Swiss Re

2015
Financial Review

We make the world more resilient.

Key information

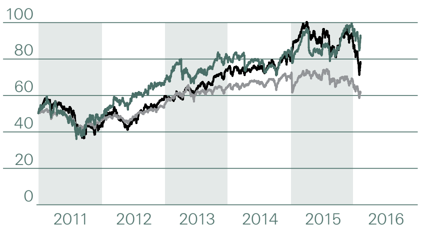
Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2014	2015	Change in %
Group			
Net income attributable to common shareholders	3 500	**4 597**	31
Premiums earned and fee income	31 262	**30 214**	–3
Earnings per share in CHF	9.33	**12.93**	39
Common shareholders' equity	34 828	**32 415**	–7
Return on equity[1] in %	10.5	**13.7**	
Return on investments in %	3.7	**3.5**	
Number of employees[2]	12 224	**12 767**	4
Property & Casualty Reinsurance			
Net income attributable to common shareholders	3 564	**2 977**	–16
Premiums earned	15 598	**15 090**	–3
Combined ratio in %	83.7	**86.0**	
Return on equity[1] in %	26.7	**22.2**	
Life & Health Reinsurance			
Net income attributable to common shareholders	–462	**939**	
Premiums earned and fee income	11 265	**10 963**	–3
Operating margin in %	2.6	**9.9**	
Return on equity[1] in %	–7.9	**15.7**	
Corporate Solutions			
Net income attributable to common shareholders	319	**340**	7
Premiums earned	3 444	**3 379**	–2
Combined ratio in %	93.0	**93.8**	
Return on equity[1] in %	12.5	**14.8**	
Admin Re®			
Net income attributable to common shareholders	34	**422**	
Premiums earned and fee income	955	**782**	–18
Gross cash generation[3]	945	**543**	–43
Return on equity[1] in %	0.6	**7.5**	

[1] Return on equity is calculated by dividing net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff.
[3] Gross Cash Generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Admin Re®'s capital management policy.

Share price (CHF)



Financial strength ratings

As of 19 February 2016	Standard & Poor's	Moody's	A.M. Best
Rating	AA-	Aa3	A+
Outlook	Stable	Stable	Stable
Last update	30 November 2015	15 December 2015	11 December 2015

Share information

As of 19 February 2016	
Share price in CHF	91.65
Market capitalisation in CHF millions	33 975

Share performance

in %	1 January 2010–19 February 2016 (p.a.)	2015
Swiss Re	12.4	**17.3**
Swiss Market Index	4.0	**–1.8**
STOXX Europe 600 Insurance Index	8.7	**14.4**

Contents

This 2015 Financial Review of the Swiss Re Group contains updates on our business and results and preliminary unaudited financial information for 2015. The updates on our business and results will be included in our 2015 Annual Report, together with our audited financial statements for 2015 and other disclosures we are required to include or historically have included in an annual report. This Financial Review is not intended to be a substitute for the full 2015 Annual Report, which will be published on the Swiss Re website on 16 March 2016.

Keeping the long term in view

The strategic priorities that will shape our future

"Three things set us apart: capital strength, client relationships and knowledge."

Dear shareholders,
Another very successful year for your company has just ended and this report will explain it in great detail. For this success to happen we needed, of course, benign circumstances, but we also needed the full effort of dedicated employees, our loyal clients and, last but not least, the support of our shareholders. To the many that contributed throughout the year, my sincere thanks.

The conundrum: lower prices, but ever-higher margins and less demand
In 2015 we again observed high margins, and as a consequence high returns. The most significant were in Property & Casualty Reinsurance, but also in our life and health businesses, which have recovered from difficult results the year before.

At the same time many market participants speak about a significant erosion of pricing levels across all businesses. They complain about this and about a further reduction in investment returns. The relationship between demand and available capacity seems out of balance — and while we all complain, margins have remained strong for quite a few years now.

Particularly amazing is that the high margins are achieved despite continuously decreasing investment returns which in our business have always been an important contributor to margins. Central banks' extremely easy monetary policies in our main markets are certainly a challenge for an industry which carries large balance sheets full of financial assets.

What leaves me perplexed is, in addition, that our clients (the insurance industry and large corporate clients) are not taking advantage of this market. Quite the opposite: the lower prices get, the less reinsurance cover they buy. This is a period of high uncertainty (just to mention some: climate change, geopolitical security challenges, technology developments with huge consequences, economic growth is very unstable, and financial markets face the biggest monetary policy experiment ever). So what should a company like Swiss Re do in this situation?

Just to avoid any misunderstanding: we are clearly positive about the longer-term prospects for our business. Many trends in the world — in society, in science and in the economy — are positive for demand for our business: risk underwriting. But we have to successfully deal with important adverse forces in the short term.

Therefore we have presented an update last December on the strategic direction and priorities which should allow us both to succeed in the short term and not lose sight of long-term strategic direction.

Be quick on your feet!

In risk underwriting and in asset management, value is created by allocating capital to where pricing inefficiencies can be detected and exploited. There is nothing new in this really. The present situation, however, requires us to identify inefficient pricing in the risk markets quickly and react decisively by either investing or, more likely at present, withdrawing capital. Doing this systematically will move the needle.

Capital allocation matters, we all know that. But you have to be in a position to actually execute on your analysis. In this respect the reinsurance industry is in a better situation than primary insurers, who have to invest significantly in building the infrastructure in markets they operate in. Their flexibility is limited. Reinsurance on the other hand can react fairly quickly, not only on the asset side, but also on the underwriting side of the house. So we'll aim to take advantage of this and be quick on our feet.

Of course we spend a lot of time researching investible ideas in all our businesses. Sometimes with more success (like the acquisition of the Guardian life portfolio last year), sometimes with less … and if we don't find a good place to invest, then we can also distribute more money back to you. To some degree that has been the case this year, so we plan to propose a regular dividend of CHF 4.60 per share, as well as a new share buy-back programme of up to CHF 1 billion.

Secure access to business opportunities!

Reinsurers traditionally have access to the risks they underwrite through intermediaries: direct insurance companies, brokers and others. However, and today more than ever, some of these intermediaries run the risk of getting disintermediated sooner rather than later because they are unable to adapt their business model, disruptors are penetrating their markets or technology is changing the entire industry.

Therefore for us it is of vital importance: don't let traditional distribution channels make efficient capital allocation impossible. Swiss Re has to have access to the risks it wants to underwrite. In this context we have built our Global Partnerships business, which is trying to develop opportunities with governments and supranational institutions. And we have just created our Life Capital Business Unit, which is underwriting individual and group life risks through and with the help of distribution partners or by acquiring closed life books.

Put your money where your mouth is!

A third pillar of our strategy is about resource allocation. Allocate resources to where you see the opportunities; reallocate radically. Again, this sounds trivial, but it is not.

Take the example of emerging markets. Our own projections show that about 50% of the top-line growth and incremental capital requirements over the next ten years will come from emerging markets. Not a big surprise if we think of topics like protection gaps, urbanisation, formation of middle classes and the build-up of sophisticated industries in these parts of the world.

At present only about 15% of our global resources are allocated to these markets, even less than that if we think of senior management, research and local footprint. Change is required.

Resources in our business are people and systems. Once you have made up your mind where you want to allocate the capital, develop them so that they can match the challenges. Maintain this even and deliberately when the margin pressure is intense. It will ultimately produce a high return for shareholders. Inadequate resource has never been a recipe for success, certainly not in our business of risk underwriting and tough investment decisions.

Be different and — of course — better than the others

We are convinced that the strength of the Swiss Re brand and reputation lies in a very clear development of three elements of differentiation: capital strength, client relationships and knowledge. These principal differentiation factors have been with our company since its foundation more than 150 years ago. Apparently it has been a great success. Let me quickly address what I sometimes call the wallet, the heart and the brain.

We are quite open about what we consider an adequate capital underpinning of our underwriting and investment activities. This gives our clients real peace of mind when they allocate large chunks of their reinsurance business with one provider: Swiss Re. Visibly and in addition we keep more free capital at the holding company level, at some short-term cost to you, our shareholders. We however are convinced that this strong capital position and the resulting financial flexibility is of great value in the longer term. It is there for the moment it can be deployed with great benefit for both the client and for you.

Clients in reinsurance are partners. Our clients regularly put us at the top of the league tables as best reinsurer, in all parts of the world and nearly all lines of business. We are enthusiastic about our clients and will continue to be so. This allows us to fix problems with our clients instead of abandoning them at a crucial moment. Our portfolio of reinsurance business is therefore superior in quality.

And last but not least: we are here to develop the body of knowledge available within the firm and share it with our clients. This allows us to develop better products with and for them and allows us to learn from each other. We spend a significant amount for research both at the product development level and at the portfolio level, supporting our capital allocation. It might lead to a higher operating cost than some of our peers have. But it should also lead to overall higher margins. No surprise. It would be strange if superior insight were not relevant to risk underwriting and investment decisions.

Christian Mumenthaler to become Group CEO on 1 July 2016, Michel M. Liès to retire

Finally, I must share some important news. Christian Mumenthaler, currently CEO of Reinsurance, will become our Group Chief Executive Officer on 1 July 2016, and Michel M. Liès will retire. On behalf of the entire Board I extend our warmest thanks to Michel for his more than 35 years of service to Swiss Re. Throughout his career, Michel has lived Swiss Re's highest values and been key to our Group's continued strong performance. Under his leadership net income has almost doubled, the capital base has increased significantly and we have distributed more than USD 12 billion of excess capital back to you, our shareholders. It is fitting that we make this announcement at the end of a successful 2011–2015 financial target period, and after having introduced a new strategic framework. We wish him the very best.

The good news is that we have a highly qualified successor. In Christian we have a candidate who can both transition smoothly into this new role and who brings an intimate understanding of our Group's strategy. Christian has been with us for 17 years, and for nearly the last five, as CEO of Reinsurance, and therefore responsible for approximately 85% of our revenue. He has been the driving spirit behind P&C Re's continued outperformance and a key figure in getting L&H Re back on track. His nomination demonstrates both the depth of Swiss Re's talent and the importance of maintaining Swiss Re's distinctive culture. I wish Christian every success in the new role.

Dear shareholders, I hope you share my confidence for the future. Our strategic priorities are confirmed and we welcome Christian to implement them together with his team and the 12 000 colleagues at Swiss Re. I believe the outlook is very positive indeed and I look forward to continuing our success story together.

Zurich, 23 February 2016

Walter B. Kielholz
Chairman of the Board of Directors

A solid foundation for the road ahead

A strong 2015 performance and a new strategic framework set the foundation for 2016 and beyond.

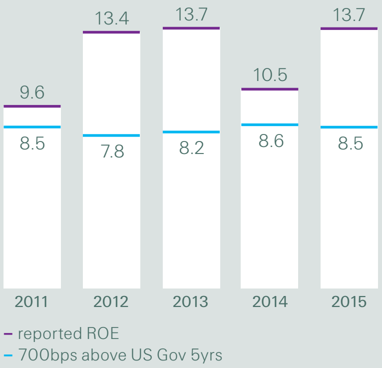
"All three Business Units contributed to our strong performance."

Dear shareholders,
Since Swiss Re was founded in 1863, we have managed risk and absorbed extreme events in many forms. From earthquakes to terrorism, we have enabled society to thrive and progress. However, protection alone is not enough — resilience is our ultimate goal. This vision permeates our daily actions and continues to inform our strategy.

It also contributed to our success in 2015: I am very pleased to report that we managed to navigate the challenging environment and can report another positive set of results, driven by strong performances from all three of our Business Units. Group net income reached USD 4.6 billion — one of our highest ever — up from USD 3.5 billion in 2014. These results clearly differentiate us in the industry. With the updated strategic framework we unveiled in December 2015, we believe we are well placed to continue to focus on profitable growth, strong capitalisation and unique client experience.

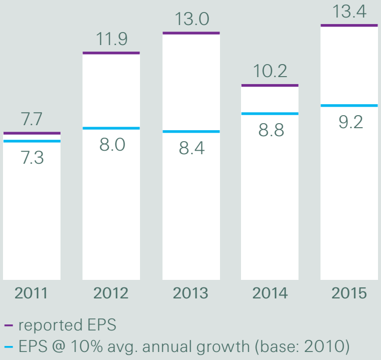
Our 2011–2015 Group financial targets

Return on equity



700bps above risk free average over five years.

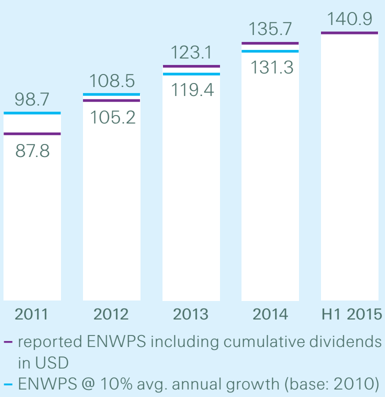
Earnings per share



10% average annual growth rate, adjusted for special dividends

Economic net worth

(to be updated in March 2016)



10% average per share growth plus dividends over five years

Property & Casualty Reinsurance portfolio delivers; Life & Health Reinsurance meets target

The underwriting performance of P&C Re remained solid in 2015, generating USD 3.0 billion in net income and reflecting the underlying quality of our portfolio, as well as a relatively benign natural catastrophe experience. L&H Re has met the return on equity target we set for it at the June 2013 Investors' Day, in turn delivering strong net income of USD 939 million.

Corporate Solutions continues to deliver in challenging market conditions and remains committed to disciplined underwriting, generating USD 340 million of net income for the year. The focus on high growth markets is as strong as ever, notably with the acquisition of Sun Alliance Insurance China Limited, which enables us to operate in mainland China, one of the world's most promising markets.

In 2015, we took an important step to tap into a growing market segment with the creation of the Life Capital Business Unit. Life Capital is managing closed and open life and health insurance books since 1 January 2016, including our Admin Re® business. We believe that consolidating these activities will fit our goal of diversifying our business and providing our clients with the expertise and capabilities they need to help them seize new opportunities. Admin Re®, which is the cornerstone of Life Capital, delivered a strong performance in 2015, with strong gross cash generation and a net income of USD 422 million. In January 2016, it completed the acquisition of UK-based Guardian Financial Services, a move that is in line with our strategy to become a leading closed life book consolidator in the UK.

Our new financial targets

Looking at 2016 and beyond, our new Group targets are focused on profitability and economic growth.

The 'over the cycle' timeframe provides a long-term goal, without being distorted by outlying years.

The new targets are fully consistent with Swiss Re's capital priorities.

Return on equity

At least 700 basis points greater than the risk-free rate, as measured by ten-year US government bonds.

Economic net worth per share

10% growth per annum, using year-end Economic Net Worth (ENW) plus dividends, divided by previous year-end ENW.

Delivering on our targets

Over the last five years, we have grown the regular dividend and we have executed our internal growth initiatives while making sensible acquisitions. At the same time we distributed excess capital to our shareholders and maintained our very strong capital position. We have successfully reached the return on equity (ROE) and earnings per share (EPS) targets we set five years ago in very different circumstances. This is an impressive achievement under any conditions, though especially so in light of the turbulent markets and uncertain macroeconomic conditions that prevailed during much of the 2011–2015 target period. We will provide our performance against our economic net worth (ENW) target with the publication of the annual report on 16 March 2016.

Where do we go from here?

Our vision "We make the world more resilient" is supported by our mission — to create smarter solutions for our clients through fresh perspectives, knowledge and capital. The combination of these strengths makes Swiss Re a partner of choice for our clients. Together, we believe we can close the gap between the rising costs of natural disasters and other hazards and the share of those costs that is covered by re/insurance solutions.

In 2015, the world experienced some tragic events and great uncertainty — an evolving terrorism threat, wars and epidemics, a fragile global economy. Against this backdrop, the re/insurance industry needs to step up its game and extend the boundaries of insurability, building a safety net around those who need it most.

2016 has been off to a volatile start amid concerns about the strength of the global economy. Many of the challenges we've experienced over the past years, such as continued low interest rates and ample capital in our core business areas, will continue to exist. As communicated in December 2015, we believe our four pillar strategic framework equips us with an agile business model that makes us able to respond more quickly and effectively to change and to drive change ourselves. This is why we remain confident that we will continue to capture attractive business opportunities and we thank you, our shareholders, for placing your confidence in us.

No strategic framework can be put to good use without the help and dedication of our people. We need our employees' enthusiasm and commitment to bring our vision closer to reality. We'd like to thank them for their hard work: without them, we couldn't celebrate another successful year.

As you can see I am passionate about Swiss Re's future. I am convinced that Christian Mumenthaler and his team will further strengthen the role of Swiss Re in our industry and our society more generally. It is an honour and a privilege to work for this great company. I will always be proud to have been part of Swiss Re.

Zurich, 23 February 2016

Michel M. Liès
Group Chief Executive Officer

Group strategy

A strategy to help meet our financial targets and to make the world more resilient.

Over the past five years our strategy has worked — and now we have the chance to build on it.

At our December 2015 Investors' Day we introduced the next phase in our Group's strategic framework. It has four key areas, each of which we will emphasise even more strongly to better position ourselves for continued success.

The strategic framework shown to the right represents the next phase of a transformation journey that we accelerated in 2012, when we completed our Business Unit structure. Our aim then was to become the most successful capital allocator in insurance and associated asset risks while maintaining our strong balance sheet.

The framework is our roadmap for continuing on that path, focusing on four key areas.

The first area for strategic action is to systematically allocate capital to risk pools and revenue streams. Capital allocation is at the core of our Group's strategy. We allocate capital to risk pools and measure performance over time. Disciplined and agile capital allocation is the key to outperformance and the engine to pursue our strategic ambitions.

The second area is to broaden and diversify our client base. Many lines of business face shrinking cession rates and competition is increasing overall. At the same time, new risks (such as cyber) are emerging while other underinsured risks continue to grow. We believe new client segments and distribution channels can strengthen our position as the supply and demand equilibrium shifts.

The third area is the optimisation of resources and platforms. We have more than doubled our workforce in high growth markets since 2011 and invested in strengthening our IT architecture, adding smart analytics and cognitive computing to our toolset.

Lastly, it is important to emphasise differentiation. This strategic priority builds on what makes us who we are: our financial strength, our client relationships and our status as a knowledge company. We must continue to offer superior service and a differentiated and unique approach to our clients.

We believe these four areas of strategic action will better position us to deliver on our new Group financial targets, which we communicated in February 2015.

This strategy is also designed to meet a larger goal: to make the world more resilient. Success in our industry means protecting society. That is why we claim "We make the world more resilient" as our vision for the future. We provide both the necessary risk management expertise and the re/insurance coverage to absorb risks and rebuild after a disaster strikes.

The strategy supports our overall mission: together, we apply fresh perspectives, knowledge and capital to anticipate and manage risk. That's how we create smarter solutions for our clients, helping the world rebuild, renew and move forward.

Swiss Re's strategic framework

I. Systematically **allocate capital** to risk pools/revenue streams

II. Broaden and diversify **client base** to increase access to risk

III. Optimise **resources and platforms** to support capital allocation

IV. Emphasise **differentiation**

AREAS OF STRATEGIC ACTION

I. Systematically allocate capital to risk pools/revenue streams

We have a defined target portfolio of asset and liability risks. Risks can always be added to this target portfolio, and they may also be withdrawn.

Flexible capital allocation among these portfolios — and taking advantage of the diversification benefits — is what drives value creation at Swiss Re. We aim to make our decisions based on capital usage and returns from each portfolio, balancing cash flow, Economic Value Management (EVM) and US GAAP metrics.

II. Broaden and diversify client base to increase access to risk

New markets, new clients and new risks: these are the three primary ways to achieve this strategic objective. We aim to generate 30% of premiums and fee income from targeted high growth markets by 2020. We also aim to serve broader client segments, such as expanding our regional and national insurer client base and even expanding to work with governments and multilateral institutions. We can also find new opportunities — helping clients deal with new risks such as cyber threats or taking on different risks through our investments, such as infrastructure debt.

III. Optimise resources and platforms to support capital allocation

Our capital allocation strategy requires us to attract the right talent and to equip them with the right resources, platforms and processes. Reaching new markets, for example, often requires local expertise. For this reason our local talent pool in high growth markets has more than doubled between 2011 and 2015.

This strategic focus goes beyond talent and geographies. Smart analytics and cognitive computing, for example, have the potential to change our industry. Our initiatives focus on concrete applications with direct business impact, such as in sales and contracts.

IV. Emphasise differentiation

Financial strength, client relationships, and being a knowledge company are the main components of our differentiation. All three have underpinned our strong performance. They remain pivotal going forward. Our clients take comfort in our financial strength. This helps form direct client relationships through which we can deliver large and tailored transactions. As part of our offer we bring top talent and a deep understanding of market dynamics — the practical benefit of being a knowledge company.

FINANCIAL TARGETS

Return on equity

At least 700 basis points greater than the risk-free rate, as measured by ten-year US government bonds.

Economic net worth per share

10% growth per annum, using year-end ENW plus dividends, divided by previous year-end ENW.

Group results

Our Group delivered a strong net income of USD 4.6 billion.

Swiss Re reported a strong net income of USD 4.6 billion for 2015, compared to USD 3.5 billion for 2014. Earnings per share were USD 13.44 or CHF 12.93, up from USD 10.23 (CHF 9.33) for 2014. All three Business Units contributed to this result. The underwriting performance of Property & Casualty Reinsurance and Corporate Solutions remained solid, reflecting the high quality of those portfolios. Life & Health Reinsurance met its return on equity targets after the management actions of 2014. Admin Re® again generated significant cash for the Group.

Net income for Reinsurance was USD 3.9 billion in 2015, compared to USD 3.1 billion in 2014. Property & Casualty Reinsurance contributed USD 3.0 billion, a modest decrease from the prior-year period, reflecting continued solid underwriting performance supported by benign natural catastrophe experience and favourable prior-year development. Life & Health Reinsurance reported net income of USD 939 million, reflecting a strong operating result, net realised gains and lower interest charges, compared to a loss of USD 462 million for 2014, which was mainly due to management actions addressing the pre-2004 US individual life business.

Corporate Solutions delivered net income of USD 340 million in 2015, compared to USD 319 million in 2014, reflecting continued profitable business performance across most lines of business and investment activities.

Admin Re® reported net income of USD 422 million for 2015, compared to USD 34 million for 2014, driven mainly by higher realised gains, favourable UK linked investment performance and one-off tax benefits, partially offset by costs for the acquisition of Guardian Financial Services. The 2014 result was impacted by the loss of USD 203 million on the sale of Aurora National Life Assurance Company (Aurora).

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, decreased to USD 32.4 billion at the end of 2015 from USD 34.8 billion at the end of 2014. The decrease was due to the distribution of the 2014 regular and special dividends of USD 2.6 billion, the launch of the share buy-back programme in mid-November, unrealised losses on fixed income securities and unfavourable foreign exchange rate movements, partially offset by higher net income. Book value per common share decreased to USD 95.98 or CHF 96.04 at the end of 2015 compared to USD 101.78 (CHF 101.12) 12 months earlier. Return on equity increased to 13.7% for 2015 from 10.5% for 2014.

Business performance

Premiums earned and fee income for the Group totalled USD 30.2 billion for 2015, compared to USD 31.3 billion for 2014, mainly reflecting unfavourable foreign exchange rate movements. At constant exchange rates, premiums and fees increased by 3.7%.

Premiums earned by Property & Casualty Reinsurance in 2015 were USD 15.1 billion, compared to USD 15.6 billion in the same period last year. At constant exchange rates, premiums earned increased by 3.4%, driven by increased premiums in casualty and specialty, partly offset by decreases in property. The Property & Casualty Reinsurance combined ratio was 86.0% in 2015, compared to 83.7% in 2014. Both periods benefited from a better than expected natural catastrophe experience and favourable prior-year reserve developments.

Life & Health Reinsurance premiums earned and fee income were USD 11.0 billion, compared to USD 11.3 billion in 2014. At constant exchange rates, premiums and fees increased by 6.1%. The operating margin for Life & Health Reinsurance was 9.9% in 2015, compared to 2.6% in 2014, mainly reflecting the improvement in operating income in both life and health segments.

Corporate Solutions premiums earned were USD 3.4 billion. At constant exchange rates, premiums earned increased by 1.7%. The Corporate Solutions combined ratio was 93.8% in 2015, compared to 93.0% in 2014, impacted by higher large man-made losses.

Admin Re® generated gross cash of USD 543 million in 2015, down from USD 945 million in 2014. Gross cash generation in 2015 was driven by UK assumption updates, primarily to annuitant mortality rates, and by the UK half-year valuation. The 2014 amount included a release of USD 225 million in surplus reserves held against the risk of credit default, a one-time benefit of USD 234 million following the finalisation of the 2013 year-end UK statutory valuation and proceeds of USD 217 million from the sale of Aurora.

Investment result and expenses

The return on investments was 3.5% for 2015, compared to 3.7% for 2014, with the decrease mainly attributable to lower net investment income from equity-accounted investments.

The Group's non-participating net investment income was USD 3.4 billion for 2015, compared to USD 4.1 billion for 2014. The decrease mainly related to net asset outflows and lower market value gains on equity-accounted investments. The Group's fixed income running yield for 2015 was 3.0%, compared to 3.3% for 2014.

The Group reported non-participating net realised investment gains of USD 1.2 billion for 2015, compared to USD 567 million for 2014. The current period result was primarily driven by sales of government bonds and equity securities, partly offset by impairments.

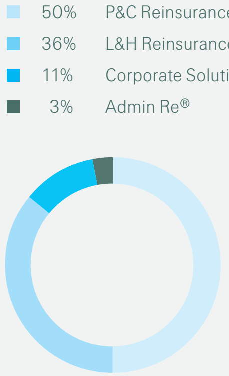
Acquisition costs for the Group slightly decreased to USD 6.4 billion in 2015. At constant foreign exchange rates, acquisition costs increased by 4.0% due to a higher share of proportional business written.

Other expenses were USD 3.3 billion in 2015, a slight increase from the previous period, fully accounted for by the release of a premium tax provision in Asia in the third quarter of 2014.

Interest expenses amounted to USD 579 million in 2015, down from USD 721 million in 2014, mainly due to the unwinding of an asset funding structure supporting a longevity transaction in Life & Health Reinsurance in the fourth quarter of 2014.

The Group reported a tax charge of USD 651 million on a pre-tax income of USD 5.3 billion for 2015, compared to a charge of USD 658 million on a pre-tax income of USD 4.2 billion for 2014. This translated into an effective tax rate in the current and prior-year reporting periods of 12.2% and 15.6%, respectively. The lower tax rate in 2015 was largely driven by a tax benefit arising from a local statutory accounting adjustment for restructuring of subsidiaries, higher tax benefits from foreign currency translation differences between statutory and US GAAP accounts, and the release of valuation allowances partially offset by tax on profits earned in higher tax jurisdictions.

Net premiums and fees earned by Business Unit, 2015
(Total: USD 30.2 billion)



Group Underwriting

Underwriters quantify the risk of providing insurance protection for homes, cars, ships, health expenses and many other risks. They determine the premium that is commensurate with each risk and set the terms and conditions of insurance policies and reinsurance contracts. They decide which risks are acceptable and which risks are not. Our underwriters seek to protect Swiss Re's book of business from exposures they feel will make a loss or put too much of Swiss Re's capital at risk. Underwriting is a cornerstone of our long-term success and one of Swiss Re's core competencies.

Underwriting, a source of competitive advantage

Re/insurance is a knowledge business. As the expected profitability of individual risks can vary widely, superior risk selection is key to outperformance. To deliver such outperformance Swiss Re relies on highly developed underwriting expertise, cutting-edge capabilities in data analytics, more than 150 years of experience, and sufficient scale to invest in research and development, all of which are aimed at creating a competitive advantage.

Steering risk globally across all Business Units and product types is key to optimising capital allocation. Specifically, our underwriting teams analyse and predict loss, exposure and premium trends by portfolio segment. A central unit then determines the optimal portfolio mix by taking into account future expected cash flow, EVM and US GAAP profiles by portfolio segment, leveraging the advantages of our multi-line book to deliver more than just the capital-related diversification benefits. Knowing these cash flow, EVM and US GAAP profiles allows us then to formulate an ambition for a future desired book of business and create a plan to achieve it.

Our underwriters can respond to our clients' often heterogeneous needs with innovative and tailored solutions such as multi-line deals with structural elements, longevity swaps, external run-off transactions or insurance-linked securities. Our ability to write bespoke transactions leads to deals that deliver better economics than commoditised open-market business.

Underwriting performance in 2015

The Group's overall underwriting performance was strong with technical profitability across all businesses supporting the 31% increase in net income from USD 3.5 billion in 2014 to USD 4.6 billion in 2015. The Group's claims ratio for property and casualty decreased from 55.4% in 2014 to 53.3% in 2015.

Both periods benefited from a lower than expected level of natural catastrophe losses. The 2015 natural catastrophe loss burden amounted to USD 0.2 billion, significantly below the expected value of USD 1.7 billion, while the 2014 burden amounted to USD 0.5 billion, also significantly below the expected value of USD 1.6 billion. The largest natural catastrophe losses in 2015 were caused by the floods in Chennai, India, and storms on Australia's east coast.

However, 2015 was impacted by an above average amount of large man-made losses, while in 2014 large man-made losses came in close to expected. The 2015 man-made large loss burden included the explosion in the port of Tianjin, China (USD 250 million), a dam burst in Brazil and a fire on an oil platform in the Gulf of Mexico.

Both periods benefited from prior-year development: USD 950 million in 2015 compared to USD 673 million in 2014. It is important to note that these prior-year developments were not 'one-offs' caused by good luck, but valuable earnings contributions from effective risk selection and disciplined underwriting in prior accident years.

The total life and health benefits decreased from USD 10.6 billion in 2014 to USD 9.1 billion in 2015. That result was strongly influenced by the successful completion of management actions in Reinsurance in 2014 in relation to the US pre-2004 individual life business. In 2015, mortality experience was favourable compared to expectations mainly from good experience in the US post-2004 business. Morbidity was unfavourable by about the same amount, driven by adverse experience in the critical illness business in the UK and Asia. Model and assumption changes were favourable, driven by interest rate updates of the valuation of disabled life reserves.

For more on the underwriting performance of all Business Units, see pages 12–29.

Market environment

Hedge funds, pension funds and other capital market participants have been supplying 'alternative' capital to re/insurance markets in recent years as they search for higher returns. Primary insurers are also by and large well-capitalised after several years of generally benign loss experience, leading some of them to retain more risk than has normally been the case.

These forces have been depressing prices, especially in short-tail lines, making disciplined and selective underwriting ever more critical for re/insurers. For the January 2016 renewals we observed a continued general price softening in property and specialty lines of business. Casualty has been relatively stable, with significant differences by segment. The softening in the important US natural catastrophe market has started to ease and there is evidence that it is approaching an inflection point.

Inflation is currently well contained and will continue to keep property and casualty claims severity increases generally low for a while. The long-term outlook for inflation is more uncertain.

Exposure growth should continue to accelerate gradually in line with the economy. In high growth markets, and especially in Asia, we expect to see strong exposure growth for both life and non-life insurance, further accelerated by urbanisation and increasing insurance penetration among the growing middle classes. Fiscal austerity is expected to drive risks from the public to the private sector, creating opportunities in infrastructure, pensions, healthcare and natural catastrophes. More immediate opportunities exist in other areas with insurance protection gaps.

Outlook

In the short term we expect challenging conditions to persist until demand and supply of capacity start to balance. In such an environment underwriting outperformance remains key. We will therefore seek to continue to exploit our competitive advantage in risk selection and capital allocation to protect our bottom line. We will reduce capacity for flow business in Property & Casualty Reinsurance and focus on large and tailored transactions for all lines. In addition, we will be pursuing opportunities presented by major demographic, socioeconomic and technological trends, including the rise of high growth markets, where growth remains dynamic; or where the need for health protection is expanding, as in ageing societies. Last but not least, we will also focus on areas where protection gaps threaten resilience.

Group Investments

Strategy

During 2015 Swiss Re continued to maintain a balanced asset allocation with a steady allocation to government bonds and cash. We selectively added corporate bonds and loans across multiple currencies to further diversify our credit portfolio. We also significantly expanded our real estate allocation by 0.7% after a reduction in equity and hedge fund exposures during 2014.

Financial markets overview

During the first half of 2015, equity prices held up well while government bond yields moved higher and credit spreads widened driven by heavy supply. The risk of Greece leaving the Eurozone resulted in significant market nervousness around mid-year. Additionally, the surprise change in the Chinese exchange rate regime in August, amid already growing concern about economic slowdown, significantly influenced market sentiment and pushed equity market volatility to its highest level since the Eurozone crisis began in 2011. Sentiment subsequently recovered in the final quarter of the year.

The 2015 market movements occurred against a backdrop of improving economic growth across developed economies, albeit with weaker external demand from the emerging economies. Labour markets in the US and UK have become increasingly tight as unemployment rates approach the natural rate, as evidenced by rising wages in the closing stages of the year. However, pass-through to headline inflation has been exceptionally low as commodity price weakness has continued to weigh on prices. Heading into 2016 these base effects may reverse and inflation could steadily rise again. Markets ended 2015 with strong expectations that the ultra-accommodative monetary policy in the US was coming to an end.

—

3.4

Net investment income

in USD billion, 2015
(2014: USD 4.1 billion)

—

3.5%

Group return on investments

2015
(2014: 3.7%)

Investment result

The Group's investment portfolio, excluding unit-linked and with-profit investments, decreased to USD 116.8 billion at the end of 2015, compared to USD 125.4 billion at the end of 2014. The decrease was due to the impact of rising interest rates, net asset outflows and foreign exchange translation.

The return on investments for 2015 was 3.5%, compared to 3.7% in 2014, with the decrease mainly attributable to lower net investment income from equity-accounted investments.

The Group's non-participating net investment income decreased to USD 3.4 billion in 2015 compared to USD 4.1 billion in 2014, largely driven by net asset outflows, reducing the size of the fixed income portfolio, as well as lower earnings from equity-accounted positions. The Group's fixed income running yield of 3.0% was lower than 3.3% for 2014, driven by recent net purchases in a lower yield environment, net outflows of higher yielding assets and a lower impact from extraordinary paydowns.

The Group reported non-participating net realised investment gains of USD 1.2 billion in 2015, mainly as a result of gains from sales of fixed income and equity securities, as well as gains on insurance-related items. The result was significantly higher than USD 567 million in 2014, which was impacted by the unwinding of an asset-funding structure in Life & Health Reinsurance and the sale of Aurora in Admin Re®.

The total return on investments was flat in 2015, reflecting the impact of rising interest rates and credit spread widening over the year.

Outlook

Overall, the outlook for 2016 is one of moderate growth, but financial market risks remain skewed to the downside. Central bank policy divergence will remain a key theme as the US and UK are expected to begin raising policy rates, while the European Central Bank (ECB) and Bank of Japan (BoJ) are expected to extend their quantitative easing programmes. The US Federal Reserve (US Fed) and Bank of England (BoE) have emphasised that the path of rate increases will be very gradual, as inflationary pressure will remain fairly muted and will occur against the backdrop of steadily slowing emerging market economies (including China). The UK has the additional headwind of the referendum on its membership in the EU. Depending on the outcome, this could remain a key theme for the UK and Europe over the coming years.

Against this backdrop, the Group will seek to maintain a balanced and high-quality investment portfolio. The acquisition of Guardian Financial Services is expected to increase the Group's overall allocation to credit by approximately 6%, consistent with the change in Admin Re®'s investment portfolio and business mix. The quality of the credit portfolio remains high.

Summary of financial statements

Income statement

USD millions	2014	2015	Change in %
Revenues			
Premiums earned	30 756	29 751	–3
Fee income from policyholders	506	463	–8
Net investment income – non-participating	4 103	3 436	–16
Net realised investment gains/losses – non-participating	567	1 206	113
Net investment result – unit-linked and with-profit	1 381	814	–41
Other revenues	34	44	29
Total revenues	37 347	**35 714**	–4
Expenses			
Claims and claim adjustment expenses	–10 577	–9 848	–7
Life and health benefits	–10 611	–9 080	–14
Return credited to policyholders	–1 541	–1 166	–24
Acquisition costs	–6 515	–6 419	–1
Administrative expenses	–3 056	–3 039	–1
Other expenses	–99	–264	167
Interest expenses	–721	–579	–20
Total expenses	–33 120	**–30 395**	–8
Income before income tax expense	4 227	5 319	26
Income tax expense	–658	–651	–1
Net income before attribution of non-controlling interests	3 569	**4 668**	31
Income attributable to non-controlling interests		–3	–
Net income after attribution of non-controlling interests	3 569	**4 665**	31
Interest on contingent capital instruments	–69	–68	–1
Net income attributable to common shareholders	3 500	**4 597**	31

Changes in equity

USD millions	2014	2015	Change in %
Total shareholders' equity as of 1 January	32 952	35 930	9
Net income attributable to common shareholders	3 500	4 597	31
Change in unrealised gains/losses on securities, net	3 796	–2 670	–
Change in other-than-temporary impairment, net of tax	3	–8	–
Change in foreign currency translation	–778	–1 012	30
Dividends	–3 129	–2 608	–17
Purchase/sale of treasury shares and shares issued under employee plans	–114	–521	–
Other changes in equity	–300	–191	–36
Total shareholders' equity as of 31 December	35 930	**33 517**	–7
Non-controlling interests	111	89	–20
Total equity as of 31 December	36 041	**33 606**	–7

Summary balance sheet

USD millions	2014	**2015**	Change in %
Assets			
Investments			
Fixed income securities	86 669	82 331	–5
Equity securities	4 089	4 787	17
Policy loans, mortgages and other loans	3 205	3 123	–3
Investment real estate	888	1 556	75
Short-term investments	14 127	7 405	–48
Other invested assets	9 684	10 367	7
Investments for unit-linked and with-profit business	25 325	28 241	12
Total investments	143 987	**137 810**	–4
Cash and cash equivalents	7 471	8 204	10
Reinsurance assets	30 437	28 157	–7
Deferred acquisition costs and other intangible assets	8 137	8 435	4
Goodwill	4 025	3 862	–4
Other assets	10 404	9 667	–7
Total assets	204 461	**196 135**	–4
Liabilities and equity			
Unpaid claims and claim adjustment expenses	57 954	55 518	–4
Liabilities for life and health policy benefits	33 605	30 131	–10
Policyholder account balances	29 242	31 422	7
Unearned premiums	10 576	10 869	3
Funds held under reinsurance treaties	3 385	3 320	–2
Reinsurance balances payable	2 115	1 928	–9
Income taxes payable	909	488	–46
Deferred and other non-current taxes	9 445	8 093	–14
Short-term debt	1 701	1 834	8
Accrued expenses and other liabilities	6 873	7 948	16
Long-term debt	12 615	10 978	–13
Total liabilities	168 420	**162 529**	–3
Total shareholders' equity	35 930	**33 517**	–7
Non-controlling interests	111	89	–20
Total equity	36 041	**33 606**	–7
Total liabilities and equity	204 461	**196 135**	–4

Reinsurance

Our 2015 performance was driven by solid underwriting and progress on strategic goals.

Strategy and priorities

Our Reinsurance Business Unit strategy focuses on differentiation and profitable growth through a dedicated emphasis on profitable risk pools, enabled by a strong operating platform and talent base.

Systematically allocate capital to risk pools/revenue streams

By applying metrics based on cash flow, US GAAP and our integrated Economic Value Management (EVM) framework we seek to steer both Property & Casualty (P&C) and Life & Health (L&H) Reinsurance businesses to the most profitable risk pools. As a result we've been shifting the weighting of our lines of business in line with our underwriting framework and growth strategy. In P&C, we prioritised high growth markets and have been reducing property business since 2013 where prices have become increasingly challenging. In L&H we continued to grow the contribution from high growth markets and from health, in particular.

We allocate capital to the most attractive lines of business and steer it toward the business that is most relevant for our clients. We have been emphasising transactions, which are tailored, complex solution structures that efficiently fit client needs and bring unique added value. Demand for such structures is being driven especially by more stringent solvency and capital standards, often in L&H.

Broadening and diversifying our client base to increase access to risk

We have continued to work on expanding our client base through a dedicated focus on specific client segments (such as regionals and nationals, or R&N), lines of business (such as casualty and health) and geography (especially high growth markets).

In the R&N segment, we have been investing significant effort to understand the needs of our clients and tailoring our offerings accordingly since 2011. As a result, we have won an average of more than one hundred new P&C clients per year and improved the retention of existing ones.

In casualty, we proactively manage our business according to the cycle, aiming for a disciplined expansion. Growth has been significant since 2011, particularly in the US. At the same time we make significant investments to understand the impact of new risks in the casualty book, such as cyber risks or driverless cars; furthermore, our Liability Risk Driver (LRD) model gives us a new way to systematically, objectively, and transparently assess liability risks.

In health, we address the needs of ageing populations and are capitalising on the opportunities from increasing demand for primary health products, particularly in Asia and the US. We expect cessions to the reinsurance market to grow along with demand in the primary market.

Finally, we continue to expand geographically. High growth markets now account for about 20% of our premiums. Our focus in high growth markets is to establish high-performing local teams, further enhance client loyalty and support efforts to increase overall market penetration.

Optimising resources and platforms

The Reinsurance Business Unit is continuously improving its operations and processes. We have systematically relocated client-facing functions to high growth markets, particularly Asia. By combining client management and underwriting responsibility, we have become more effective for our R&N clients. We have also continued to invest in IT platform optimisation in both P&C and L&H.

Emphasising differentiation

Differentiation in Reinsurance is based on financial strength, strong client relationships and our knowledge company approach. Our financial strength is reflected by the ratings in the Key Information section at the beginning of this Financial Review. Our close relationships allow us to better understand clients' needs through regular exchange with key decision makers and tailor solutions specifically for them. As a result we achieve remarkable client retention and premium growth. Today clients rank Swiss Re first or second in all markets except in Latin America, where we rank third, according to Flaspöhler ratings.

Such relationships are supported by our knowledge company approach, which allows us to deliver a wide spectrum of products and services. We help our clients grow through, for example, new or co-product development, portfolio/risk analysis, catastrophe modelling advisory, Solvency II consulting and rating exposure support. We also share knowledge with our clients through client workshops and training — in 2015 we delivered on-site client training for more than 600 participants from over 40 countries and for more than 800 others through eLearning. We also provide unique systems and simulation tools to clients, such as CatNet, a natural hazard information and mapping system; SwiftRe, our online self-service facultative reinsurance platform; and Magnum, our automated underwriting system for L&H.

Property & Casualty Reinsurance

Performance

Net income for 2015 was USD 3.0 billion. The result reflected solid underwriting results supported by benign natural catastrophe experience and net reserve releases from prior accident years. The overall result was impacted by a large man-made loss burden, notably the explosion in Tianjin, China, estimated to impact the property and marine business lines by USD 235 million.

The combined ratio was slightly higher at 86.0%, compared to 83.7% in 2014.

The underwriting result for 2015 decreased by USD 433 million largely due to the impact of foreign exchange rate movements and lower prices for reinsurance. This also reflects a shift towards more proportional business and more casualty business, both of which typically result in a higher combined ratio. These shifts were partly offset by better than expected natural catastrophe experience and positive prior-year development.

Property & Casualty results

USD millions	2014	**2015**	Change in %
Premiums earned	15 598	**15 090**	–3
Expenses			
Claims and claim adjustment expenses	–8 493	–7 892	–7
Acquisition costs	–3 382	–3 836	13
Other expenses	–1 175	–1 247	6
Total expenses before interest expenses	–13 050	**–12 975**	–1
Underwriting result	2 548	2 115	–17
Net investment income	1 076	1 097	2
Net realised investment gains/losses	699	445	–36
Other revenues	69	45	–35
Interest expenses	–255	–262	3
Income before income tax expense	4 137	3 440	–17
Income tax expense	–552	–443	–20
Income attributable to non-controlling interests	–1	–1	0
Interest on contingent capital instruments	–20	–19	–5
Net income attributable to common shareholders	3 564	**2 977**	–16
Claims ratio in %	54.5	52.3	
Expense ratio in %	29.2	33.7	
Combined ratio in %	83.7	86.0	

Major natural catastrophes in 2015 included storms on Australia's east coast, storm Niklas in Europe, a sandstorm in Saudi Arabia, and floods in India and the UK in December. Large man-made losses included the explosion in Tianjin, China, a fire on an oil platform in the Gulf of Mexico, a dam burst in Brazil, a credit loss in India, an engineering loss in France and a fire at a South Korean warehouse.

Net premiums earned

Net premiums earned were USD 15.1 billion in 2015, compared to USD 15.6 billion for 2014. The decrease was mainly driven by foreign exchange rate movements. At constant exchange rates, premiums earned increased by USD 497 million, driven by increased premiums in casualty and specialty, partly offset by decreases in property.

The composition of gross premiums earned by region changed year on year, with the Americas having a higher share of premiums in 2015 compared to 2014.

The balance between proportional and non-proportional reinsurance business moved towards proportional business in 2015. Based on gross premiums written before intra-Group retrocession, the share of proportional business was 69% in 2015, compared to 64% in 2014.

Combined ratio

Property & Casualty Reinsurance reported a solid combined ratio of 86.0% in 2015, compared to 83.7% in the previous year. Both periods benefited from a better than expected natural catastrophe experience and favourable prior-year reserve developments.

The impact from natural catastrophes in 2015 was 8.7 percentage points below the expected level of 9.9 percentage points. Favourable development from prior accident years improved the 2015 combined ratio by 5.1 percentage points compared to 3.9 percentage points in 2014.

Administrative expense ratio

The administrative expense ratio increased to 8.3% in 2015, compared to 7.5% in 2014. The prior year ratio benefited by one percentage point due to a release of a premium tax provision in Asia in the third quarter of 2014.

Lines of business

Property

The property combined ratio was 73.1% in 2015, in line with 69.7% in 2014, supported by benign natural catastrophe loss experience and favourable prior-year claims experience.

Casualty

The casualty combined ratio for 2015 was 99.9%, compared to 104.1% in 2014. This is mainly due to higher net reserve releases compared to last year.

Specialty lines

The specialty combined ratio increased to 80.5% in 2015, compared to 68.1% in 2014, reflecting the impact of the explosion in Tianjin, China, and significantly lower net reserve releases compared to 2014.

Investment result

The return on investments for 2015 was 3.5% compared to 3.7% in 2014, reflecting a decrease in the investment result of USD 212 million. The decrease was driven by reduced net realised gains from the sale of equity securities in the current period.

Net investment income increased by USD 37 million to USD 1 036 million in 2015, mainly due to additional income from duration lengthening in the second half of 2014 as well as in 2015.

Net realised gains were USD 497 million in 2015 compared to USD 730 million in 2014, as the prior period included additional gains from the sale of equity securities and alternative investments, which were partially offset by additional gains from the sale of government bonds in the current period.

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

Shareholders' equity

The return on equity for 2015 was 22.2% compared to 26.7% in 2014, mainly due to lower earnings in 2015. Common shareholders' equity for the business segment was USD 13.0 billion at the end of 2015 compared to USD 13.9 billion at the end of 2014. The decrease was driven by dividend payments to the Group, unrealised losses and lower 2015 net income.

Outlook

Price erosion due to abundant capital and low loss occurrence continues for property, except for some loss-affected programmes. For special lines, rates are also under pressure, with significant differences by markets and lines of business. Casualty markets also saw rate decreases but overall remain more stable, with significant differences by segment.

Successful differentiation will remain the key for new business wins, large and tailored transactions and differential pricing.

Our differentiation strategy is successful and well-acknowledged by our clients. We continue to execute this strategy while focusing on the bottom line in a softening market environment. We will reduce capacity for flow business and focus on large and tailored transactions.

Premiums earned by line of business, 2015
(Total: USD 15.1 billion)

40%	Property
44%	Casualty
16%	Specialty

Life & Health Reinsurance

Performance

Life & Health Reinsurance met its return on equity target of 10%–12% for 2015 which was announced at the Investors' Day in June 2013. The management actions taken in relation to the pre-2004 US individual life business, the unwinding of an asset funding structure for a longevity transaction, as well as capital optimisation and asset rebalancing have all contributed to help Life & Health meet the target and set the foundation for future profitable growth. Managing the in-force business will continue to be a key priority for Swiss Re while growing new business in 2016 and beyond.

Life & Health results

USD millions	2014	**2015**	Change in %
Revenues			
Premiums earned	11 212	10 914	–3
Fee income from policyholders	53	49	–8
Net investment income – non-participating	1 544	1 331	–14
Net realised investment gains/losses – non-participating	–255	310	–
Net investment result – unit-linked and with-profit	75	42	–44
Other revenues		5	–
Total revenues	12 629	**12 651**	0
Expenses			
Life and health benefits	–9 194	–8 290	–10
Return credited to policyholders	–99	–60	–39
Acquisition costs	–2 489	–1 986	–20
Other expenses	–885	–903	2
Interest expenses	–438	–278	–37
Total expenses	–13 105	**–11 517**	–12
Income/loss before income tax expense	–476	1 134	–
Income tax expense/benefit	63	–146	–
Interest on contingent capital instruments	–49	–49	0
Net income/loss attributable to common shareholders	–462	**939**	–
Management expense ratio in %	6.9	7.3	
Operating margin in %	2.6	9.9	

Net income

Net income for 2015 was USD 939 million, compared to a net loss of USD 462 million in 2014. The strong performance in 2015 reflects significant improvement in operating results, net realised gains and lower interest charges.

The loss in 2014 was mainly due to the management actions in respect of the pre-2004 US individual life business, as well as to net realised losses driven by the unwinding of the asset funding structure.

Net premiums earned and fee income

Net premiums earned and fee income decreased by 2.7% to USD 11.0 billion in 2015, compared to USD 11.3 billion in 2014. At constant exchange rates, premiums earned and fee income were 6.1% higher in 2015. The 2015 figure benefited from several longevity deals in the UK, and large transactions in Australia, Europe and South Africa contributed towards new business growth. In addition, rate increases in the yearly renewable term business in the Americas contributed to the 2015 result.

Operating margin ratio

The operating margin for 2015 was 9.9% compared to 2.6% for 2014. The higher margin stems from the significant improvement in life and health operating income along with lower premiums earned and fee income. The prior-year margin was substantially lower due to the management actions in relation to pre-2004 US individual life business.

Administrative expense ratio

The administrative expense ratio was 7.3% for 2015 compared to 6.9% in 2014 due to an increase in variable compensation.

Operating income

The life segment reported operating income of USD 641 million compared to a loss of USD 66 million in 2014. The current year results benefited from the management actions taken in the prior year in relation to the pre-2004 US individual life business, and a less unfavourable pre-2004 US post-level term business result in the current period. These were partly offset by lower investment income following the unwinding of an asset funding structure supporting a longevity transaction. The loss in 2014 was mainly due to management actions in respect of the pre-2004 US individual life business.

Operating income for the health segment increased to USD 593 million compared to USD 397 million in 2014. The 2015 results benefited from interest rate updates in the valuation of disabled life reserves, and were adversely impacted by reserve strengthening for UK critical illness business. The 2014 results were impacted by an increase in disabled life reserves in the US and UK.

The 2014 operating income of Life & Health does not include the pre-tax charge on the unwinding of the asset funding structure. This charge was included under non-participating realised gains/losses.

Investment result

The return on investments for 2015 was 3.4% compared to 3.2% in 2014, reflecting a lower invested asset base alongside a slight increase in the investment result of USD 2 million. The change in the investment result was driven by an improved result from derivatives and additional gains from sales which were offset by lower net investment income due to net asset outflows from the unwinding of a funding structure in 2014.

Net investment income of USD 1.1 billion in 2015 was lower than USD 1.2 billion in 2014 mainly due to net asset outflows related to the unwinding of a funding structure. The fixed income running yield was 3.5% in the reporting period.

Net realised gains were USD 85 million in 2015 compared to net losses of USD 72 million in 2014, as the prior year included losses from an interest rate hedge.

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

Shareholders' equity

Common shareholders' equity was USD 5.8 billion at the end of 2015, slightly below the shareholders' equity at the end of 2014. Net income of USD 939 million was offset by unrealised losses, the impact of foreign exchange rate movements and a dividend payment. The return on equity for 2015 was 15.7%.

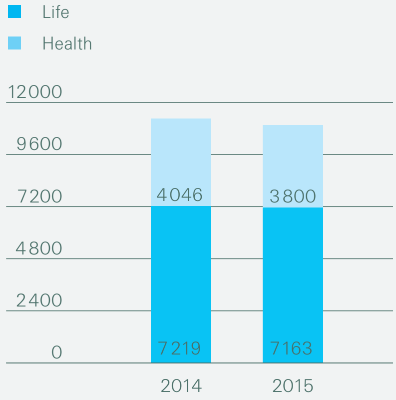
After adjusting for realised gains and one-off model adjustments, and using the equity capital of USD 5.5 billion announced as the basis for our 2015 target at the June 2013 Investors' Day, return on equity was 11.8%, meeting the target of 10%–12%.

Outlook

In mature markets, the low interest rate environment will continue to have an unfavourable impact on long-term life business. In addition, cession rates in the US are expected to decrease as primary insurers retain more risk. However, high growth markets will see stronger increases in life and health businesses and primary insurers' cession rates are expected to be stable. As a result, we expect life and health reinsurance business to be relatively flat in mature markets and to increase in high growth markets.

We will continue to pursue growth opportunities in high growth markets and apply our experience to help reduce the protection gap in all regions. We are responding to the expanding need for health protection driven by ageing societies and we are pursuing large transaction opportunities, including longevity deals.

Premiums earned and fee income by L&H segment, 2014–2015
(USD millions)



Corporate Solutions

Corporate Solutions continued to invest in future profitable growth by further expanding its primary lead capabilities and broadening its distribution network.

Strategy and priorities

At the Swiss Re Investors' Day in December 2015, the Corporate Solutions CEO presented the strategic initiatives for growth beyond 2015, communicating the intent to focus on further expansion into primary lead and to broaden the footprint. In 2015, Corporate Solutions developed primary lead capabilities and rolled out primary lead products in additional markets across all regions.

In addition, Corporate Solutions started operations in Johannesburg, Madrid, Melbourne, and Osaka, expanding the distribution network to 52 offices in 20 countries.

In January 2016, Corporate Solutions announced the agreement to acquire a leading US employer stop loss underwriter, IHC Risk Solutions, LLC, subject to regulatory approval. The transaction includes IHC Risk Solutions' operations, its team of experts and business portfolio, including in-force, new and renewal business written with IHC subsidiaries. This acquisition will broaden Corporate Solutions current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Performance

Net income was USD 340 million in 2015, an increase of 6.6% compared to USD 319 million in 2014. The 2015 result was driven by continued profitable business performance across most lines of business and investment activities.

Net premiums earned

Net premiums were USD 3.4 billion in 2015, a decrease of 1.9% compared to 2014, driven by the challenging market, most notably in property in North America and Latin America, and foreign exchange rate movements. At constant exchange rates, net premiums increased by 1.7%. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, decreased 7.9%, or 4.3% at constant exchange rates, to USD 3.9 billion in 2015 compared to USD 4.2 billion in 2014.

Combined ratio

The combined ratio increased by 0.8 percentage point to 93.8% in 2015 compared to 93.0% in 2014, impacted by higher large man-made losses and higher expenses as a result of investment in long-term growth. The quality of the book remained consistently high year on year, with better than expected natural catastrophe experience.

Lines of business

The property combined ratio for 2015 improved by 4.1 percentage points to 77.0%, reflecting continued profitable business performance in most regions and lower large loss frequency compared to 2014. Both periods benefited from the absence of major natural catastrophe losses.

The casualty combined ratio improved by 6.6 percentage points to 104.1% in 2015, mainly due to successful business growth and favourable prior-year development on liability business in North America, partially offset by two large man-made losses.

The credit combined ratio increased to 91.1% in 2015 compared to 72.3% in 2014, driven by large surety losses in Latin America and Asia.

In other specialty lines, the combined ratio deteriorated by 9.6 percentage points to 110.2% in 2015, mainly due to large aviation and satellite losses.

Investment result

The return on investments for 2015 was 3.0% compared to 2.6% in 2014, reflecting an increase in the net investment income of USD 36 million and net realised gains of USD 13 million.

Net investment income increased to USD 149 million in 2015 compared to USD 113 million in 2014, in part due to business growth and an ensuing increase in the investment portfolio. Net realised gains were USD 107 million in 2015 compared to USD 94 million in 2014, as the current year included additional net realised gains on sales of equity securities.

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

Corporate Solutions results

USD millions	2014	**2015**	Change in %
Revenues			
Premiums earned	3 444	3 379	–2
Net investment income	94	135	44
Net realised investment gains	168	142	–15
Other revenues	3	9	–
Total revenues	3 709	**3 665**	–1
Expenses			
Claims and claim adjustment expenses	–2 054	–1 955	–5
Acquisition costs	–463	–459	–1
Other expenses	–687	–756	10
Interest expenses	–8	–24	–
Total expenses	–3 212	**–3 194**	–1
Income before income tax expense	497	471	–5
Income tax expense	–179	–129	–28
Income attributable to non-controlling interests	1	–2	–
Net income attributable to common shareholders	319	**340**	7
Claims ratio in %	59.6	57.8	
Expense ratio in %	33.4	36.0	
Combined ratio in %	93.0	93.8	

Corporate Solutions offers insurance protection against weather perils and other risks, which are accounted for as derivatives. The insurance in derivative form reported net realised gains of USD 33 million in 2015 compared to USD 53 million in 2014. The 2015 period was impacted by mild weather in December.

Shareholders' equity

Common shareholders' equity remained stable at USD 2.3 billion since the end of 2014, with a USD 200 million dividend paid to the Group, offset by net income for the year. The return on equity was 14.8% in 2015, compared to 12.5% in 2014.

Outlook

Prices for commercial insurance are under significant pressure, with a growing number of segments operating at unattractive rate levels. Corporate Solutions has maintained its commitment to underwriting discipline while achieving its return on equity ambition for 2015. Corporate Solutions believes that it is well positioned to successfully navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach, but is not fully insulated from the general market environment.

Admin Re®

In 2015 Admin Re® made a strong contribution to the Group and delivered against its strategy. Since 1 January 2016 it has become part of Life Capital.

Strategy and priorities

As part of Life Capital from 1 January 2016, Admin Re® aims to enhance profitability by leveraging its core competencies of selective growth, value extraction and operational excellence.

Admin Re®'s strategy of selective growth means pursuing opportunities to build and enhance the franchise in the UK market. All transactions need to meet Swiss Re's Group investment criteria and hurdle rates.

Value extraction relates to the active management of the portfolios of assets and blocks of businesses and a focus on consistently creating value through capital and tax synergies.

Operational excellence involves continuous improvement of the operating platform. It also means focusing on transformation and management actions, including business efficiency and cost reductions.

For future periods, Admin Re® will be reported as part of the Life Capital Business Unit.

Performance

Admin Re® announced the acquisition of Guardian Financial Services (Guardian) in September 2015, which closed in January 2016 following regulatory approval. The acquisition is a strong demonstration of progress against Admin Re®'s strategy to be a leading closed life book consolidator in the UK. The sale of Aurora National Life Assurance Company (Aurora) closed in April 2015, continuing Admin Re®'s exit from the US market; in the third quarter, HSBC policies were successfully migrated to Admin Re® platforms.

Admin Re® generated gross cash of USD 543 million in 2015 compared to USD 945 million in the prior year. The 2015 result includes the positive impact of USD 231 million primarily from updates to UK annuitant mortality assumptions and USD 80 million from the UK half year statutory valuation. The 2014 result included USD 217 million from the sale of Aurora and USD 225 million release of surplus reserves held against the risk of credit default. In addition, the prior year included USD 234 million following the finalisation of the UK statutory valuations. A dividend of USD 401 million was paid to the Group in June 2015.

Admin Re® reported net income of USD 422 million in 2015 compared to USD 34 million in 2014. The 2014 result included a USD 203 million loss from the sale of Aurora. Excluding this loss, the 2014 net income would have been USD 237 million. The increase in the current year was driven by higher realised gains from sales of government bonds as part of the preparation for Solvency II and tax credits following the finalisation of the UK year-end statutory results and changes to the UK corporation tax rate.

Investment result

The return on investments was 4.7% for 2015 compared to 4.6% for 2014, reflecting a lower average invested asset base, which more than offset the impact of the decrease in the investment result of USD 156 million. The decrease in the investment result was mainly attributable to a reduced asset base, following the sale of Aurora.

Net investment income of USD 656 million in 2015 was lower than USD 901 million in 2014 mainly due to the net asset outflows related to the sale of Aurora and the impact of foreign exchange rate movements. The fixed income running yield was 3.6% in the reporting period.

Net realised gains were USD 264 million in 2015 compared to USD 175 million in 2014, as the current period included additional net realised gains from sales of government bonds related to the preparation for Solvency II. Insurance-related investment results are not included in the figures above.

Expenses

Expenses were USD 320 million in 2015 compared to USD 359 million in 2014. Admin Re® delivered against its strategy with cost reductions in 2015 and lower deal-related costs.

Admin Re® results

USD millions	2014	**2015**	Change in %
Revenues			
Premiums earned	502	368	–27
Fee income from policyholders	453	414	–9
Net investment income – non-participating	1 256	938	–25
Net realised investment gains/losses – non-participating	–114	275	–
Net investment result – unit-linked and with-profit	1 306	772	–41
Other revenues	1	0	–100
Total revenues	3 404	**2 767**	–19
Expenses			
Life and health benefits	–1 415	–790	–44
Return credited to policyholders	–1 442	–1 106	–23
Acquisition costs	–181	–138	–24
Other expenses	–359	–320	–11
Interest expenses	–25	–16	–36
Total expenses	–3 422	**–2 370**	–31
Income/loss before income tax benefit	–18	397	–
Income tax benefit	52	25	–52
Net income attributable to common shareholders	34	**422**	–

Shareholders' equity

Common shareholders' equity at the end of 2015 was USD 4.9 billion or USD 1.5 billion lower than as of 31 December 2014. The decrease was mainly due to dividends paid to Group and USD 1.0 billion decrease in unrealised gains, driven by increasing interest rates in the UK and the US during 2015, partially offset by net income.

The return on equity was 7.5% for 2015, compared to 0.6% for 2014. The 2014 result included the loss following the sale of Aurora. Excluding this loss, the return on equity would have been 3.8% for 2014. The year-on-year increase was mainly due to higher net income and lower average equity in 2015.

Outlook

As part of the Life Capital Business Unit, Admin Re® will continue to pursue selective growth opportunities in the UK closed book market and potentially in continental Europe. All transactions must meet Group strategic and investment criteria as well as hurdle rates. Overall Admin Re® aims to improve efficiency, to achieve capital and operational synergies and to continue to actively manage its asset portfolios and blocks of business. From 2016 through 2018, Life Capital aims to generate significant cash for the Group and to invest into its open life strategy.

Introducing Life Capital

In December 2015, we announced a new Business Unit, Life Capital, which is managing closed and open life and health insurance books, including the existing Admin Re® business, since 1 January 2016. This streamlined approach is helping us diversify our business, generate stable returns and seize new opportunities. For our clients, Life Capital provides a pool of primary talent and expertise, including new tools and insights to reach new markets and offer new products. Life Capital gives us a better framework to systematically allocate capital to attractive and growing life and health risk pools.

Income statement

For the years ended 31 December

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

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

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

Statement of comprehensive income

For the years ended 31 December

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

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

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

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

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

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

Balance sheet

As of 31 December

Assets

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

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

Liabilities and equity

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

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

Statement of shareholders' equity

For the years ended 31 December

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

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

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

Statement of cash flow

For the years ended 31 December

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

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

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

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

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

Basis of presentation
The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intra-group transactions and balances have been eliminated on consolidation. The accompanying condensed consolidated financial statements contain preliminary, unaudited financial information for the annual period ended 31 December 2015. The 2014 year-end balance sheet data presented was derived from audited financial statements. These condensed financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group's audited consolidated financial statements for the year ended 31 December 2014. The Swiss Re Group's audited consolidated financial statements for the year ended 31 December 2015 will be published on 16 March 2016.

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 December 2015, the Group has 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 19 February 2016. This is the date on which the condensed unaudited financial statements are available to be issued.

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

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

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

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

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

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

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

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

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2 Information on business segments

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

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

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

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include 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 lines of business.

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

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

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

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

Group items

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

Consolidation

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

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

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

Business segments – income statement
For the year ended 31 December

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

Business segments – balance sheet

As of 31 December

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

Business segments – balance sheet

As of 31 December

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

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

For the year ended 31 December

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

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

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

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

For the year ended 31 December

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

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

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

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

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

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

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

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

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

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

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

3 Insurance information

Premiums earned and fees assessed against policyholders

For the year ended 31 December

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

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

Premiums earned and fees assessed against policyholders

For the year ended 31 December

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

Claims and claim adjustment expenses

For the year ended 31 December

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

Acquisition costs

For the year ended 31 December

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

Claims and claim adjustment expenses
For the year ended 31 December

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

Acquisition costs
For the year ended 31 December

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

Reinsurance recoverable on unpaid claims and policy benefits

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

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

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

Policyholder dividends

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

4 Premiums written

For the years ended 31 December

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

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

5 Unpaid claims and claim adjustment expenses

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

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

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

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

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

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

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

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

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

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

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

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

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

As of 31 December, the DAC were as follows:

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

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

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

As of 31 December, the PVFP was as follows:

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

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

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

7 Investments

Investment income

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

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

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

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

Realised gains and losses

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

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

Investment result – unit-linked and with-profit business

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

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

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

Impairment on fixed income securities related to credit losses

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

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

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

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

Investments available-for-sale

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

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

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

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

Investments trading

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

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

Investments held for unit-linked and with-profit business

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

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

Maturity of fixed income securities available-for-sale

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

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

Assets pledged

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

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

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

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

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

Offsetting of derivatives, financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

Unrealised losses on securities available-for-sale

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

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

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

Mortgages, loans and real estate

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

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

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

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

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

8 Fair value disclosures

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

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

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

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

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

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

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

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

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

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

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

Valuation techniques

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

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

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, 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 level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all of these investments are classified as level 3 due to the lack of observable prices and significant 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 (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 type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Quantitative information about level 3 fair value measurements

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

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

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

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

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

Other invested assets measured at net asset value

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

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

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

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

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

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

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

Fair value option

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

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

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

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

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

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

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

Non-hedging activities

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

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

Hedging activities

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

Fair value hedges

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

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

Hedges of the net investment in foreign operations

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

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

Maximum potential loss

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

Credit risk-related contingent features

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

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

10 Acquisitions and disposals

Acquisitions

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

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

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

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

Disposals

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

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

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

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

11 Debt and contingent capital instruments

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

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

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

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

Maturity of long-term debt

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

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

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

Senior long-term debt

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

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

Subordinated long-term debt

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

Interest expense on long-term debt and contingent capital instruments

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

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

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

Long-term debt issued in 2015

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

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

Subordinated debt facility established in 2015

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

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

Contingent capital instruments

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

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

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

12 Earnings per share

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

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

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

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

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

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

13 Commitments and contingent liabilities

Leasing commitments

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

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

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

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

Other commitments

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

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

Legal proceedings

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

14 Variable interest entities

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

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

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

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

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

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

Insurance-linked and credit-linked securitisations

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

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

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

Life and health funding vehicles

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

Swaps in trusts

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

Debt financing vehicles

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

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

Investment vehicles

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

Other

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

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

Consolidated VIEs

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

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

	2014 Carrying value	2014 Whereof limited recourse	2015 Carrying value	2015 Whereof limited recourse
Unpaid claims and claim adjustment expenses			53	53
Unearned premiums			26	26
Reinsurance balances payable			2	2
Deferred and other non-current tax liabilities	177	177	96	96
Accrued expenses and other liabilities	7	7	17	17
Long-term debt	2 903	2 903	2 720	2 720
Total liabilities	3 087	3 087	**2 914**	**2 914**

Non-consolidated VIEs

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

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

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

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

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

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

15 Restructuring provision

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

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

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

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

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

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

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, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets.

Such factors include, among others:

- 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.

Note on risk factors

General impact of adverse market conditions

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

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, growth forecasts among the principal global economies remain uneven and uncertain, and that uncertainty has been compounded by significant volatility in equity, currency and commodities markets. Slower growth rates in China, together with the actions taken on its currency, and drastic reductions in the price of oil, together with volatility in foreign currency and investment markets caused by interest rate action in the United States; continued concerns over the implications of austerity-driven economic policies in Europe and the ability of the European Union to address significant ongoing structural challenges; concerns over a possible exit of the United Kingdom from the European Union; deceleration in GDP growth and other negative trends in emerging markets; and geopolitical instability, reflecting the political and military situations in the Middle East and North Africa, the rise of the Islamic State, concerns over further terrorist attacks across the globe and the political, economic and social crises caused by massive waves of migration into and through Europe, have contributed to downward pressure on the capital markets and in turn on market capitalization of many listed companies, call into question the likelihood of continued recovery of the global economies and are beginning to raise the spectre of another global recession.

With fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit our ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to us and could adversely affect the confidence of the ultimate buyers of insurance. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio and/or make it difficult to acquire suitable investments to meet the Group's risk and return criteria.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to group supervision. Swiss Re's subsidiaries are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve as a result of global efforts following the credit crisis.

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

Other changes are 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 capital requirements and/or required reserve levels or have other direct or indirect effects on the Group or its securities. 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 (SIFI) under the framework for systemically important financial institutions developed by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the FSOC) in the United States. 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 on a framework for supervision of internationally active insurance groups. Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs has been postponed pending further development of the methodology due by November 2015, to be applied to new designations in 2016. If and when reinsurers are included in the list of G-SIIs, the Group could be so designated. Were the Group to be designated as a G-SII, it 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 Internationally Active Insurance Groups). In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

Significant policy decisions on a range of regulatory changes that could affect the Group and its 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 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. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

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 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.

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

Liquidity risks
The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage

obligations. The Group's uses of funds include 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 is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its 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. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

Legal and regulatory risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with 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, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy.
The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, 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, or attacks directed at, the Group's operational systems and infrastructure. Any of the foregoing, as well the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. 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.

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

Risks related to the Swiss Re corporate structure

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

Contacts

Business contact details

Swiss Re has about 70 office locations in more than 30 countries. For a full list of our office locations and service offerings, please visit www.swissre.com.

Investor Relations
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

Share Register
Telephone +41 43 285 6810
Fax +41 43 282 6810
share_register@swissre.com

Head office

Swiss Re Ltd
Mythenquai 50/60, P.O. Box,
8022 Zurich, Switzerland
Telephone +41 43 285 2121
Fax +41 43 285 2999

Americas

Armonk
175 King Street
Armonk, New York 10504
Telephone +1 914 828 8000

Overland Park
5200 Metcalf Avenue
Overland Park, KS 66202
Telephone +1 913 676 5200

New York
55 East 52nd Street
New York, NY 10055
Telephone +1 212 317 5400

Toronto
150 King Street West
Toronto, Ontario M5H 1J9
Telephone +1 416 408 0272

Mexico City
Insurgentes Sur 1898, Piso 8
Torre Siglum
Colonia Florida
México, D.F. 01030
Telephone +52 55 5322 8400

Westlake Village
112 Lakeview Canyon Road, Suite 220
Westlake Village, CA 91362
Telephone +1 805 728 8300

São Paulo
Avenida Paulista, 500
Bela Vista
São Paulo, SP 01310-000
Telephone +55 11 3073 8000

Europe (incl. Middle East and Africa)

Zurich
Mythenquai 50/60
8022 Zurich
Telephone +41 43 285 2121

London
30 St Mary Axe
London
EC3A 8EP
Telephone +44 20 7933 3000

Munich
Arabellastraße 30
81925 München
Telephone +49 89 3844-0

Cape Town
2nd Floor
Beechwood House
The Boulevard
Searle Street
Cape Town, 7925
Telephone +27 21 469 8400

Madrid
Paseo de la Castellana, 95
Edificio Torre Europa
28046 Madrid
Telephone +34 91 598 1726

Paris
11–15, rue Saint-Georges
75009 Paris
Telephone +33 1 43 18 30 00

Rome
Via dei Giuochi Istmici, 40
00135 Rome
Telephone +39 06 323931

Asia-Pacific

Hong Kong
61/F Central Plaza
18 Harbour Road
G.P.O. Box 2221
Wanchai, HK
Telephone +852 2827 4345

Sydney
Level 29, 363 George Street
Sydney NSW 2000
Telephone +61 2 8295 9500

Singapore
Asia Square Tower 2
12 Marina View
Singapore 018961
Telephone +65 6532 2161

Beijing
23rd Floor, East Tower, Twin Towers,
No. B12, Jian Guo Men Wai Avenue
Chao Yang District
Beijing 100022
Telephone +86 10 6563 8888

Tokyo
Otemachi First Square 9F
5–1 Otemachi 1 chome
Chiyoda-ku
Tokyo 100-0004
Telephone +81 3 5219 7800

Mumbai
Unit 701–702, 7th Floor Tower 'A'
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Telephone +91 22 6661 2121

Corporate Calendar

16 March 2016
Publication of Annual Report 2015 and 2015 EVM Results

22 April 2016
152nd Annual General Meeting

29 April 2016
First quarter 2016 results

29 July 2016
Second quarter 2016 results

3 November 2016
Third quarter 2016 results

2 December 2016
Investors´ Day in Zurich

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com