	3 537	**3 487**
Goodwill		4 109	**4 109**
Income taxes recoverable		490	**205**
Deferred tax assets		5 763	**5 585**
Other assets		2 697	**4 470**
Total assets		213 520	**223 036**

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

Liabilities and equity

USD millions	Note	31.12.2013	31.03.2014
Liabilities			
Unpaid claims and claim adjustment expenses		61 484	**61 381**
Liabilities for life and health policy benefits	7	36 033	**35 838**
Policyholder account balances		31 177	**30 996**
Unearned premiums		10 334	**13 127**
Funds held under reinsurance treaties		3 551	**3 781**
Reinsurance balances payable		2 370	**2 499**
Income taxes payable		660	**271**
Deferred and other non-current tax liabilities		8 242	**8 541**
Short-term debt	9	3 818	**3 523**
Accrued expenses and other liabilities		8 152	**13 242**
Long-term debt	9	14 722	**14 790**
Total liabilities		180 543	**187 989**
Equity			
Contingent capital instruments		1 102	**1 102**
Common stock, CHF 0.10 par value			
2013: 370 706 931; 2014: 370 706 931 shares authorised and issued[1]		35	**35**
Additional paid-in capital		4 963	**4 990**
Treasury shares, net of tax		–1 099	**–1 111**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		1 622	**2 451**
Other-than-temporary impairment, net of tax		–6	**–4**
Cumulative translation adjustments, net of tax		–3 897	**–3 900**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–534	**–534**
Total accumulated other comprehensive income		–2 815	**–1 987**
Retained earnings		30 766	**31 992**
Shareholders' equity		32 952	**35 021**
Non-controlling interests		25	**26**
Total equity		32 977	**35 047**
Total liabilities and equity		213 520	**223 036**

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

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

Statement of equity (unaudited)

For the twelve months ended 31 December and the three months ended 31 March

USD millions	2013	2014
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Balance as of period end	35	**35**
Additional paid-in capital		
Balance as of 1 January	7 721	**4 963**
Share-based compensation	14	**13**
Realised gains/losses on treasury shares	–12	**14**
Dividends on common shares[1]	–2 760	
Balance as of period end	4 963	**4 990**
Treasury shares, net of tax		
Balance as of 1 January	–995	**–1 099**
Purchase of treasury shares	–290	**–26**
Issuance of treasury shares, including share-based compensation to employees	186	**14**
Balance as of period end	–1 099	**–1 111**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	4 407	**1 622**
Changes during the period	–2 785	**829**
Balance as of period end	1 622	**2 451**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–28	**–6**
Changes during the period	22	**2**
Balance as of period end	–6	**–4**
Foreign currency translation, net of tax		
Balance as of 1 January	–3 609	**–3 897**
Changes during the period	–288	**–3**
Balance as of period end	–3 897	**–3 900**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–953	**–534**
Changes during the period	419	
Balance as of period end	–534	**–534**
Retained earnings		
Balance as of 1 January	26 322	**30 766**
Net income after attribution of non-controlling interests	4 511	**1 243**
Interest on contingent capital instruments, net of tax	–67	**–17**
Balance as of period end	30 766	**31 992**
Shareholders' equity	32 952	**35 021**
Non-controlling interests		
Balance as of 1 January	24	**25**
Changes during the period	–1	
Income attributable to non-controlling interests	2	**1**
Balance as of period end	25	**26**
Total equity	32 977	**35 047**

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

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

Statement of cash flow (unaudited)

For the three months ended 31 March

USD millions	2013	2014
Cash flows from operating activities		
Net income attributable to common shareholders	1 380	**1 226**
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[1]	151	**96**
Net realised investment gains/losses	–2 145	**–130**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net[1]	1 094	**–1 221**
Funds held by ceding companies and under reinsurance treaties[1]	356	**457**
Reinsurance recoverable on unpaid claims and policy benefits	270	**356**
Other assets and liabilities, net[1]	16	**–33**
Income taxes payable/recoverable	344	**44**
Income from equity-accounted investees, net of dividends received	36	**32**
Trading positions, net	815	**1 135**
Securities purchased/sold under agreement to resell/repurchase, net	–865	**–1 317**
Net cash provided/used by operating activities	1 452	**646**
Cash flows from investing activities		
Fixed income securities:		
Sales	23 222	**16 446**
Maturities	1 054	**861**
Purchases	–23 784	**–18 440**
Net purchase/sale/maturities of short-term investments	–741	**706**
Equity securities:		
Sales	338	**3 395**
Purchases	–501	**–738**
Net purchases/sales/maturities of other investments	–4	**–295**
Net cash provided/used by investing activities	–416	**1 935**
Cash flows from financing activities		
Issuance/repayment of long-term debt	634	**–27**
Issuance/repayment of short-term debt	–55	**–292**
Purchase/sale of treasury shares	–10	**–26**
Net cash provided/used by financing activities	569	**–345**
Total net cash provided/used	1 605	**2 236**
Effect of foreign currency translation	–284	**36**
Change in cash and cash equivalents	1 321	**2 272**
Cash and cash equivalents as of 1 January	10 837	**8 072**
Cash and cash equivalents as of 31 March	12 158	**10 344**

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

Interest paid was USD 122 million and USD 94 million for the periods ended 31 March 2013 and 2014, respectively.

Tax paid was USD 106 million and USD 245 million for the periods ended 31 March 2013 and 2014, respectively.

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

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Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

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

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

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

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

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated 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 March 2014, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

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

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

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

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

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

2 Information on business segments

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

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

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

The Group operating segments are outlined below.

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

Property & Casualty includes the business lines property, casualty including motor, and specialty. Life & Health includes the life and health sub-segments.

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

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

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

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

a) Business segments – income statement
For the three months ended 31 March

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	3 534	2 299	613	171			6 617
Fee income from policyholders		14		151			165
Net investment income – non-participating	273	330	29	287	31	–9	941
Net realised investment gains – non-participating	67	106	47	5	–17		208
Net investment result – unit-linked and with-profit		99		2 034			2 133
Other revenues	15		1		62	–73	5
Total revenues	3 889	2 848	690	2 648	76	–82	10 069
Expenses							
Claims and claim adjustment expenses	–1 481		–326		–1		–1 808
Life and health benefits		–1 734		–393			–2 127
Return credited to policyholders		–111		–2 028			–2 139
Acquisition costs	–662	–315	–71	–9			–1 057
Other expenses	–321	–217	–140	–119	–83	63	–817
Interest expenses	–40	–151		–11	–5	19	–188
Total expenses	–2 504	–2 528	–537	–2 560	–89	82	–8 136
Income/loss before income tax expense	1 385	320	153	88	–13	0	1 933
Income tax expense/benefit	–371	–85	–52	–10	–17		–535
Net income/loss before attribution of non-controlling interests	1 014	235	101	78	–30	0	1 398
Income/loss attributable to non-controlling interests							0
Net income/loss after attribution of non-controlling interests	1 014	235	101	78	–30	0	1 398
Interest on contingent capital instruments	–5	–13					–18
Net income/loss attributable to common shareholders	1 009	222	101	78	–30	0	1 380
Claims ratio in %	41.9		53.2				43.6
Expense ratio in %	27.8		34.4				28.8
Combined ratio in %	69.7		87.6				72.4
Management expense ratio in %		8.2					
Operating margin in %		13.6					

Business segments – income statement
For the three months ended 31 March

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	3 813	2 659	830	126			7 428
Fee income from policyholders		13		110			123
Net investment income – non-participating	225	414	21	312	39	–4	1 007
Net realised investment gains – non-participating	233	–70	63	51	8		285
Net investment result – unit-linked and with-profit		–54		153			99
Other revenues	12				78	–88	2
Total revenues	**4 283**	**2 962**	**914**	**752**	**125**	**–92**	**8 944**
Expenses							
Claims and claim adjustment expenses	–1 923		–531		–2		–2 456
Life and health benefits		–2 130		–338			–2 468
Return credited to policyholders		46		–198			–152
Acquisition costs	–764	–449	–101	–45			–1 359
Other expenses	–317	–230	–158	–87	–72	78	–786
Interest expenses	–62	–123		–12	–5	14	–188
Total expenses	**–3 066**	**–2 886**	**–790**	**–680**	**–79**	**92**	**–7 409**
Income/loss before income tax expense	**1 217**	**76**	**124**	**72**	**46**	**0**	**1 535**
Income tax expense/benefit	–208	–13	–44	–24	–2		–291
Net income before attribution of non-controlling interests	**1 009**	**63**	**80**	**48**	**44**	**0**	**1 244**
Income/loss attributable to non-controlling interests	–1						–1
Net income after attribution of non-controlling interests	**1 008**	**63**	**80**	**48**	**44**	**0**	**1 243**
Interest on contingent capital instruments	–5	–12					–17
Net income attributable to common shareholders	**1 003**	**51**	**80**	**48**	**44**	**0**	**1 226**
Claims ratio in %	50.4		64.0				52.8
Expense ratio in %	28.4		31.2				28.9
Combined ratio in %	78.8		95.2				81.7
Management expense ratio in %		7.5					
Operating margin in %		9.6					

Business segments – balance sheet
As of 31 December

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	24 986	29 588	4 644	20 014	64		79 296
Equity securities	4 017	1 333	981		1 360		7 691
Other investments	10 080	3 179	169	1 800	5 561	–5 905	14 884
Short-term investments	13 297	4 113	1 595	1 474	510		20 989
Investments for unit-linked and with-profit business		988		26 227			27 215
Cash and cash equivalents	5 288	166	562	1 748	308		8 072
Deferred acquisition costs	1 591	2 845	319	1			4 756
Acquired present value of future profits		1 451		2 086			3 537
Reinsurance recoverable	4 752	1 756	8 228	323		–6 732	8 327
Other reinsurance assets	11 457	9 286	2 422	3 475	3	–1 967	24 676
Goodwill	2 057	2 035	17				4 109
Other	8 938	3 759	988	919	207	–4 843	9 968
Total assets	86 463	60 499	19 925	58 067	8 013	–19 447	213 520
Liabilities							
Unpaid claims and claim adjustment expenses	45 578	9 869	11 549	1 205	15	–6 732	61 484
Liabilities for life and health policy benefits		17 392	232	18 415		–6	36 033
Policyholder account balances		1 595		29 582			31 177
Other reinsurance liabilities	11 591	2 116	4 355	620	6	–2 433	16 255
Short-term debt	798	3 730		646	1 285	–2 641	3 818
Long-term debt	4 700	10 627				–605	14 722
Other	10 523	8 940	1 010	1 795	1 775	–6 989	17 054
Total liabilities	73 190	54 269	17 146	52 263	3 081	–19 406	180 543
Shareholders' equity	13 256	6 230	2 771	5 804	4 932	–41	32 952
Non-controlling interests	17		8				25
Total equity	13 273	6 230	2 779	5 804	4 932	–41	32 977
Total liabilities and equity	86 463	60 499	19 925	58 067	8 013	–19 447	213 520

Business segments – balance sheet
As of 31 March

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	26 665	30 243	4 753	20 247	66		81 974
Equity securities	2 661	381	793		1 089		4 924
Other investments	13 982	3 443	151	1 923	5 785	–6 608	18 676
Short-term investments	12 235	4 934	1 824	1 197	261		20 451
Investments for unit-linked and with-profit business		910		26 072			26 982
Cash and cash equivalents	6 406	924	608	2 005	401		10 344
Deferred acquisition costs	1 992	2 869	305	1			5 167
Acquired present value of future profits		1 429		2 058			3 487
Reinsurance recoverable	4 496	1 750	8 039	310		–6 601	7 994
Other reinsurance assets	13 936	9 497	2 414	3 556	4	–1 777	27 630
Goodwill	2 057	2 035	17				4 109
Other	10 043	4 254	1 001	1 056	733	–5 789	11 298
Total assets	**94 473**	**62 669**	**19 905**	**58 425**	**8 339**	**–20 775**	**223 036**
Liabilities							
Unpaid claims and claim adjustment expenses	44 962	10 189	11 624	1 201	12	–6 607	61 381
Liabilities for life and health policy benefits		17 287	235	18 316			35 838
Policyholder account balances		1 515		29 481			30 996
Other reinsurance liabilities	14 507	2 379	4 198	557	7	–2 241	19 407
Short-term debt	789	3 731		650	998	–2 645	3 523
Long-term debt	4 753	10 652				–615	14 790
Other	15 029	10 215	1 272	2 072	2 089	–8 623	22 054
Total liabilities	**80 040**	**55 968**	**17 329**	**52 277**	**3 106**	**–20 731**	**187 989**
Shareholders' equity	**14 416**	**6 701**	**2 567**	**6 148**	**5 233**	**–44**	**35 021**
Non-controlling interests	17		9				26
Total equity	**14 433**	**6 701**	**2 576**	**6 148**	**5 233**	**–44**	**35 047**
Total liabilities and equity	**94 473**	**62 669**	**19 905**	**58 425**	**8 339**	**–20 775**	**223 036**

b) Property & Casualty Reinsurance business segment – by line of business
For the three months ended 31 March

2013 USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 658	1 324	552	3 534
Expenses				
Claims and claim adjustment expenses	–617	–683	–181	–1 481
Acquisition costs	–149	–395	–118	–662
Other expenses	–168	–113	–40	–321
Total expenses before interest expenses	–934	–1 191	–339	–2 464
Underwriting result	724	133	213	1 070
Net investment income				273
Net realised investment gains/losses				67
Other revenues				15
Interest expenses				–40
Income before income tax expenses				1 385
Claims ratio in %	37.2	51.6	32.8	41.9
Expense ratio in %	19.1	38.4	28.6	27.8
Combined ratio in %	56.3	90.0	61.4	69.7

Property & Casualty Reinsurance business segment – by line of business
For the three months ended 31 March

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	**1 738**	**1 511**	**564**	**3 813**
Expenses				
Claims and claim adjustment expenses	–575	–1 178	–170	–1 923
Acquisition costs	–248	–406	–110	–764
Other expenses	–152	–108	–57	–317
Total expenses before interest expenses	**–975**	**–1 692**	**–337**	**–3 004**
Underwriting result	**763**	**–181**	**227**	**809**
Net investment income				225
Net realised investment gains/losses				233
Other revenues				12
Interest expenses				–62
Income before income tax expenses				**1 217**
Claims ratio in %	33.1	78.0	30.2	50.4
Expense ratio in %	23.0	34.0	29.6	28.4
Combined ratio in %	56.1	112.0	59.8	78.8

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c) Life & Health Reinsurance business segment – by line of business
For the three months ended 31 March

2013 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 540	759	2 299
Fee income from policyholders	14		14
Net investment income – non-participating	211	119	330
Net investment income – unit-linked and with-profit	2		2
Net realised investment gains/losses – unit-linked and with-profit	97		97
Net realised investment gains/losses – insurance-related derivatives	–7	2	–5
Total revenues before non-participating realised gains/losses	1 857	880	2 737
Expenses			
Life and health benefits	–1 125	–609	–1 734
Return credited to policyholders	–111		–111
Acquisition costs	–211	–104	–315
Other expenses	–158	–59	–217
Total expenses before interest expenses	–1 605	–772	–2 377
Operating income	252	108	360
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			111
Interest expenses			–151
Income before income tax expenses			320
Management expense ratio in %	9.0	6.7	8.2
Operating margin[1] in %	14.3	12.3	13.6

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

Life & Health Reinsurance business segment – by line of business
For the three months ended 31 March

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 733	926	2 659
Fee income from policyholders	13		13
Net investment income – non-participating	248	166	414
Net investment income – unit-linked and with-profit	2		2
Net realised investment gains/losses – unit-linked and with-profit	–56		–56
Net realised investment gains/losses – insurance-related derivatives	30		30
Total revenues before non-participating realised gains/losses	**1 970**	**1 092**	**3 062**
Expenses			
Life and health benefits	–1 421	–709	–2 130
Return credited to policyholders	46		46
Acquisition costs	–300	–149	–449
Other expenses	–168	–62	–230
Total expenses before interest expenses	**–1 843**	**–920**	**–2 763**
Operating income	**127**	**172**	**299**
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			–100
Interest expenses			–123
Income before income tax expenses			**76**
Management expense ratio in %	8.4	5.7	7.5
Operating margin[1] in %	6.3	15.8	9.6

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

3 Insurance information

For the three months ended 31 March

Premiums earned and fees assessed against policyholders

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		135	567	187		889
Reinsurance	4 162	2 529	116	46		6 853
Intra-group transactions (assumed and ceded)	–44	55	44	–55		0
Premiums earned before retrocession to external parties	4 118	2 719	727	178		7 742
Reinsurance ceded to external parties	–584	–420	–114	–7		–1 125
Net premiums earned	3 534	2 299	613	171	0	6 617
Fee income from policyholders, thereof:						
Direct				126		126
Reinsurance		14		25		39
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		14		151		165
Fee income ceded to external parties						0
Net fee income	0	14	0	151	0	165

For the three months ended 31 March

Premiums earned and fees assessed against policyholders

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		195	677	160		1 032
Reinsurance	4 017	2 703	128	42		6 890
Intra-group transactions (assumed and ceded)	–69	65	69	–65		0
Premiums earned before retrocession to external parties	3 948	2 963	874	137		7 922
Reinsurance ceded to external parties	–135	–304	–44	–11		–494
Net premiums earned	**3 813**	**2 659**	**830**	**126**	**0**	**7 428**
Fee income from policyholders, thereof:						
Direct				87		87
Reinsurance		13		23		36
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties		13		110		123
Fee income ceded to external parties						0
Net fee income	**0**	**13**	**0**	**110**	**0**	**123**

For the three months ended 31 March

Claims and claim adjustment expenses

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–2 452	–2 045	–475	–517		–5 489
Intra-group transactions (assumed and ceded)	–138	–135	141	132		0
Claims before receivables from retrocession to external parties	–2 590	–2 180	–334	–385		–5 489
Receivables from retrocession to external parties	458	408	97	14		977
Net claims paid	–2 132	–1 772	–237	–371	0	–4 512
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	713	–22	80	68	–1	838
Intra-group transactions (assumed and ceded)	171	88	–174	–85		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	884	66	–94	–17	–1	838
Reinsurance ceded to external parties	–233	–28	5	–5		–261
Net unpaid claims and claim adjustment expenses; life and health benefits	651	38	–89	–22	–1	577
Claims and claim adjustment expenses; life and health benefits	–1 481	–1 734	–326	–393	–1	–3 935

Acquisition costs

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–880	–519	–90	–10		–1 499
Intra-group transactions (assumed and ceded)	8	–1	–8	1		0
Acquisition costs before impact of retrocession to external parties	–872	–520	–98	–9		–1 499
Retrocession to external parties	210	205	27			442
Net acquisition costs	–662	–315	–71	–9	0	–1 057

For the three months ended 31 March

Claims and claim adjustment expenses

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–2 363	–2 216	–549	–523	–6	–5 657
Intra-group transactions (assumed and ceded)	–201	–61	201	61		0
Claims before receivables from retrocession to external parties	–2 564	–2 277	–348	–462	–6	–5 657
Receivables from retrocession to external parties	273	302	86	21		682
Net claims paid	**–2 291**	**–1 975**	**–262**	**–441**	**–6**	**–4 975**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	492	–157	–61	119	4	397
Intra-group transactions (assumed and ceded)	156	12	–156	–12		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	648	–145	–217	107	4	397
Reinsurance ceded to external parties	–280	–10	–52	–4		–346
Net unpaid claims and claim adjustment expenses; life and health benefits	**368**	**–155**	**–269**	**103**	**4**	**51**
Claims and claim adjustment expenses; life and health benefits	**–1 923**	**–2 130**	**–531**	**–338**	**–2**	**–4 924**

Acquisition costs

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	–807	–493	–99	–45		–1 444
Intra-group transactions (assumed and ceded)	10		–10			0
Acquisition costs before impact of retrocession to external parties	–797	–493	–109	–45		–1 444
Retrocession to external parties	33	44	8			85
Net acquisition costs	**–764**	**–449**	**–101**	**–45**	**0**	**–1 359**

Reinsurance receivables

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

USD millions	2013	**2014**
Premium receivables invoiced	1 482	1 910
Receivables invoiced from ceded re/insurance business	446	738
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	1 273	821
Recognised allowance	–101	–103

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the three months ended 31 March 2013 and 2014, the relative percentage of participating insurance of the life and health policy benefits was 8%. The amount of policyholder dividend expense for the three months ended 31 March 2013 and 2014 was USD 43 million and USD 26 million, respectively.

4 Premiums written

For the three months ended 31 March

2013 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		241	479	202			922
Reinsurance	6 631	2 587	112	46			9 376
Intra-group transactions (assumed)	174	55	71			–300	0
Gross premiums written	6 805	2 883	662	248		–300	10 298
Intra-group transactions (ceded)	–71		–174	–55		300	0
Gross premiums written before retrocession to external parties	6 734	2 883	488	193			10 298
Reinsurance ceded to external parties	–152	–417	–45	–7			–621
Net premiums written	6 582	2 466	443	186	0	0	9 677

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		385	585	177			1 147
Reinsurance	6 571	2 779	195	42			9 587
Intra-group transactions (assumed)	147	66	43			–256	0
Gross premiums written	6 718	3 230	823	219		–256	10 734
Intra-group transactions (ceded)	–43		–147	–66		256	0
Gross premiums written before retrocession to external parties	6 675	3 230	676	153			10 734
Reinsurance ceded to external parties	–17	–303	–47	–11			–378
Net premiums written	**6 658**	**2 927**	**629**	**142**	**0**	**0**	**10 356**

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

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

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

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Opening balance as of 1 January 2014	1 591	2 845	319	1	0	4 756
Deferred	1 160	133	89			1 382
Effect of acquisitions/disposals and retrocessions						0
Amortisation	–750	–114	–103			–967
Effect of foreign currency translation	–9	5				–4
Closing balance as of 31 March 2014	**1 992**	**2 869**	**305**	**1**	**0**	**5 167**

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

As of 31 December 2013 and 31 March 2014, the PVFP was as follows:

			2013			**2014**
USD millions	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance	1 358	1 665	3 023	1 451	2 086	3 537
Effect of acquisitions/disposals and retrocessions	206	–30	176			0
Amortisation	–151	–184	–335	–36	–36	–72
Interest accrued on unamortised PVFP	35	186	221	11		11
Effect of foreign currency translation	3	44	47	3	10	13
Effect of change in unrealised gains/losses		405	405		–2	–2
Closing balance	1 451	2 086	3 537	**1 429**	**2 058**	**3 487**

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

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the three months ended 31 March was as follows:

USD millions	2013	2014
Fixed income securities	658	689
Equity securities	16	20
Policy loans, mortgages and other loans	28	33
Investment real estate	36	36
Short-term investments	30	27
Other current investments	27	27
Share in earnings of equity-accounted investees	52	98
Cash and cash equivalents	10	9
Net result from deposit-accounted contracts	36	24
Deposits with ceding companies	146	148
Gross investment income	1 039	**1 111**
Investment expenses	–93	–90
Interest charged for funds held	–5	–14
Net investment income – non-participating	941	**1 007**

Dividends received from investments accounted for using the equity method were USD 88 million and USD 130 million for the three months ended 31 March 2013 and 2014, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) for the three months ended 31 March was as follows:

USD millions	2013	2014
Fixed income securities available-for-sale:		
Gross realised gains	398	203
Gross realised losses	–139	–106
Equity securities available-for-sale:		
Gross realised gains	72	304
Gross realised losses	–5	–27
Other-than-temporary impairments	–12	–5
Net realised investment gains/losses on trading securities	–4	4
Change in net unrealised investment gains/losses on trading securities	1	17
Other investments:		
Net realised/unrealised gains/losses	–4	–156
Net realised/unrealised gains/losses on insurance-related derivatives	–46	30
Foreign exchange gains/losses	–53	21
Net realised investment gains/losses – non-participating	208	**285**

Investment result – unit-linked and with-profit business

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

Net investment result on unit-linked and with-profit business credited to policyholders for the three months ended 31 March was as follows:

USD millions	2013 Unit-linked	2013 With-profit	2014 Unit-linked	2014 With-profit
Investment income – fixed income securities	31	23	29	22
Investment income – equity securities	128	8	188	11
Investment income – other	3	3	3	1
Total investment income – unit-linked and with-profit business	162	34	**220**	**34**
Realised gains/losses – fixed income securities	10	4	31	34
Realised gains/losses – equity securities	1 849	99	–209	–12
Realised gains/losses – other	12	–37	2	–1
Total realised gains/losses – unit-linked and with-profit business	1 871	66	**–176**	**21**
Total net investment result – unit-linked and with-profit business	2 033	100	**44**	**55**

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairment related to credit losses recognised in earnings for the three months ended 31 March was as follows:

USD millions	2013	2014
Balance as of 1 January[1]	310	228
Credit losses for which an other-than-temporary impairment was not previously recognised		
Reductions for securities sold during the period	–29	–25
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	7	
Impact of increase in cash flows expected to be collected	–6	–9
Impact of foreign exchange movements	14	1
Balance as of 31 March	296	**195**

[1] During 2013 the Group revised the other-than-temporary impairment on fixed income securities related to credit losses. The revision had no impact on net income and shareholders' equity of the Group.

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2013 and 31 March 2014 were as follows:

2013 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	6 027	143	–113		6 057
US Agency securitised products	3 970	36	–75		3 931
States of the United States and political subdivisions of the states	953	10	–48		915
United Kingdom	11 255	344	–351		11 248
Canada	3 063	315	–67		3 311
Germany	4 386	96	–37		4 445
France	2 727	113	–12		2 828
Other	7 185	181	–274		7 092
Total	39 566	1 238	–977		39 827
Corporate debt securities	30 464	1 477	–528	–4	31 409
Mortgage- and asset-backed securities	6 319	284	–74	–4	6 525
Fixed income securities available-for-sale	76 349	2 999	–1 579	–8	77 761
Equity securities available-for-sale	6 110	1 047	–81		7 076

2014 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	7 148	244	–50		7 342
US Agency securitised products	3 794	36	–55		3 775
States of the United States and political subdivisions of the states	961	31	–20		972
United Kingdom	11 033	410	–137		11 306
Canada	2 635	378	–41		2 972
Germany	4 720	161	–13		4 868
France	2 969	174	–7		3 136
Other	7 372	217	–194		7 395
Total	40 632	1 651	–517		41 766
Corporate debt securities	30 663	1 776	–308	–4	32 127
Mortgage- and asset-backed securities	6 024	284	–54	–2	6 252
Fixed income securities available-for-sale	**77 319**	**3 711**	**–879**	**–6**	**80 145**
Equity securities available-for-sale	**3 770**	**765**	**–85**		**4 450**

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

Investments trading

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

USD millions	2013	2014
Debt securities issued by governments and government agencies	1 202	1 564
Corporate debt securities	145	82
Mortgage- and asset-backed securities	188	183
Fixed income securities trading – non-participating	1 535	**1 829**
Equity securities trading – non-participating	615	**474**

Investments held for unit-linked and with-profit business

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

		2013		2014
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 541	2 044	2 529	1 998
Equity securities trading	20 252	928	20 083	922
Investment real estate	517	386	611	445
Other invested assets	547		394	
Total investments for unit-linked and with-profit business	23 857	3 358	**23 617**	**3 365**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2013 and 31 March 2014 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2013 and 31 March 2014, USD 11 476 million and USD 11 426 million, respectively, of fixed income securities available-for-sale were callable.

		2013		2014
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 308	3 305	3 867	3 851
Due after one year through five years	19 308	19 697	19 696	20 197
Due after five years through ten years	14 243	14 522	15 149	15 687
Due after ten years	33 370	33 911	32 703	34 278
Mortgage- and asset-backed securities with no fixed maturity	6 120	6 326	5 904	6 132
Total fixed income securities available-for-sale	76 349	77 761	**77 319**	**80 145**

Assets pledged

As of 31 March 2014, investments with a carrying value of USD 8 345 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 11 832 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2013 and 31 March 2014, securities of USD 16 215 million and USD 20 365 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of USD 1 991 million and USD 4 171 million, respectively, were recognised in accrued expenses and other liabilities.

As of 31 March 2014, a real estate portfolio with a carrying value of USD 261 million serves as collateral for short-term senior operational debt of USD 736 million.

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

As of 31 December 2013 and 31 March 2014, the fair value of the equity securities and the government and corporate bond securities received as collateral was USD 4 367 million and USD 6 216 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2013 and 31 March 2014 was USD 1 472 million and USD 2 051 million, respectively. The sources of the collateral are reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2013 and 31 March 2014 was as follows:

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

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

2014 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	4069	–3150	919	–168	**751**
Reverse repurchase agreements	5949	–1578	4371	–4365	**6**
Securities borrowing	148		148	–148	**0**
Total	**10166**	**–4728**	**5438**	**–4681**	**757**

2014 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–4207	2782	–1425	85	**–1340**
Repurchase agreements	–2610	1578	–1032	1028	**–4**
Securities lending	–3139		–3139	2938	**–201**
Total	**–9956**	**4360**	**–5596**	**4051**	**–1545**

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

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2013 and 31 March 2014. As of 31 December 2013 and 31 March 2014, USD 77 million and USD 81 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 4 million and USD 4 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	2874	113			2874	113
US Agency securitised products	2248	71	41	4	2289	75
States of the United States and political subdivisions of the states	703	48			703	48
United Kingdom	6973	351			6973	351
Canada	938	65	11	2	949	67
Germany	1697	33	199	4	1896	37
France	506	10	47	2	553	12
Other	3392	198	646	76	4038	274
Total	19331	889	944	88	20275	977
Corporate debt securities	12189	494	319	38	12508	532
Mortgage- and asset-backed securities	1834	47	565	31	2399	78
Total	33354	1430	1828	157	35182	1587

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	1585	50			1585	50
US Agency securitised products	2575	53	33	2	2608	55
States of the United States and political subdivisions of the states	416	20			416	20
United Kingdom	4863	137			4863	137
Canada	727	40	12	1	739	41
Germany	727	6	202	7	929	13
France	174	4	56	3	230	7
Other	2780	127	698	67	3478	194
Total	13847	437	1001	80	14848	517
Corporate debt securities	8912	278	385	34	9297	312
Mortgage- and asset-backed securities	1382	30	529	26	1911	56
Total	**24141**	**745**	**1915**	**140**	**26056**	**885**

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

USD millions	2013	**2014**
Policy loans	270	264
Mortgage loans	1 801	1 832
Other loans	824	933
Investment real estate	825	824

The fair value of the real estate as of 31 December 2013 and 31 March 2014 was USD 2 551 million and USD 2 566 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

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

Depreciation expense related to income-producing properties was USD 6 million and USD 7 million for the three months ended 31 March 2013 and 2014, respectively. Accumulated depreciation on investment real estate totalled USD 577 million and USD 586 million as of 31 December 2013 and 31 March 2014, respectively.

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

7 Fair value disclosures

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

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

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

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

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the three months ended 31 March 2014, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

Values of mortgage and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. The two largest categories 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" mainly includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

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

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

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

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

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

Governance around level 3 fair valuation

The Group Risk & Capital Committee, chaired by the Group Chief Risk Officer, has a primary responsibility for governing and overseeing all of the Group's valuation policies and operating parameters (including level 3 measurements). The Group Risk & Capital Committee ultimately delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee, which is a management control committee. 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 2013 and 31 March 2014, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2013 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	5454	73180	662		79296
Debt securities issued by US government and government agencies	5454	1537			6991
US Agency securitised products		3946			3946
Debt securities issued by non-US governments and government agencies		30092			30092
Corporate debt securities		30904	650		31554
Mortgage and asset-backed securities		6701	12		6713
Fixed income securities backing unit-linked and with-profit life and health policies		4585			4585
Equity securities	28257	565	49		28871
Equity securities backing unit-linked and with-profit life and health policies	21169	11			21180
Equity securities held for proprietary investment purposes	7088	554	49		7691
Derivative financial instruments	31	3563	505	–2877	1222
Interest rate contracts	8	2372			2380
Foreign exchange contracts		267			267
Derivative equity contracts	23	842	401		1266
Credit contracts		18	28		46
Other contracts		64	76		140
Other invested assets	1476	210	2256		3942
Total assets at fair value	35218	82103	3472	–2877	117916
Liabilities					
Derivative financial instruments	–14	–3097	–993	2656	–1448
Interest rate contracts		–2123			–2123
Foreign exchange contracts		–428			–428
Derivative equity contracts	–14	–527	–190		–731
Credit contracts		–11	–38		–49
Other contracts		–8	–765		–773
Liabilities for life and health policy benefits			–145		–145
Accrued expenses and other liabilities	–1634	–1271			–2905
Total liabilities at fair value	–1648	–4368	–1138	2656	–4498

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

2014 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	6683	74626	665		81974
Debt securities issued by US government and government agencies	6683	1644			8327
US Agency securitised products		3788			3788
Debt securities issued by non-US governments and government agencies		31215			31215
Corporate debt securities		31556	653		32209
Mortgage and asset-backed securities		6423	12		6435
Fixed income securities backing unit-linked and with-profit life and health policies		4527			4527
Equity securities	25446	433	50		25929
Equity securities backing unit-linked and with-profit life and health policies	20994	11			21005
Equity securities held for proprietary investment purposes	4452	422	50		4924
Short-term investments held for proprietary investment purposes[2]	9944	10508			20452
Derivative financial instruments	119	3357	593	–3150	919
Interest rate contracts	91	2400			2491
Foreign exchange contracts		202			202
Derivative equity contracts	28	723	426		1177
Credit contracts		12	17		29
Other contracts		20	150		170
Other invested assets	2883		2188		5071
Total assets at fair value	**45075**	**93451**	**3496**	**–3150**	**138872**
Liabilities					
Derivative financial instruments	–110	–3070	–1027	2782	–1425
Interest rate contracts	–72	–2117			–2189
Foreign exchange contracts		–392			–392
Derivative equity contracts	–38	–509	–175		–722
Credit contracts		–43	–11		–54
Other contracts		–9	–841		–850
Liabilities for life and health policy benefits			–147		–147
Accrued expenses and other liabilities	–3286	–1479			–4765
Total liabilities at fair value	**–3396**	**–4549**	**–1174**	**2782**	**–6337**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.
[2] In the first quarter 2014, the Group changed the valuation of short-term investments from amortised cost to fair value. There is no material impact to the net income, total assets or shareholder's equity.

Transfers between level 1 and level 2
There were no material transfers between level 1 and level 2 for the three months ended 31 March 2013 and 2014.

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

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

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

2014 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	662	49	505	2 256	3 472	–993	–145	–1 138
Realised/unrealised gains/losses:								
Included in net income		1	36	8	45	19	–3	16
Included in other comprehensive income	3			53	56			0
Purchases	5	2		25	32	–24		–24
Issuances			29		29	–9		–9
Sales	–4	–4	–6	–25	–39	11		11
Settlements	–1		–13		–14	–30		–30
Transfers into level 3[1]		2	42		44			0
Transfers out of level 3[1]				–130	–130			0
Impact of foreign exchange movements				1	1	–1	1	0
Closing balance as of 31 March	**665**	**50**	**593**	**2 188**	**3 496**	**–1 027**	**–147**	**–1 174**

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

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the three months ended 31 March 2013 and 2014 were as follows:

USD millions	2013	2014
Gains/losses included in net income for the period	732	61
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	797	–1

Quantitative information about level 3 fair value measurements

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

USD millions	2013 Fair value	**2014** Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	650	**653**			
Surplus notes with a mortality underlying	195	197	Discounted Cash Flow Model	Illiquidity premium	75 bps (n.a.)
Private placement corporate debt	383	384	Corporate Spread Matrix	Illiquidity premium	15 bps–192 bps (86 bps)
Private placement credit tenant leases	68	68	Discounted Cash Flow Model	Illiquidity premium	75 bps–200 bps (149 bps)
Derivative equity contracts	401	**426**			
OTC equity option referencing correlated equity indices	401	426	Proprietary Option Model	Correlation	–10%–100% (45%)[1]
Liabilities					
Derivative equity contracts	–190	**–175**			
OTC equity option referencing correlated equity indices	–49	–51	Proprietary Option Model	Correlation	–10%–100% (45%)[1]
Option contract referencing a private equity underlying	–137	–122	Option Model	Volatility	100%
				Growth Rate	7% (n.a.)
Other derivative contracts and liabilities for life and health policy benefits	–910	**–988**			
Variable annuity and fair valued GMDB contracts	–677	–703	Discounted Cash Flow Model	Risk Margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10 %–0%
				Withdrawal rate	0 %–90%
Embedded derivatives in Mod-Co and Coinsurance with Funds Withheld treaties	–125	–121	Discounted Cash Flow Model	Lapse	3%–10%
				Mortality adjustment	80% (n.a.)

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

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

The significant unobservable inputs used in the fair value measurement of the Group's option referencing private equity underlying are: volatility and growth rate. Where the Group is long vega, a significant increase (decrease) in volatility in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short vega, a significant increase (decrease) in volatility in isolation would result in a significantly lower (higher) fair value measurement. Where the Group is long delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short delta, a significant increase (decrease) in the growth rate in isolation would result in a significantly lower (higher) fair value measurement.

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

The significant unobservable inputs underlying the fair valuation of an embedded derivative bifurcated from the Group's modified coinsurance (Mod-Co) and Coinsurance with Funds Withheld treaties are lapse and mortality adjustment to published mortality tables; both are applied to build an expectation of cash flows associated with the underlying block of term business. Both inputs are not expected to significantly fluctuate over time.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2013 and 31 March 2014, respectively, were as follows:

USD millions	2013 Fair value	**2014** Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	735	737	280	non-redeemable	na
Hedge funds	749	622		redeemable[1]	90 – 180 days[2]
Private equity direct	138	182		non-redeemable	na
Real estate funds	231	235	97	non-redeemable	na
Total	1 853	**1 776**	**377**		

[1] The redemption frequency varies from monthly to up to three years.
[2] Cash distribution can be delayed for up to three years depending on the sale of the underlyings.

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

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

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

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

Fair value option

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

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

Equity securities trading

The Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement.

Other invested assets

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

Liabilities for life and health policy benefits

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

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

USD millions	2013	2014
Assets		
Equity securities trading	615	474
of which at fair value pursuant to the fair value option	544	407
Other invested assets	11 164	14 823
of which at fair value pursuant to the fair value option	403	413
Liabilities		
Liabilities for life and health policy benefits	–36 033	–35 838
of which at fair value pursuant to the fair value option	–145	–147

Changes in fair values for items measured at fair value pursuant to election of the fair value option
Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the three months ended 31 March 2013 and 2014 were as follows:

USD millions	2013	2014
Equity securities trading	–5	1
Other invested assets		10
Liabilities for life and health policy benefits	40	–2
Total	35	**9**

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

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

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

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

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		264	264
Mortgage loans		1 835	1 835
Other loans		936	936
Investment real estate		2 566	2 566
Total assets	0	**5 601**	**5 601**
Liabilities			
Debt	–10 852	–7 577	–18 428
Total liabilities	**–10 852**	**–7 577**	**–18 428**

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

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

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

8 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2013 and 31 March 2014, the fair values and notional amounts of the derivatives outstanding were as follows:

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

2014 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	108 225	2 491	–2 189	302
Foreign exchange contracts	21 044	191	–387	–196
Equity contracts	19 226	1 177	–722	455
Credit contracts	2 060	29	–54	–25
Other contracts	23 957	170	–850	–680
Total	**174 512**	**4 058**	**–4 202**	**–144**
Derivatives designated as hedging instruments				
Foreign exchange contracts	1 470	11	–5	6
Total	**1 470**	**11**	**–5**	**6**
Total derivative financial instruments	**175 982**	**4 069**	**–4 207**	**–138**
Amount offset				
Where a right of setoff exists		–2 403	2 403	
Due to cash collateral		–747	379	
Total net amount of derivative financial instruments		**919**	**–1 425**	**–506**

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

Non-hedging activities

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

USD millions	2013	2014
Derivatives not designated as hedging instruments		
Interest rate contracts	–75	–51
Foreign exchange contracts	–139	15
Equity contracts	–442	3
Credit contracts	8	–3
Other contracts	748	–6
Total gain/loss recognised in income	100	**–42**

Hedging activities

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

Fair value hedges

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

		2013		2014
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Interest rate contracts	–62	64		
Foreign exchange contracts	1	–1	–4	4
Total gain/loss recognised in income	–61	63	**–4**	**4**

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2013 and the three months ended 31 March 2014, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 29 million and a loss of USD 14 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2013 and 31 March 2014 was approximately USD 1 746 million and USD 1 666 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 855 million and USD 756 million as of 31 December 2013 and 31 March 2014, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 303 million and USD 379 million as of 31 December 2013 and 31 March 2014, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 377 million additional collateral would have had to be posted as of 31 March 2014. The total equals the amount needed to settle the instruments immediately as of 31 March 2014.

Credit derivatives written/sold
In 2013, the Group has substantially completed the unwinding and de-risking activities and reduced its exposure in credit derivatives written/sold which decreased the related notional amount and fair values materially. As of 31 March 2014 the Group had no significant exposure in credit derivatives written/sold. The maximum potential payout, which is based on notional values, as of 31 December 2013 and 31 March 2014 was USD 640 million and USD 455 million, respectively.

9 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly.

The Group's debt as of 31 December 2013 and 31 March 2014 was as follows:

USD millions	2013	**2014**
Senior financial debt	901	907
Senior operational debt	2 917	2 616
Short-term debt – financial and operational debt	3 818	**3 523**
Senior financial debt	3 233	3 237
Senior operational debt	708	711
Subordinated financial debt	5 367	5 419
Subordinated operational debt	5 414	5 423
Long-term debt – financial and operational debt	14 722	**14 790**
Total carrying value	18 540	**18 313**
Total fair value	18 526	**18 428**

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2013 and 31 March 2014, debt related to operational leverage and financial intermediation amounted to USD 9.0 billion (thereof USD 6.1 billion limited recourse) and USD 8.8 billion (thereof USD 6.2 billion limited recourse), respectively.

Interest expense on long-term debt and contingent capital instruments
Interest expense on long-term debt for three months ended 31 March was as follows:

USD millions	2013	**2014**
Senior financial debt	43	30
Senior operational debt	22	4
Subordinated financial debt	67	72
Subordinated operational debt	61	64
Total	193	**170**

Interest expense on contingent capital instruments for the three months ended 31 March 2013 and 2014 was USD 18 million and USD 17 million, respectively.

Long-term debt issued in 2014
The Group did not issue any long-term debt in the three months ended 31 March 2014.

10 Earnings per share

Earnings per share for the three months ended 31 March were as follows:

USD millions (except share data)	2013	2014
Basic earnings per share		
Net income	1 398	**1 244**
Non-controlling interests		**–1**
Interest on contingent capital instruments	–18	**–17**
Net income attributable to common shareholders	1 380	**1 226**
Weighted average common shares outstanding	343 547 440	**342 749 025**
Net income per share in USD	4.02	**3.58**
Net income per share in CHF[1]	3.72	**3.20**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments	17	**17**
Change in average number of shares due to contingent capital instruments	35 745 192	**35 745 192**
Change in average number of shares due to employee options	1 167 742	**989 582**
Diluted earnings per share		
Net income assuming contingent capital instruments conversion and exercise of options	1 397	**1 243**
Weighted average common shares outstanding	380 460 374	**379 483 799**
Net income per share in USD	3.67	**3.28**
Net income per share in CHF[1]	3.40	**2.93**

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

Dividends are declared in Swiss francs. In 2013, the Group paid a dividend per share of CHF 3.50 as well as an additional special dividend of CHF 4.00 for the 2012 financial year. On 20 February 2014, the Board of Directors of the Group proposed a dividend of CHF 3.85 as well as an additional special dividend of CHF 4.15 for the 2013 financial year to be paid in 2014. This was approved by shareholders at the Annual General Meeting on 11 April 2014. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions.

11 Variable interest entities

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

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

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

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

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

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

Insurance-linked and credit-linked securitisations

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

Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, or through protection provided under a total return swap for the principal of the collateral held by the securitisation vehicle.

Generally, the activities of a securitisation vehicle are pre-determined at formation. There are substantially no ongoing activities during the life of the VIE that could significantly impact the economic performance of the vehicle. Consequently, the main focus to identify the primary beneficiary is on the activities performed and decisions made when the VIE was designed. Typically, the Group is considered the primary beneficiary of a securitisation vehicle when the Group acts as a sponsor of risk passed to the VIE and enters at the same time into a total return swap with the VIE to protect the VIE's assets from market risk. Under the total return swap, the Group would incur losses if some or all of the securities held as collateral in the securitisation vehicle decline in value or default. Therefore, the Group's maximum exposure to loss equals the principal amount of the collateral protected under the total return swap.

As of 31 March 2014, the total assets of the insurance-linked and credit-linked securitisation vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 1 558 million.

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

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

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

As of 31 March 2014, the total assets of the debt financing vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 089 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 6 747 million.

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

As of 31 March 2014, the total assets of investment vehicles in which the Group holds variable interests but is not the primary beneficiary were USD 2 436 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 9 million.

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

As of 31 March 2014, the total assets of other VIEs in which the Group holds variable interests but is not the primary beneficiary were USD 1 783 million. The total assets of the vehicles in which the Group is the primary beneficiary were USD 17 million.

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

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

		2013		**2014**
USD millions	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities:				
Available-for-sale	6490	6490	6506	6506
Trading			2	2
Short-term investments	61	61	47	47
Other invested assets	8		9	
Cash and cash equivalents	162	162	15	15
Accrued investment income	60	60	65	65
Other assets	17		129	112
Total assets	6798	6773	**6773**	**6747**

	Carrying value	Whereof restricted	Carrying value	Whereof limited recourse
Short-term debt	62	62		
Accrued expenses and other liabilities	20	20	22	22
Long-term debt	5414	5414	5423	5423
Total liabilities	5496	5496	**5445**	**5445**

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2013 and 31 March 2014:

USD millions	2013	2014
Fixed income securities:		
Available-for-sale	71	47
Trading	15	15
Policy loans mortgages and other loans		93
Other invested assets	1 568	1 553
Total assets	1 654	**1 708**
Short-term debt	417	417
Accrued expenses and other liabilities	422	396
Total liabilities	839	**813**

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2013 and 31 March 2014:

				2013				**2014**
USD millions	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	72		90	90	49		71	71
Swaps in trusts	96	284	–[1]	–	96	273	–[1]	–
Debt financing	407		30	30	405		30	30
Investment vehicles	853		853	853	839		842	842
Other	226	555	1 897	1 342	319	540	2 475	1 935
Total	1 654	839	–[1]	–	**1 708**	**813**	**–[1]**	**–**

[1] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts. Liabilities are recognised for certain debt financing VIEs when losses occur. To date, the respective debt financing VIEs have not incurred any losses. Liabilities of USD 540 million recognised for the "Other" category relate mainly to collateral received.

12 Benefit plans

Net periodic benefit cost
Pension and post-retirement costs for the three months ended 31 March 2013 and 2014 were USD 39 million and USD 29 million, respectively.

Employer's contributions for 2014
For the three months ended 31 March 2014, the Group contributed USD 63 million to its defined benefit pension plans and USD 4 million to other post-retirement plans, compared to USD 106 million and USD 7 million, respectively, in the same period of 2013.

The expected 2014 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 31 March 2014 for latest information, amount to USD 191 million and USD 16 million, respectively.

Note on risk factors

General impact of adverse market conditions
The market reaction to prospects of a tapering of the Federal Reserve's asset purchase programme, and recent pessimistic global growth forecasts by the Organisation of Economic Cooperation and Development and the International Monetary Fund, among others, highlight the continued uncertainties around the post-crisis recovery and the risks that the world economy continues to face. In the European Union, it remains unclear whether the recently announced single resolution mechanism and other components of a banking union, as well as actions of the European Central Bank or the outcome of the upcoming European parliament elections, will create the conditions necessary for increased bank lending and greater economic growth. The volatility in the financial and credit markets could increase the severity and duration of economic recession, cause more economic turmoil in the near term, cause further disruptions in the global financial markets and impact foreign currency exchange rates. These uncertainties could be exacerbated by the uncertainty over the pace and extent of future economic growth in emerging markets. Moreover, political or geopolitical crises, and international responses to such crises, as highlighted by the recent events involving Ukraine, could have an adverse impact on global financial markets and economic conditions. These developments in turn could have an adverse impact on the investment results of Swiss Re Ltd ("Swiss Re") and its direct or indirect subsidiaries (collectively, the "Group" or the "Swiss Re Group"), the Group's ability to access the capital markets and the bank funding market, the ability of counterparties to meet their obligations to the Group and the short-term outlook for the life insurance industry, particularly in North America and Europe, with a corresponding negative impact on the Group's Life & Health business.

The foregoing developments could have material adverse effects on the Group's industry and on the Group.

Regulatory changes
Swiss Re and its subsidiaries are subject to Group supervision, and some of its subsidiaries are regulated in a number of jurisdictions in which they conduct business. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions.

Although early regulatory efforts were focused primarily on banking institutions, there is a noticeable trend to extend the scope of proposals beyond banks 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 Pension Authority (the "EIOPA"), which has the power to overrule national regulators in certain circumstances. In addition, Swiss Re as a Group is subject to the Swiss Solvency Test, and will be subject to Solvency II, which is expected to enter into force 1 January 2016. In the United States, as a possible step towards federal oversight of insurance, the US Congress created the Federal Insurance Office within the Department of Treasury and, more recently, as a result of the Solvency Modernization Initiative of the National Association of Insurance Commissioners, we are experiencing greater US scrutiny of our global operations and more extensive reporting obligations. In addition, provisions of the Wall Street Reform and Consumer Protection Act of 2010, as well as provisions in the proposed European Market Infrastructure Regulation and proposed changes to the Markets in Financial Instruments Directive (MiFID), in respect of derivatives could have a significant impact on the Group.

Other changes remain focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact our capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important", a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms. There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, published a methodology for identifying global systemically important insurers (G-SIIs) and a framework for supervision of internationally active insurance groups (IAIGs). Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs is expected during 2014. The Group could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the Basic Capital Requirement for G-SIIs and the Insurance Capital Standard for IAIGs). In particular, the Group believes that there is a reasonable likelihood that it will be designated as a G-SII when the initial reinsurer designations are issued.

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

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

Market risk

Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments. With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has in place an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

If the credit markets were 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.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its reinsurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities. The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events, or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

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

Counterparty risks
The Group'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 effect on the Group.

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

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

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

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. A decline in ratings could also impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements. Any rating downgrades could also have a material adverse impact on the Group's costs of borrowing and limit its access to the capital markets. Further negative ratings action could also impact reinsurance contracts.

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

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

Insurance, operational and other risks
As part of the Group's ordinary course of operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large

losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions; cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

Use of models; accounting matters
The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, 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, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, and such actual data could deviate from the Group's estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

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

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

Risks related to the Swiss Re corporate structure
Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries.

Cautionary note on forward-looking statements

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

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

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;

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

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

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

Corporate calendar and contact information

Corporate calendar
3 July 2014
Investors' Day, London

6 August 2014
Second quarter 2014 results

7 November 2014
Third quarter 2014 results

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Title:
Swiss Re Group
First Quarter 2014 Report

Production:
Corporate Real Estate & Logistics/
Media Production, Zurich

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Paper from
responsible sources
FSC® C022369

ClimatePartner°
climate neutral
Print | ID: 11020-1404-1006

The web version of the First Quarter 2014 Report
is available at: www.swissre.com/investors

Order no: 1504017_14_en

CCHCC, 4/14, 1000 en

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