

Swiss Reinsurance Company Consolidated
Third Quarter 2015 Report

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Income statement

USD millions	Note	Three months ended 30 September		Nine months ended 30 September	
		2014	2015	2014	2015
Revenues					
Premiums earned	3	7 175	6 903	20 220	19 530
Fee income from policyholders	3	42	28	123	106
Net investment income – non-participating business	6	769	727	2 432	2 131
Net realised investment gains/losses – non-participating business ¹	6	206	413	421	967
Net investment result – unit-linked and with-profit business	6	49	-65	53	-24
Other revenues		14	6	39	45
Total revenues		8 255	8 012	23 288	22 755
Expenses					
Claims and claim adjustment expenses	3	-2 247	-1 993	-6 354	-5 890
Life and health benefits	3	-2 329	-2 236	-7 037	-6 373
Return credited to policyholders		-144	-15	-338	-237
Acquisition costs	3	-1 409	-1 414	-3 954	-4 365
Other expenses		-478	-595	-1 728	-1 853
Interest expenses		-182	-135	-563	-420
Total expenses		-6 789	-6 388	-19 974	-19 138
Income before income tax expense		1 466	1 624	3 314	3 617
Income tax expense		-345	-275	-668	-707
Net income before attribution of non-controlling interests		1 121	1 349	2 646	2 910
Income/loss attributable to non-controlling interests		0	0	-1	-1
Net income after attribution of non-controlling interests		1 121	1 349	2 645	2 909
Interest on contingent capital instruments		-17	-17	-52	-51
Net income attributable to common shareholder		1 104	1 332	2 593	2 858

¹ Total impairments for the three months ended 30 September were USD 17 million in 2014 and USD 16 million in 2015, of which USD 17 million and USD 16 million respectively, were recognised in earnings. Total impairments for the nine months ended 30 September were USD 26 million in 2014 and USD 27 million in 2015, of which USD 26 million and USD 27 million, respectively, were recognised in earnings.

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

Statement of comprehensive income

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Net income before attribution of non-controlling interests	1 121	1 349	2 646	2 910
Other comprehensive income, net of tax:				
Change in unrealised investment gains/losses	283	-8	1 726	-1 341
Change in other-than-temporary impairment			4	1
Change in foreign currency translation	-466	-217	-361	-818
Change in adjustment for pension benefits	37	-288	40	-253
Total comprehensive income before attribution of non-controlling interests	975	836	4 055	499
Interest on contingent capital instruments	-17	-17	-52	-51
Comprehensive income attributable to non-controlling interests			-1	-1
Total comprehensive income attributable to common shareholder	958	819	4 002	447

Reclassification out of accumulated other comprehensive income

For the three months ended 30 September

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 July	2 184	-2	-3 422	-468	-1 708
Change during the period	550		-331	40	259
Amounts reclassified out of accumulated other comprehensive income	-144			7	-137
Tax	-123		-135	-10	-268
Balance as of period end	2 467	-2	-3 888	-431	-1 854

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 July	2 129	-2	-4 862	-727	-3 462
Change during the period	84		-196	-381	-493
Amounts reclassified out of accumulated other comprehensive income	-96			17	-79
Tax	4		-21	76	59
Balance as of period end	2 121	-2	-5 079	-1 015	-3 975

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.

For the nine months ended 30 September

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	741	-6	-3 527	-471	-3 263
Change during the period	3 115	6	-210	33	2 944
Amounts reclassified out of accumulated other comprehensive income	-694			25	-669
Tax	-695	-2	-151	-18	-866
Balance as of period end	2 467	-2	-3 888	-431	-1 854

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	3 462	-3	-4 261	-762	-1 564
Change during the period	-765	2	-713	-370	-1 846
Amounts reclassified out of accumulated other comprehensive income	-1 119			52	-1 067
Tax	543	-1	-105	65	502
Balance as of period end	2 121	-2	-5 079	-1 015	-3 975

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.

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Balance sheet

Assets

USD millions	Note	31.12.2014	30.09.2015
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale, at fair value (including 12 325 in 2014 and 12 430 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 60 600; 2015: 59 887)		65 127	62 635
Trading (including 645 in 2014 and 1770 in 2015 subject to securities lending and repurchase agreements)		2 219	3 093
Equity securities:			
Available-for-sale, at fair value (including 190 in 2014 and 348 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 1 975; 2015: 3 053)		2 396	3 177
Trading		65	67
Policy loans, mortgages and other loans		3 908	3 851
Investment real estate		881	1 401
Short-term investments, at fair value (including 2 025 in 2014 and 1 061 in 2015 subject to securities lending and repurchase agreements)		10 520	5 575
Other invested assets		7 353	7 690
Investments for unit-linked and with-profit business (including equity securities trading: 894 in 2014 and 790 in 2015)		894	790
Total investments		93 363	88 279
Cash and cash equivalents (including 45 in 2014 and 61 in 2015 subject to securities lending)		5 855	4 269
Accrued investment income		721	577
Premiums and other receivables		10 340	11 440
Reinsurance recoverable on unpaid claims and policy benefits	3	5 346	4 610
Funds held by ceding companies		12 173	10 984
Deferred acquisition costs	5	4 480	5 136
Acquired present value of future profits	5	1 899	1 782
Goodwill		3 916	3 795
Income taxes recoverable		109	184
Deferred tax assets		5 206	5 336
Other assets		2 895	2 906
Total assets		146 303	139 298

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

Liabilities and equity

USD millions	Note	31.12.2014	30.09.2015
Liabilities			
Unpaid claims and claim adjustment expenses		52 177	50 379
Liabilities for life and health policy benefits	7	19 284	17 021
Policyholder account balances		6 610	5 306
Unearned premiums		7 825	9 309
Funds held under reinsurance treaties		3 083	2 653
Reinsurance balances payable		1 966	1 881
Income taxes payable		802	562
Deferred and other non-current tax liabilities		7 490	7 141
Short-term debt	10	4 959	5 520
Accrued expenses and other liabilities		8 016	9 485
Long-term debt	10	11 265	9 836
Total liabilities		123 477	119 093
Equity			
Contingent capital instruments		1 102	1 102
Common shares CHF 0.10 par value			
2014: 344 052 565; 2015: 344 052 565 shares authorised and issued		32	32
Additional paid-in capital		8 823	8 717
Shares in Swiss Re Ltd, net of tax		-10	-18
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		3 462	2 121
Other-than-temporary impairment, net of tax		-3	-2
Foreign currency translation, net of tax		-4 261	-5 079
Adjustment for pension and other post-retirement benefits, net of tax		-762	-1 015
Total accumulated other comprehensive income		-1 564	-3 975
Retained earnings		14 421	14 324
Shareholder's equity		22 804	20 182
Non-controlling interests		22	23
Total equity		22 826	20 205
Total liabilities and equity		146 303	139 298

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

Statement of shareholder's equity

For the year ended 31 December and the nine months ended 30 September

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	32	32
Issue of common shares		
Balance as of period end	32	32
Additional paid-in capital		
Balance as of 1 January	8 853	8 823
Share-based compensation	-35	3
Realised gains/losses on treasury shares	5	-109
Balance as of period end	8 823	8 717
Shares in Swiss Re Ltd, net of tax		
Balance as of 1 January	-148	-10
Change of shares in Swiss Re Ltd	138	-8
Balance as of period end	-10	-18
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	741	3 462
Changes during the period	2 721	-1 341
Balance as of period end	3 462	2 121
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-6	-3
Changes during the period	3	1
Balance as of period end	-3	-2
Foreign currency translation, net of tax		
Balance as of 1 January	-3 527	-4 261
Changes during the period	-734	-818
Balance as of period end	-4 261	-5 079
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-471	-762
Changes during the period	-291	-253
Balance as of period end	-762	-1 015
Retained earnings		
Balance as of 1 January	14 660	14 421
Net income after attribution of non-controlling interests	2 965	2 909
Interest on contingent capital instruments, net of tax	-69	-51
Dividends on common shares and dividends-in-kind	-3 135	-2 955
Balance as of period end	14 421	14 324
Shareholder's equity	22 804	20 182
Non-controlling interests		
Balance as of 1 January	25	22
Change during the period	-4	
Income attributable to non-controlling interests	1	1
Balance as of period end	22	23
Total equity	22 826	20 205

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

Statement of cash flow

For the nine months ended 30 September

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholder	2 593	2 858
Add net income attributable to non-controlling interests	1	1
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	213	347
Net realised investment gains/losses	-446	-915
Income from equity-accounted investees, net of dividends received	-23	15
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	-870	-631
Funds held by ceding companies and under reinsurance treaties	539	309
Reinsurance recoverable on unpaid claims and policy benefits	802	601
Other assets and liabilities, net	-416	-244
Income taxes payable/recoverable	300	-151
Trading positions, net ¹	-144	463
Net cash provided/used by operating activities	2 549	2 653
Cash flows from investing activities		
Fixed income securities:		
Sales	39 835	31 353
Maturities	2 304	3 095
Purchases	-50 524	-39 422
Net purchases/sales/maturities of short-term investments	4 885	4 373
Equity securities:		
Sales	5 343	905
Purchases	-1 831	-1 847
Securities purchased/sold under agreement to resell/repurchase, net ¹	1 829	-772
Cash paid/received for acquisitions/disposal and reinsurance transactions, net		178
Net purchases/sales/maturities of other investments ¹	-155	1 706
Net cash provided/used by investing activities	1 686	-431
Cash flows from financing activities		
Issuance/repayment of long-term debt	104	212
Issuance/repayment of short-term debt	-1 746	-765
Dividends paid to parent	-3 120	-2 961
Net cash provided/used by financing activities	-4 762	-3 514
Total net cash provided/used	-527	-1 292
Effect of foreign currency translation	-105	-294
Change in cash and cash equivalents	-632	-1 586
Cash and cash equivalents as of 1 January	5 883	5 855
Cash and cash equivalents as of 30 September	5 251	4 269

¹ The Group reviewed the nature of certain items within the statement of cash flow. "Securities purchased/sold under agreement to resell/purchase, net" are reclassified from the operating cash flow to the investing cash flow, and certain investment related cash flows are 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.

Interest paid was USD 703 million and USD 494 million for the nine months ended 30 September 2014 and 2015, respectively.

Tax paid was USD 353 million and USD 834 million for the nine months ended 30 September 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 Reinsurance Company Ltd ("SRZ") and its subsidiaries (collectively, the "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 and public sector clients.

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

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Reinsurance Company Group's audited financial statements for the year ended 31 December 2014.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure including contingent assets and liabilities. The Group's liabilities for unpaid claims and claim adjustment expenses 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 30 September 2015, the Group had not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 28 October 2015. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In January 2014, the FASB issued 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 topic 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 6.

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 topic 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 is currently assessing the impact of the new requirements.

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 two core operating business segments: Property & Casualty Reinsurance and Life & Health Reinsurance. 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 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. As well as traditional reinsurance solutions, the business unit 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.

Other

Items not allocated to the business segments are included in the "Other" column which encompasses non-core activities. The "Other" column includes mainly certain costs not allocated to the Reinsurance business segments, certain Treasury activities as well as the remaining non-core activities which have been in run-off since November 2007.

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. In the periods presented, significant intra-group transactions related to intra-group reinsurance arrangements and certain treasury-related activities are included.

a) Business segments – income statement

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	4 305	2 858	12		7 175
Fee income from policyholders		15	27		42
Net investment income – non-participating	276	367	122	4	769
Net realised investment gains/losses – non-participating	-69	43	232		206
Net investment result – unit-linked and with-profit		49			49
Other revenues	16		2	-4	14
Total revenues	4 528	3 332	395	0	8 255
Expenses					
Claims and claim adjustment expenses	-2 264		17		-2 247
Life and health benefits		-2 214	-115		-2 329
Return credited to policyholders		-59	-85		-144
Acquisition costs	-897	-501	-11		-1 409
Other expenses	-143	-221	-114		-478
Interest expenses	-64	-113	-5		-182
Total expenses	-3 368	-3 108	-313	0	-6 789
Income before income tax expense	1 160	224	82	0	1 466
Income tax expense/benefit	-313	-52	20		-345
Net income before attribution of non-controlling interests	847	172	102	0	1 121
Income/loss attributable to non-controlling interests					0
Net income after attribution of non-controlling interests	847	172	102	0	1 121
Interest on contingent capital instruments	-5	-12			-17
Net income attributable to common shareholder	842	160	102	0	1 104
Claims ratio in %	52.5				
Expense ratio in %	24.2				
Combined ratio in %	76.7				
Management expense ratio in %		6.8			
Operating margin in %		9.2			

Business segments – income statement

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	4 108	2 761	34		6 903
Fee income from policyholders		10	18		28
Net investment income – non-participating	299	334	95	-1	727
Net realised investment gains/losses – non-participating	98	150	165		413
Net investment result – unit-linked and with-profit		-65			-65
Other revenues	4	3	-1		6
Total revenues	4 509	3 193	311	-1	8 012
Expenses					
Claims and claim adjustment expenses	-1 993				-1 993
Life and health benefits		-2 160	-76		-2 236
Return credited to policyholders		62	-77		-15
Acquisition costs	-920	-483	-11		-1 414
Other expenses	-290	-207	-98		-595
Interest expenses	-65	-67	-4	1	-135
Total expenses	-3 268	-2 855	-266	1	-6 388
Income before income tax expense	1 241	338	45	0	1 624
Income tax expense/benefit	-223	-57	5		-275
Net income before attribution of non-controlling interests	1 018	281	50	0	1 349
Income/loss attributable to non-controlling interests	-1		1		0
Net income after attribution of non-controlling interests	1 017	281	51	0	1 349
Interest on contingent capital instruments	-4	-13			-17
Net income attributable to common shareholder	1 013	268	51	0	1 332
Claims ratio in %	48.5				
Expense ratio in %	29.5				
Combined ratio in %	78.0				
Management expense ratio in %		6.7			
Operating margin in %		11.3			

Business segments – income statement

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	11 678	8 399	143		20 220
Fee income from policyholders		41	82		123
Net investment income – non-participating	814	1 196	409	13	2 432
Net realised investment gains/losses – non-participating	325	-68	164		421
Net investment result – unit-linked and with-profit		53			53
Other revenues	39	1	12	-13	39
Total revenues	12 856	9 622	810	0	23 288
Expenses					
Claims and claim adjustment expenses	-6 335		-19		-6 354
Life and health benefits		-6 715	-322		-7 037
Return credited to policyholders		-77	-261		-338
Acquisition costs	-2 502	-1 420	-32		-3 954
Other expenses	-816	-666	-246		-1 728
Interest expenses	-190	-356	-17		-563
Total expenses	-9 843	-9 234	-897	0	-19 974
Income/loss before income tax expense	3 013	388	-87	0	3 314
Income tax expense/benefit	-612	-79	23		-668
Net income/loss before attribution of non-controlling interests	2 401	309	-64	0	2 646
Income/loss attributable to non-controlling interests	-1				-1
Net income/loss after attribution of non-controlling interests	2 400	309	-64	0	2 645
Interest on contingent capital instruments	-15	-37			-52
Net income/loss attributable to common shareholder	2 385	272	-64	0	2 593
Claims ratio in %	54.3				
Expense ratio in %	28.4				
Combined ratio in %	82.7				
Management expense ratio in %		6.9			
Operating margin in %		8.8			

Business segments – income statement

For the nine months ended 30 of September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Revenues					
Premiums earned	11 378	8 054	98		19 530
Fee income from policyholders		37	69		106
Net investment income – non-participating	850	1 019	263	-1	2 131
Net realised investment gains/losses – non-participating	428	364	175		967
Net investment result – unit-linked and with-profit		-24			-24
Other revenues	44	3		-2	45
Total revenues	12 700	9 453	605	-3	22 755
Expenses					
Claims and claim adjustment expenses	-5 889		-1		-5 890
Life and health benefits		-6 152	-221		-6 373
Return credited to policyholders		9	-246		-237
Acquisition costs	-2 867	-1 468	-30		-4 365
Other expenses	-894	-635	-324		-1 853
Interest expenses	-198	-211	-14	3	-420
Total expenses	-9 848	-8 457	-836	3	-19 138
Income/loss before income tax expense	2 852	996	-231	0	3 617
Income tax expense/benefit	-563	-196	52		-707
Net income/loss before attribution of non-controlling interests	2 289	800	-179	0	2 910
Income/loss attributable to non-controlling interests	-1				-1
Net income/loss after attribution of non-controlling interests	2 288	800	-179	0	2 909
Interest on contingent capital instruments	-14	-37			-51
Net income/loss attributable to common shareholder	2 274	763	-179	0	2 858
Claims ratio in %	51.7				
Expense ratio in %	33.1				
Combined ratio in %	84.8				
Management expense ratio in %		7.0			
Operating margin in %		10.7			

Business segments – balance sheet

As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	80 745	57 121	15 595	-7 158	146 303

As of 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Total assets	82 263	56 782	12 020	-11 767	139 298

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

For the three months ended 30 September

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 964	1 713	628	4 305
Expenses				
Claims and claim adjustment expenses	-811	-1 213	-240	-2 264
Acquisition costs	-282	-500	-115	-897
Other expenses	-102	-36	-5	-143
Total expenses before interest expenses	-1 195	-1 749	-360	-3 304
Underwriting result	769	-36	268	1 001
Net investment income				276
Net realised investment gains/losses				-69
Other revenues				16
Interest expenses				-64
Income before income tax expenses				1 160
Claims ratio in %	41.2	70.8	38.2	52.5
Expense ratio in %	19.6	31.3	19.1	24.2
Combined ratio in %	60.8	102.1	57.3	76.7

2015 USD millions	Property	Casualty	Specialty	Total
Premiums earned	1 820	1 660	628	4 108
Expenses				
Claims and claim adjustment expenses	-703	-944	-346	-1 993
Acquisition costs	-287	-494	-139	-920
Other expenses	-169	-91	-30	-290
Total expenses before interest expenses	-1 159	-1 529	-515	-3 203
Underwriting result	661	131	113	905
Net investment income				299
Net realised investment gains/losses				98
Other revenues				4
Interest expenses				-65
Income before income tax expenses				1 241
Claims ratio in %	38.6	56.9	55.1	48.5
Expense ratio in %	25.1	35.2	26.9	29.5
Combined ratio in %	63.7	92.1	82.0	78.0

Property & Casualty Reinsurance business segment – by line of business

For the nine months ended 30 September

2014

USD millions	Property	Casualty	Specialty	Total
Premiums earned	5 095	4 796	1 787	11 678
Expenses				
Claims and claim adjustment expenses	-2 210	-3 474	-651	-6 335
Acquisition costs	-779	-1 351	-372	-2 502
Other expenses	-454	-268	-94	-816
Total expenses before interest expenses	-3 443	-5 093	-1 117	-9 653
Underwriting result	1 652	-297	670	2 025
Net investment income				814
Net realised investment gains/losses				325
Other revenues				39
Interest expenses				-190
Income before income tax expenses				3 013
Claims ratio in %	43.4	72.4	36.4	54.3
Expense ratio in %	24.2	33.8	26.1	28.4
Combined ratio in %	67.6	106.2	62.5	82.7

2015

USD millions	Property	Casualty	Specialty	Total
Premiums earned	4 638	4 939	1 801	11 378
Expenses				
Claims and claim adjustment expenses	-1 989	-3 025	-875	-5 889
Acquisition costs	-889	-1 522	-456	-2 867
Other expenses	-503	-277	-114	-894
Total expenses before interest expenses	-3 381	-4 824	-1 445	-9 650
Underwriting result	1 257	115	356	1 728
Net investment income				850
Net realised investment gains/losses				428
Other revenues				44
Interest expenses				-198
Income before income tax expenses				2 852
Claims ratio in %	42.9	61.3	48.6	51.7
Expense ratio in %	30.0	36.4	31.6	33.1
Combined ratio in %	72.9	97.7	80.2	84.8

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

For the three months ended 30 September

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	1 817	1 041	2 858
Fee income from policyholders	15		15
Net investment income – non-participating	232	135	367
Net investment income – unit-linked and with-profit	21		21
Net realised investment gains/losses – unit-linked and with-profit	28		28
Net realised investment gains/losses – insurance-related derivatives	4	1	5
Other revenues			0
Total revenues before non-participating realised gains/losses	2 117	1 177	3 294
Expenses			
Life and health benefits	-1 408	-806	-2 214
Return credited to policyholders	-59		-59
Acquisition costs	-277	-224	-501
Other expenses	-158	-63	-221
Total expenses before interest expenses	-1 902	-1 093	-2 995
Operating income	215	84	299
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			38
Interest expenses			-113
Income before income tax expenses			224
Management expense ratio in %	7.7	5.4	6.8
Operating margin ¹ in %	10.4	7.1	9.2

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

Life & Health Reinsurance business segment – by line of business

For the three months ended 30 September

2015

USD millions	Life	Health	Total
Revenues			
Premiums earned	1 799	962	2 761
Fee income from policyholders	10		10
Net investment income – non-participating	216	118	334
Net investment income – unit-linked and with-profit	20		20
Net realised investment gains/losses – unit-linked and with-profit	-85		-85
Net realised investment gains/losses – insurance-related derivatives	67	42	109
Other revenues	3		3
Total revenues before non-participating realised gains/losses	2 030	1 122	3 152
Expenses			
Life and health benefits	-1 423	-737	-2 160
Return credited to policyholders	62		62
Acquisition costs	-326	-157	-483
Other expenses	-146	-61	-207
Total expenses before interest expenses	-1 833	-955	-2 788
Operating income	197	167	364
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			41
Interest expenses			-67
Income before income tax expenses			338
Management expense ratio in %	7.2	5.6	6.7
Operating margin ¹ in %	9.4	14.9	11.3

¹ Operating margin is calculated as operating result 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 nine months ended 30 September

2014 USD millions	Life	Health	Total
Revenues			
Premiums earned	5 354	3 045	8 399
Fee income from policyholders	41		41
Net investment income – non-participating	736	460	1 196
Net investment income – unit-linked and with-profit	28		28
Net realised investment gains/losses – unit-linked and with-profit	25		25
Net realised investment gains/losses – insurance-related derivatives	39	-2	37
Other revenues	1		1
Total revenues before non-participating realised gains/losses	6 224	3 503	9 727
Expenses			
Life and health benefits	-4 318	-2 397	-6 715
Return credited to policyholders	-77		-77
Acquisition costs	-874	-546	-1 420
Other expenses	-473	-193	-666
Total expenses before interest expenses	-5 742	-3 136	-8 878
Operating income	482	367	849
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			-105
Interest expenses			-356
Income before income tax expenses			388
Management expense ratio in %	7.7	5.5	6.9
Operating margin ¹ in %	7.8	10.5	8.8

¹ Operating margin is calculated as operating result 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 nine months ended 30 September

2015

USD millions	Life	Health	Total
Revenues			
Premiums earned	5 251	2 803	8 054
Fee income from policyholders	37		37
Net investment income – non-participating	662	357	1 019
Net investment income – unit-linked and with-profit	28		28
Net realised investment gains/losses – unit-linked and with-profit	-52		-52
Net realised investment gains/losses – insurance-related derivatives	100	43	143
Other revenues	3		3
Total revenues before non-participating realised gains/losses	6 029	3 203	9 232
Expenses			
Life and health benefits	-4 139	-2 013	-6 152
Return credited to policyholders	9		9
Acquisition costs	-934	-534	-1 468
Other expenses	-452	-183	-635
Total expenses before interest expenses	-5 516	-2 730	-8 246
Operating income	513	473	986
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			221
Interest expenses			-211
Income before income tax expenses			996
Management expense ratio in %	7.6	5.8	7.0
Operating margin ¹ in %	8.5	14.8	10.7

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

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		189	-53	136
Reinsurance	4 636	2 972	33	7 641
Intra-group transactions (assumed and ceded)	-18		18	0
Premiums earned before retrocession to external parties	4 618	3 161	-2	7 777
Retrocession to external parties	-313	-303	14	-602
Net premiums earned	4 305	2 858	12	7 175

Fee income from policyholders, thereof:

Direct			5	5
Reinsurance		16	22	38
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		16	27	43
Retrocession to external parties		-1		-1
Net fee income	0	15	27	42

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		187		187
Reinsurance	4 282	2 915	34	7 231
Intra-group transactions (assumed and ceded)				0
Premiums earned before retrocession to external parties	4 282	3 102	34	7 418
Retrocession to external parties	-174	-341		-515
Net premiums earned	4 108	2 761	34	6 903
Fee income from policyholders, thereof:				
Direct				0
Reinsurance		11	18	29
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		11	18	29
Retrocession to external parties		-1		-1
Net fee income	0	10	18	28

Premiums earned and fees assessed against policyholders

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		574	35	609
Reinsurance	12 449	8 749	117	21 315
Intra-group transactions (assumed and ceded)				0
Premiums earned before retrocession to external parties	12 449	9 323	152	21 924
Retrocession to external parties	-771	-924	-9	-1 704
Net premiums earned	11 678	8 399	143	20 220

Fee income from policyholders, thereof:

Direct			15	15
Reinsurance		42	67	109
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		42	82	124
Retrocession to external parties		-1		-1
Net fee income	0	41	82	123

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Premiums earned, thereof:				
Direct		552	1	553
Reinsurance	11 774	8 540	102	20 416
Intra-group transactions (assumed and ceded)				0
Premiums earned before retrocession to external parties	11 774	9 092	103	20 969
Retrocession to external parties	-396	-1 038	-5	-1 439
Net premiums earned	11 378	8 054	98	19 530
Fee income from policyholders, thereof:				
Direct			5	5
Reinsurance		38	64	102
Intra-group transactions (assumed and ceded)				0
Gross fee income before retrocession to external parties		38	69	107
Retrocession to external parties		-1		-1
Net fee income	0	37	69	106

Claims and claim adjustment expenses

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	-2 457	-2 288	-100	-4 845
Intra-group transactions (assumed and ceded)	3	-1	-2	0
Claims before receivables from retrocession to external parties	-2 454	-2 289	-102	-4 845
Retrocession to external parties	248	319	-5	562
Net claims paid	-2 206	-1 970	-107	-4 283
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross - with external parties	179	-194	21	6
Intra-group transactions (assumed and ceded)	6	1	-7	0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	185	-193	14	6
Retrocession to external parties	-243	-51	-5	-299
Net unpaid claims and claim adjustment expenses; life and health benefits	-58	-244	9	-293
Claims and claim adjustment expenses; life and health benefits	-2 264	-2 214	-98	-4 576

Acquisition costs

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	-965	-547	-1	-1 513
Intra-group transactions (assumed and ceded)	6		-6	0
Acquisition costs before retrocession to external parties	-959	-547	-7	-1 513
Retrocession to external parties	62	46	-4	104
Net acquisition costs	-897	-501	-11	-1 409

Claims and claim adjustment expenses

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	-2 566	-2 429	-79	-5 074
Intra-group transactions (assumed and ceded)				0
Claims before retrocession to external parties	-2 566	-2 429	-79	-5 074
Retrocession to external parties	201	317		518
Net claims paid	-2 365	-2 112	-79	-4 556
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross – with external parties	506	-6	3	503
Intra-group transactions (assumed and ceded)				0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	506	-6	3	503
Retrocession to external parties	-134	-42		-176
Net unpaid claims and claim adjustment expenses; life and health benefits	372	-48	3	327
Claims and claim adjustment expenses; life and health benefits	-1 993	-2 160	-76	-4 229

Acquisition costs

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	-960	-549	-11	-1 520
Intra-group transactions (assumed and ceded)	-3	3		0
Acquisition costs before retrocession to external parties	-963	-546	-11	-1 520
Retrocession to external parties	43	63		106
Net acquisition costs	-920	-483	-11	-1 414

Claims and claim adjustment expenses

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	-8 124	-7 004	-347	-15 475
Intra-group transactions (assumed and ceded)	1	-1		0
Claims before receivables from retrocession to external parties	-8 123	-7 005	-347	-15 475
Retrocession to external parties	927	902	8	1 837
Net claims paid	-7 196	-6 103	-339	-13 638
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross - with external parties	1 627	-578	-2	1 047
Intra-group transactions (assumed and ceded)	-1	1		0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	1 626	-577	-2	1 047
Retrocession to external parties	-765	-35		-800
Net unpaid claims and claim adjustment expenses; life and health benefits	861	-612	-2	247
Claims and claim adjustment expenses; life and health benefits	-6 335	-6 715	-341	-13 391

Acquisition costs

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	-2 664	-1 562	-32	-4 258
Intra-group transactions (assumed and ceded)				0
Acquisition costs before retrocession to external parties	-2 664	-1 562	-32	-4 258
Retrocession to external parties	162	142		304
Net acquisition costs	-2 502	-1 420	-32	-3 954

Claims and claim adjustment expenses

For the nine months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Claims paid, thereof:				
Gross claims paid to external parties	-7 271	-7 322	-299	-14 892
Intra-group transactions (assumed and ceded)				0
Claims before retrocession to external parties	-7 271	-7 322	-299	-14 892
Retrocession to external parties	675	902	5	1 582
Net claims paid	-6 596	-6 420	-294	-13 310
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:				
Gross – with external parties	1 243	307	72	1 622
Intra-group transactions (assumed and ceded)				0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	1 243	307	72	1 622
Retrocession to external parties	-536	-39		-575
Net unpaid claims and claim adjustment expenses; life and health benefits	707	268	72	1 047
Claims and claim adjustment expenses; life and health benefits	-5 889	-6 152	-222	-12 263

Acquisition costs

For the nine months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Acquisition costs, thereof:				
Gross acquisition costs with external parties	-2 966	-1 655	-30	-4 651
Intra-group transactions (assumed and ceded)				0
Acquisition costs before retrocession to external parties	-2 966	-1 655	-30	-4 651
Retrocession to external parties	99	187		286
Net acquisition costs	-2 867	-1 468	-30	-4 365

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2014 and 30 September 2015 were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	3 648	1 689	25	-16	5 346
Deferred acquisition costs	1 756	2 723	1		4 480
Liabilities					
Unpaid claims and claim adjustment expenses	41 233	10 177	784	-17	52 177
Liabilities for life and health policy benefits		16 442	2 842		19 284
Policyholder account balances		1 473	5 137		6 610

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Assets					
Reinsurance recoverable on unpaid claims and policy benefits	3 008	1 600	17	-15	4 610
Deferred acquisition costs	2 109	3 026	1		5 136
Liabilities					
Unpaid claims and claim adjustment expenses	40 135	9 535	725	-16	50 379
Liabilities for life and health policy benefits		15 693	1 328		17 021
Policyholder account balances		1 347	3 959		5 306

Reinsurance receivables

Reinsurance receivables as of 31 December 2014 and 30 September 2015 were as follows:

USD millions	2014	2015
Premium receivables invoiced	1 031	1 806
Receivables invoiced from ceded re/insurance business	265	330
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	777	148
Recognised allowance	-61	-60

4 Premiums written

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		137	-49		88
Reinsurance	3 714	2 911	39		6 664
Intra-group transactions (assumed)	-13			13	0
Gross premiums written	3 701	3 048	-10	13	6 752
Intra-group transactions (ceded)			13	-13	0
Gross premiums written before retrocession to external parties					
	3 701	3 048	3		6 752
Retrocession to external parties	-149	-301	14		-436
Net premiums written	3 552	2 747	17	0	6 316

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		119			119
Reinsurance	3 760	2 868	35		6 663
Intra-group transactions (assumed)					0
Gross premiums written	3 760	2 987	35		6 782
Intra-group transactions (ceded)					0
Gross premiums written before retrocession to external parties					
	3 760	2 987	35		6 782
Retrocession to external parties	-74	-338			-412
Net premiums written	3 686	2 649	35	0	6 370

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		602	35		637
Reinsurance	14 035	8 790	118		22 943
Intra-group transactions (assumed)					0
Gross premiums written	14 035	9 392	153		23 580
Intra-group transactions (ceded)					0
Gross premiums written before retrocession to external parties					
	14 035	9 392	153		23 580
Retrocession to external parties	-445	-920	-9		-1 374
Net premiums written	13 590	8 472	144	0	22 206

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Consolidation	Total
Gross premiums written, thereof:					
Direct		590	1		591
Reinsurance	13 418	8 555	101		22 074
Intra-group transactions (assumed)					0
Gross premiums written	13 418	9 145	102		22 665
Intra-group transactions (ceded)					0
Gross premiums written before retrocession to external parties					
	13 418	9 145	102		22 665
Retrocession to external parties	-315	-1 033	-5		-1 353
Net premiums written	13 103	8 112	97	0	21 312

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

As of 31 December 2014 and 30 September 2015, the DAC were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2014	1 591	2 845	-12	4 424
Deferred	3 563	490	49	4 102
Effect of acquisitions/disposals and retrocessions		-28	13	-15
Amortisation	-3 332	-448	-49	-3 829
Effect of foreign currency translation	-66	-136		-202
Closing balance as of 31 December 2014	1 756	2 723	1	4 480

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January 2015	1 756	2 723	1	4 480
Deferred	3 219	967	1	4 187
Effect of acquisitions/disposals and retrocessions	7	3		10
Amortisation	-2 832	-519	-1	-3 352
Effect of foreign currency translation	-41	-148		-189
Closing balance as of 30 September 2015	2 109	3 026	1	5 136

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 2014 and 30 September 2015, the PVFP was as follows:

USD millions	2014			2015		
	Life & Health Reinsurance	Other	Total	Life & Health Reinsurance	Other	Total
Opening balance as of 1 January	1 451	634	2 085	1 294	605	1 899
Amortisation	-156	-33	-189	-109	-19	-128
Interest accrued on unamortised PVFP	44	4	48	28	1	29
Effect of foreign currency translation	-45		-45	-26		-26
Effect of change in unrealised gains/losses			0		8	8
Closing balance	1 294	605	1 899	1 187	595	1 782

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

6 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) for the periods ended 30 September was as follows:

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Fixed income securities	523	475	1 572	1 436
Equity securities	17	22	64	58
Policy loans, mortgages and other loans	36	37	120	109
Investment real estate	37	42	109	115
Short-term investments	25	14	78	54
Other current investments	21	17	45	42
Share in earnings of equity-accounted investees	35	21	156	101
Cash and cash equivalents	8	6	26	24
Net result from deposit-accounted contracts	21	48	73	77
Deposits with ceding companies	134	140	446	362
Gross investment income	857	822	2 689	2 378
Investment expenses	-86	-90	-252	-239
Interest charged for funds held	-2	-5	-5	-8
Net investment income – non-participating	769	727	2 432	2 131

Dividends received from investments accounted for using the equity method were USD 44 million and USD 39 million for the three months ended 30 September 2014 and 2015, respectively, as well as USD 133 million and USD 116 million for the nine months ended 30 September 2014 and 2015, respectively.

Realised gains and losses

Realised gains and losses for fixed income equity securities and other investments (excluding unit-linked and with-profit business) for the periods ended 30 September were as follows:

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Fixed income securities available-for-sale:				
Gross realised gains	126	174	447	520
Gross realised losses	-27	-83	-194	-234
Equity securities available-for-sale:				
Gross realised gains	133	34	520	202
Gross realised losses	-11	-15	-45	-33
Other-than-temporary impairments	-17	-16	-26	-27
Net realised investment gains/losses on trading securities	1	21	14	61
Change in net unrealised investment gains/losses on trading securities	20	7	61	17
Net realised/unrealised gains/losses on other investments	-139	-23	-329	119
Net realised/unrealised gains/losses on insurance-related activities	-19	96	1	123
Foreign exchange gains/losses	139	218	-28	219
Net realised investment gains/losses – non-participating	206	413	421	967

Investment result – unit-linked and with-profit business

The net investment result on unit-linked and with-profit business credited to policyholders amounted to gains of USD 49 million and to losses of USD 65 million for the three months ended 30 September 2014 and 2015 and gains of USD 53 million and losses of USD 24 million for the nine months ended 30 September 2014 and 2015, respectively, mainly originating from gains/losses on equity securities.

Impairment on fixed income securities related to credit losses

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

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

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings for the nine months ended 30 September was as follows:

USD millions	2014	2015
Balance as of 1 January	218	131
Credit losses for which an other-than-temporary impairment was not previously recognised		4
Reductions for securities sold during the period	-58	-17
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		6
Impact of increase in cash flows expected to be collected	-17	-6
Impact of foreign exchange movements	3	-3
Balance as of 30 September	146	115

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 2014 and 30 September 2015 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	9 994	904	-4		10 894
US Agency securitised products	2 989	46	-23		3 012
States of the United States and political subdivisions of the states	825	68	-2		891
United Kingdom	4 750	743	-1		5 492
Canada	2 619	621	-1		3 239
Germany	4 314	358	-29		4 643
France	2 654	311	-18		2 947
Other	7 014	320	-108		7 226
Total	35 159	3 371	-186		38 344
Corporate debt securities	20 489	1 335	-139	-2	21 683
Mortgage- and asset-backed securities	4 952	170	-20	-2	5 100
Fixed income securities available-for-sale	60 600	4 876	-345	-4	65 127
Equity securities available-for-sale	1 975	472	-51		2 396

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	10 473	593	-55		11 011
US Agency securitised products	2 667	41	-15		2 693
States of the United States and political subdivisions of the states	902	40	-14		928
United Kingdom	4 304	663	-6		4 961
Canada	3 755	504	-16		4 243
Germany	3 015	293	-19		3 289
France	1 993	234	-9		2 218
Other	6 784	201	-140		6 845
Total	33 893	2 569	-274		36 188
Corporate debt securities	21 458	707	-374	-1	21 790
Mortgage- and asset-backed securities	4 536	140	-18	-1	4 657
Fixed income securities available-for-sale	59 887	3 416	-666	-2	62 635
Equity securities available-for-sale	3 053	321	-197		3 177

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 2014 and 30 September 2015 were as follows:

USD millions	2014	2015
Debt securities issued by governments and government agencies	1 997	2 900
Corporate debt securities	60	46
Mortgage- and asset-backed securities	162	147
Fixed income securities trading – non-participating	2 219	3 093
Equity securities trading – non-participating	65	67

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked business consist of equity securities trading. As of 31 December 2014 and 30 September 2015, these amounted to USD 894 million and USD 790 million, respectively.

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 30 September 2015, USD 9 781 million and USD 10 953 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2014		2015	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	3 221	3 233	2 467	2 501
Due after one year through five years	13 972	14 327	15 803	16 052
Due after five years through ten years	13 843	14 562	13 280	13 731
Due after ten years	24 787	28 081	24 032	25 928
Mortgage- and asset-backed securities with no fixed maturity	4 777	4 924	4 305	4 423
Total fixed income securities available-for-sale	60 600	65 127	59 887	62 635

Assets pledged

As of 30 September 2015, investments with a carrying value of USD 6 135 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 8 130 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 30 September 2015, securities of USD 15 230 million and USD 15 670 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 1 934 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 30 September 2015, a real estate portfolio with a carrying value of USD 229 million serves as collateral for short-term senior operational debt of USD 256 million.

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

As of 31 December 2014 and 30 September 2015, the fair value of the equity securities, government debt securities and corporate debt received as collateral was USD 7 165 million and USD 9 446 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2014 and 30 September 2015 was USD 3 738 million and USD 5 183 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 2014 and 30 September 2015 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	4 420	-3 530	890	-188	702
Reverse repurchase agreements	3 254	-1 303	1 951	-1 951	0
Securities borrowing	87		87	-87	0
Total	7 761	-4 833	2 928	-2 226	702

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	-3 840	2 969	-871	141	-730
Repurchase agreements	-1 353	1 003	-350	350	0
Securities lending	-1 901	300	-1 601	1 475	-126
Total	-7 094	4 272	-2 822	1 966	-856

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	3 471	-2 667	804	-127	677
Reverse repurchase agreements	5 521	-2 159	3 362	-3 362	0
Securities borrowing	16		16	-16	0
Total	9 008	-4 826	4 182	-3 505	677

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	-2 770	2 073	-697	97	-600
Repurchase agreements	-2 717	1 634	-1 083	1 083	0
Securities lending	-1 376	525	-851	777	-74
Total	-6 863	4 232	-2 631	1 957	-674

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

2015 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
Repurchase agreements					
Debt securities issued by governments and government agencies	1 184	1 207	160	135	2 686
Corporate debt securities	31				31
Total repurchase agreements	1 215	1 207	160	135	2 717
Securities lending					
Debt securities issued by governments and government agencies	406		514	447	1 367
Corporate debt securities	9				9
Total securities lending	415	0	514	447	1 376
Gross amount of recognised liabilities for repurchase agreements and securities lending					4 093

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 30 September 2015. As of 31 December 2014 and 30 September 2015, USD 39 million and USD 179 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 12 million and USD 18 million, respectively, to declines in value for more than 12 months.

2014 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 501	3	63	1	1 564	4
US Agency securitised products	965	12	462	11	1 427	23
States of the United States and political subdivisions of the states	66	1	16	1	82	2
United Kingdom	53	1			53	1
Canada	254	1	2		256	1
Germany	816	26	67	3	883	29
France	308	17	15	1	323	18
Other	1 263	71	826	37	2 089	108
Total	5 226	132	1 451	54	6 677	186
Corporate debt securities	3 273	88	985	53	4 258	141
Mortgage- and asset-backed securities	1 356	11	276	11	1 632	22
Total	9 855	231	2 712	118	12 567	349

2015 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 183	55			2 183	55
US Agency securitised products	829	12	282	3	1 111	15
States of the United States and political subdivisions of the states	283	13	4	1	287	14
United Kingdom	337	6	5		342	6
Canada	1 065	16			1 065	16
Germany	630	15	75	4	705	19
France	238	7	16	2	254	9
Other	2 283	109	158	31	2 441	140
Total	7 848	233	540	41	8 388	274
Corporate debt securities	7 977	318	381	57	8 358	375
Mortgage- and asset-backed securities	1 109	14	179	5	1 288	19
Total	16 934	565	1 100	103	18 034	668

Mortgages, loans and real estate

As of 31 December 2014 and 30 September 2015, 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	241	82
Mortgage loans	1 248	1 409
Other loans	2 419	2 360
Investment real estate	881	1 401

The fair value of the real estate as of 31 December 2014 and 30 September 2015 was USD 2 475 million and USD 3 115 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

Depreciation expense related to income-producing properties was USD 19 million and USD 25 million for the nine months ended 30 September 2014 and 2015, respectively. Accumulated depreciation on investment real estate totalled USD 539 million and USD 561 million as of 31 December 2014 and 30 September 2015, respectively.

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

7 Fair value disclosures

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

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

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

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

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

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

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

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

Certain financial instruments are classified within level 3 of the fair value hierarchy, because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (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 the nine months ended 30 September 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 Other.

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 transparent and liquid markets.

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

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

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

Equity securities held by the Group for proprietary investment purposes are mainly classified in 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 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 utilising observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of 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 a Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2014 and 30 September 2015, 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	10 974	55 984	388		67 346
Debt securities issued by US government and government agencies	10 974	1 419			12 393
US Agency securitised products		3 028			3 028
Debt securities issued by non-US governments and government agencies		24 920			24 920
Corporate debt securities		21 368	375		21 743
Mortgage- and asset-backed securities		5 249	13		5 262
Equity securities held for proprietary investment purposes	2 457		4		2 461
Equity securities backing unit-linked and with-profit business	894				894
Short-term investments held for proprietary investment purposes	4 484	6 036			10 520
Derivative financial instruments	40	3 843	537	-3 530	890
Interest rate contracts		2 625			2 625
Foreign exchange contracts		272			272
Equity contracts	40	889	396		1 325
Credit contracts		1			1
Other contracts		56	141		197
Other invested assets	907	562	1 289		2 758
Funds held by ceding companies ²		273			273
Total assets at fair value	19 756	66 698	2 218	-3 530	85 142
Liabilities					
Derivative financial instruments	-13	-3 110	-717	2 969	-871
Interest rate contracts	-5	-2 117			-2 122
Foreign exchange contracts		-407			-407
Equity contracts	-8	-561	-130		-699
Credit contracts		-2	-10		-12
Other contracts		-23	-577		-600
Liabilities for life and health policy benefits			-187		-187
Accrued expenses and other liabilities	-1 035	-864	-1 559		-3 458
Total liabilities at fair value	-1 048	-3 974	-2 463	2 969	-4 516

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	11 398	53 957	373		65 728
Debt securities issued by US government and government agencies	11 398	1 371			12 769
US Agency securitised products		2 706			2 706
Debt securities issued by non-US governments and government agencies		23 613			23 613
Corporate debt securities		21 475	361		21 836
Mortgage- and asset-backed securities		4 792	12		4 804
Equity securities held for proprietary investment purposes	3 233		11		3 244
Equity securities backing unit-linked and with-profit business	790				790
Short-term investments held for proprietary investment purposes	2 009	3 566			5 575
Derivative financial instruments	15	2 943	513	-2 667	804
Interest rate contracts	3	1 898			1 901
Foreign exchange contracts		314			314
Equity contracts	12	704	375		1 091
Credit contracts		2	1		3
Other contracts		25	137		162
Other invested assets	690	149	1 135		1 974
Funds held by ceding companies ²		242			242
Total assets at fair value	18 135	60 857	2 032	-2 667	78 357
Liabilities					
Derivative financial instruments	-24	-2 174	-572	2 073	-697
Interest rate contracts	-3	-1 416			-1 419
Foreign exchange contracts		-162			-162
Equity contracts	-21	-591	-43		-655
Credit contracts			-14		-14
Other contracts		-5	-515		-520
Liabilities for life and health policy benefits			-179		-179
Accrued expenses and other liabilities	-935	-1 614	-1 515		-4 064
Total liabilities at fair value	-959	-3 788	-2 266	2 073	-4 940

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 2014 and 30 September 2015, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs was 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	Accrued expenses and other liabilities	Total liabilities
Assets and liabilities									
Balance as of 1 January	619	11	505	1 791	2 926	-994	-145	-1 656	-2 795
Realised/unrealised gains/losses:									
Included in net income	1	2		125	128	302	-39		263
Included in other comprehensive income	7	-1		-29	-23				0
Purchases	10		44	76	130				0
Issuances			28		28	-91			-91
Sales	-21	-3	-58	-523	-605	97			97
Settlements	-227		-24	-2	-253	-31			-31
Transfers into level 3 ¹			42	32	74				0
Transfers out of level 3 ¹	-1	-4		-130	-135				0
Impact of foreign exchange movements		-1		-51	-52		-3	97	94
Closing balance as of 31 December	388	4	537	1 289	2 218	-717	-187	-1 559	-2 463

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	Accrued expenses and other liabilities	Total liabilities
Assets and liabilities									
Balance as of 1 January	388	4	537	1 289	2 218	-717	-187	-1 559	-2 463
Realised/unrealised gains/losses:									0
Included in net income	4		26	48	78	67	8		75
Included in other comprehensive income	-8	-1		-15	-24				0
Purchases	7		6	125	138				0
Issuances					0	-8			-8
Sales	-37		-3	-371	-411	1			1
Settlements	-14		-68		-82	86			86
Transfers into level 3 ¹	34	8	15	70	127	-1			-1
Transfers out of level 3 ¹					0				0
Impact of foreign exchange movements	-1			-11	-12			44	44
Closing balance as of 30 September	373	11	513	1 135	2 032	-572	-179	-1 515	-2 266

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 nine months ended 30 September were as follows:

USD millions	2014	2015
Gains/losses included in net income for the period	315	153
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	206	-3

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2014 and 30 September 2015 were as follows:

USD millions	2014 Fair value	2015 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	375	361			
Private placement corporate debt	304	274	Corporate Spread Matrix	Illiquidity premium	15 bps–186 bps (52 bps)
Private placement credit tenant leases	71	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (131 bps)
Infrastructure loan		34	Discounted Cash Flow Model	Valuation spread	171 bps (n.a.)
Derivative equity contracts	396	375			
OTC equity option referencing correlated equity indices	396	375	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Liabilities					
Derivative equity contracts	–130	–43			
OTC equity option referencing correlated equity indices	–46	–43	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–764	–694			
Variable annuity and fair valued GMDB contracts	–639	–655	Discounted Cash Flow Model	Risk margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%

¹ Represents average input value for the reporting period.

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's 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 (i.e. increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2014 and 30 September 2015, 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	657	613	115	non-redeemable	n.a.
Hedge funds	344	140		redeemable ¹	45-95 days ²
Private equity direct	33	31		non-redeemable	n.a.
Real estate funds	203	212	59	non-redeemable	n.a.
Total	1 237	996	174		

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 2014 and 30 September 2015 were as follows:

USD millions	2014	2015
Assets		
Other invested assets	7 353	7 690
of which at fair value pursuant to the fair value option	50	137
Funds held by ceding companies	12 173	10 984
of which at fair value pursuant to the fair value option ¹	273	242
Liabilities		
Liabilities for life and health policy benefits	-19 284	-17 021
of which at fair value pursuant to the fair value option	-187	-179

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 nine months ended 30 September were as follows:

USD millions	2014	2015
Other invested assets	0	5
Funds held by ceding companies ¹	1	4
Liabilities for life and health policy benefits	-10	6
Total	-9	15

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 2014 and 30 September 2015 were as follows:

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		241	241
Mortgage loans		1 248	1 248
Other loans		2 419	2 419
Investment real estate		2 475	2 475
Total assets	0	6 383	6 383
Liabilities			
Debt	-9 441	-8 694	-18 135
Total liabilities	-9 441	-8 694	-18 135

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		82	82
Mortgage loans		1 409	1 409
Other loans		2 360	2 360
Investment real estate		3 115	3 115
Total assets	0	6 966	6 966
Liabilities			
Debt	-8 236	-8 748	-16 984
Total liabilities	-8 236	-8 748	-16 984

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. The majority of these positions needs 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.

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8 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2014 and 30 September 2015, 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	83 942	2 625	-2 122	503
Foreign exchange contracts	12 924	223	-400	-177
Equity contracts	20 173	1 325	-699	626
Credit contracts	450	1	-12	-11
Other contracts	21 491	197	-600	-403
Total	138 980	4 371	-3 833	538
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 770	49	-7	42
Total	2 770	49	-7	42
Total derivative financial instruments	141 750	4 420	-3 840	580
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		890	-871	19

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	97 907	1 901	-1 419	482
Foreign exchange contracts	15 053	303	-158	145
Equity contracts	18 473	1 091	-655	436
Credit contracts	231	3	-14	-11
Other contracts	18 191	162	-520	-358
Total	149 855	3 460	-2 766	694
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 105	11	-4	7
Total	2 105	11	-4	7
Total derivative financial instruments	151 960	3 471	-2 770	701
Amount offset				
Where a right of set-off exists		-1 625	1 625	
Due to cash collateral		-1 042	448	
Total net amount of derivative financial instruments		804	-697	107

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 30 September 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. Gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	2014	2015	2014	2015
Derivatives not designated as hedging instruments				
Interest rate contracts	-129	47	-212	58
Foreign exchange contracts	44	170	-71	411
Equity contracts	-21	74	-133	-78
Credit contracts	4	3	2	
Other contracts	48	-46	151	118
Total gain/loss recognised in income	-54	248	-263	509

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 30 September 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. Gains and losses attributable to the hedged risks were as follows:

2014 USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	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	108	-107	98	-95
Total gain/loss recognised in income	108	-107	98	-95

2015 USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	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	12	-12	95	-95
Total gain/loss recognised in income	12	-12	95	-95

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 year ended 31 December 2014 and the nine months ended 30 September 2015, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 525 million and a gain of USD 901 million, respectively, in shareholder's 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 30 September 2015 was approximately USD 1 866 million and USD 1 846 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 63 million as of 31 December 2014 and 30 September 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 30 September 2015, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 63 million additional collateral would have had to be posted as of 30 September 2015. The total equals the amount needed to settle the instruments immediately as of 30 September 2015.

9 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 the "Net realised investment gains / losses – non-participating" in the income statement of the "Other" segment.

10 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. Interest expense is classified accordingly.

The Group's debt as of 31 December 2014 and 30 September 2015 was as follows:

USD millions	2014	2015
Senior financial debt	3 925	3 671
Senior operational debt	1 034	772
Subordinated financial debt		1 077
Short-term debt – financial and operational debt	4 959	5 520
Senior financial debt	2 659	2 912
Senior operational debt	713	468
Subordinated financial debt	4 990	3 653
Subordinated operational debt	2 903	2 803
Long-term debt – financial and operational debt	11 265	9 836
Total carrying value	16 224	15 356
Total fair value	18 135	16 984

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the periods ended 30 September was as follows:

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Senior financial debt	34	26	84	78
Senior operational debt	4	2	12	8
Subordinated financial debt	74	42	221	170
Subordinated operational debt	65	35	193	103
Total	177	105	510	359

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 17 million and USD 17 million for the three months ended 30 September 2014 and 2015, respectively, and USD 52 million and USD 51 million for the nine months ended 30 September 2014 and 2015, respectively.

Long-term debt issued in 2015

In January 2015, SRZ 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, SRZ 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 SRZ.

11 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.

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

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December 2014 and 30 September 2015:

USD millions	2014		2015	
	Carrying value	Whereof restricted	Carrying value	Whereof restricted
Fixed income securities available-for-sale	4 200	4 200	4 118	4 118
Short-term investments	95	95	60	60
Other invested assets	16		23	
Cash and cash equivalents	25	25	111	111
Accrued investment income	38	38	48	48
Premiums and other receivables			38	38
Deferred acquisition costs			9	9
Deferred tax assets	19	19	29	29
Other assets	16		45	29
Total assets	4 409	4 377	4 481	4 442
	Carrying value	Whereof limited recourse	Carrying value	Whereof limited recourse
Unpaid claims and claim adjustment expenses			42	42
Liabilities for life and health policy benefits			1	1
Unearned premiums			28	28
Reinsurance balances payable			11	11
Deferred and other non-current tax liabilities	177	177	129	129
Accrued expenses and other liabilities	7	7	44	44
Long-term debt	2 903	2 903	2 803	2 803
Total liabilities	3 087	3 087	3 058	3 058

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 2014 and 30 September 2015:

USD millions	2014	2015
Fixed income securities available-for-sale	69	60
Policy loans, mortgages and other loans	84	
Other invested assets	880	931
Total assets	1 033	991
Accrued expenses and other liabilities	167	62
Total liabilities	167	62

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 and 30 September 2015:

USD millions	2014			2014 Difference between exposure and liabilities	2015			2015 Difference between exposure and liabilities
	Total assets	Total liabilities	Maximum exposure to loss ¹		Total assets	Total liabilities	Maximum exposure to loss ¹	
Insurance-linked/Credit-linked securitisations	70		68	68	60		59	59
Life and health funding vehicles			1 683	1 683	3	1	1 773	1 772
Swaps in trusts	35	82	– ²	–	123	61	– ²	–
Investment vehicles	845		845	845	805		806	806
Other	83	85	883	798				
Total	1 033	167	–²	–	991	62	–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.

12 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the nine months ended 30 September 2014 and 2015 were USD 86 million and USD 94 million, respectively.

Employer's contributions for 2015

For the nine months ended 30 September 2015, the Group contributed USD 134 million to its defined benefit pension plans and USD 12 million to other post-retirement plans, compared to USD 142 million and USD 13 million, respectively, in the same period of 2014.

The expected 2015 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2015 for the latest information, amount to USD 159 million and USD 16 million, respectively.

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Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase” and “may fluctuate” and similar expressions or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group’s actual results of operations, financial condition, solvency ratios, 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. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to 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 the Group’s hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;

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- 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 the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
 - current, pending and future legislation and regulation affecting the Group or its ceding companies;
 - 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. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. The Group undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Note on risk factors

General impact of adverse market conditions

Despite signs of moderate increase in global growth forecasts and positive macro-economic trends in the United States, continued volatility due to the constraints inherent in current monetary policies of the world's principal central banks, among other factors, highlight the continued uncertainties around post-crisis recovery and the risks that the world economy continues to face. In the European Union, the focus has been largely on Greece. An exit of Greece from the eurozone remains a possible scenario, which could also have adverse consequences beyond Greece. More broadly in the region, there continues to be uncertainty as to the pace of economic growth and the consequences of austerity-based policies, which uncertainties could be compounded by domestic political considerations in various EU member states.

Countries in emerging market regions in Asia and Latin America recently have experienced deceleration in GDP growth, and recent stock market volatility in China has fuelled concerns over broader economic issues the country may face. Policy uncertainty and volatile, negative or uncertain economic conditions in developed markets could also adversely impact economies in Asia and Latin America, undermining business confidence. Periods of economic upheaval could also result in sudden government actions such as imposition of capital, price or currency controls, or changes in legal and regulatory requirements.

With fewer options available to policy-makers and with heightened risk that poor conditions in one country or region could adversely affect other countries or regions, volatility can be expected to continue. In addition, political or geopolitical developments, and international responses thereto, also could have an adverse impact on global financial markets and economic conditions.

Further adverse developments or the continuation of adverse trends that in turn have a negative impact on financial markets and economic conditions could limit the ability of Swiss Reinsurance Company Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") to access the capital markets and bank funding markets, and could adversely affect the ability of counterparties to meet their obligations. Any such developments and trends could also have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on overall results.

Regulatory changes

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

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

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. 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 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 ("IAIGs")). 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.

With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has discontinued writing new variable annuity business and has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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

Credit risk

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

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its 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 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. 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 alternative capacity); cyclical nature 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. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

Use of models; accounting matters

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

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

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

Risks related to the Swiss Re corporate structure

Following the realignment of the corporate structure of Swiss Re Ltd ("SRL") in 2012, the asset base, liquidity position, capital profile and other characteristics of the Group of relevance to its counterparties changed. Swiss Re is a wholly owned subsidiary of SRL and the Group represents only two of the four principal operating segments of the SRL group. Capital, funding, reserve and cost allocations are made at the SRL level across the four operating segments based principally on business plans as measured against U.S. GAAP and Economic Value Management metrics. Decisions at the SRL level in respect of the broader group could have an adverse impact on the Group's financial condition, including its capital and liquidity levels, as well as on its SST ratio. As part of SRL's focus on efficient capital allocation, the Group expects to be paying dividends to SRL. Decisions on dividends payable by each of the operating segments, including the Group, are made at the SRL level based on legal, capital and liquidity considerations.

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

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