

Half-Year 2021 Report

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Swiss Re Ltd

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

Financial highlights

For the six months ended 30 June

USD millions, unless otherwise stated	2020	2021	Change in %
Group			
Net income/loss attributable to shareholders	-1 135	1 046	-
Premiums earned and fee income	19 329	20 800	8
Earnings per share in CHF	-3.79	3.28	-
Shareholders' equity (31.12.2020/30.06.2021)	27 135	23 805	-12
Return on equity in % ¹	-7.9	8.2	
Return on investments in %	3.2	3.2	
Net operating margin in % ²	-5.1	7.2	
Number of employees ³ (31.12.2020/30.06.2021)	13 189	13 605	3
Property & Casualty Reinsurance			
Net income/loss attributable to shareholders	-519	1 248	-
Premiums earned	9 601	10 453	9
Combined ratio in %	115.8	94.4	
Net operating margin in % ²	-5.0	14.7	
Return on equity in % ¹	-12.8	27.2	
Life & Health Reinsurance			
Net income/loss attributable to shareholders	74	-119	-
Premiums earned and fee income	6 676	7 518	13
Net operating margin in % ²	3.9	-0.1	
Return on equity in % ¹	1.8	-3.7	
Corporate Solutions			
Net income/loss attributable to shareholders	-312	262	-
Premiums earned	2 473	2 555	3
Combined ratio in %	118.7	92.7	
Net operating margin in % ²	-14.7	12.7	
Return on equity in % ¹	-26.2	21.1	

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

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

³ Regular staff.

Share performance & ratings

Share vs benchmarks

Performance in %	1 January 2015 to 28 July 2021 (p.a.)	Year to 28 July 2021
Swiss Re	0.1	0.8
Swiss Market Index	4.6	12.8
STOXX Europe 600 Insurance Index	2.6	6.2

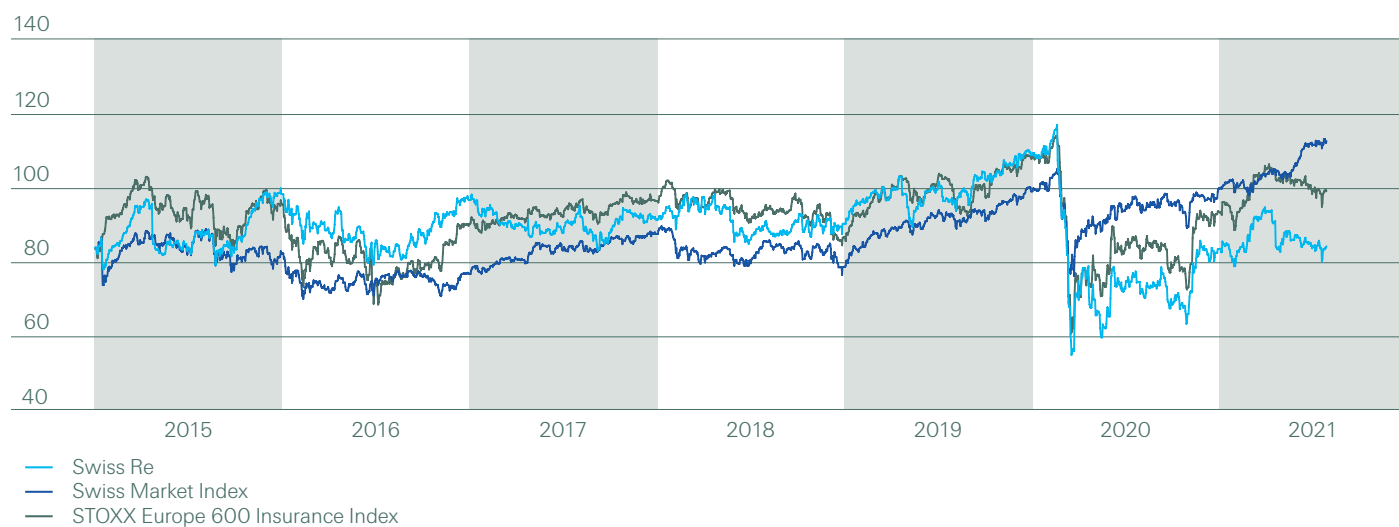
As of 28 July 2021

Share price in CHF	84.04
Market capitalisation in CHF millions	24 290

Ratings

Standard & Poor's	AA-
Moody's	Aa3
A.M.Best	A+

Creating shareholder value



Letter to shareholders

Swiss Re reported a Group net income of USD 1.0 billion and return on equity (ROE) of 8.2% in the first half of 2021, with very strong performance in the property and casualty businesses amid diminishing COVID-19-related impacts.

Dear shareholders,

More than a year into the global pandemic, COVID-19 is still impacting lives, economies and societies around the world. The overall number of confirmed deaths since the outset of the pandemic constitutes a terrible toll of more than four million. One new area of concern has been the emergence of variants of the virus, making it more transmissible. In particular, the Delta variant was responsible for the devastating loss of life in India during April and May and has since become the dominant variant in countries around the world.

We have to remain vigilant as the Delta variant poses a serious threat to the health of vulnerable groups, especially those who are not yet fully vaccinated. Studies have shown that vaccines are effective against the Delta variant, which should hopefully limit hospitalisation and mortality rates. The rapid development and administration of COVID-19 vaccines in many countries has been an extraordinary accomplishment, and we have to continue to advance vaccination efforts, especially in the developing countries, where access to vaccines is far from sufficient.

From the start of the pandemic, we took a disciplined and prudent approach to building reserves, and our COVID-19-related losses have seen a marked decline in 2021 compared with the previous year. In the first half of 2021, the vast majority of USD 870 million in COVID-19-related losses are attributable to our Life & Health Reinsurance (L&H Re) business – mirroring the rising death toll from the pandemic, while the impact on our property and casualty businesses was minimal. For the remainder of this year, we expect COVID-19-related losses of less than USD 200 million for the property and casualty businesses and declining claims at L&H Re as global vaccination programmes progress.

In total, claims and reserves for COVID-19 amounted to USD 4.7 billion since the beginning of the pandemic across the Group. Thanks to Swiss Re's capital

strength, we have been able to absorb these losses and continue to support our clients and the communities they serve in dealing with diverse challenges. This is one example of how we contribute to making the world more resilient.

At the same time, we have worked hard to further boost Swiss Re's own resilience. The first half of 2021 has demonstrated the strength of our business model as we see our underwriting actions deliver results. Group net income rose to USD 1.0 billion in the period, translating into a return on equity of 8.2%. Excluding the COVID-19 impact, net income doubled from the same period last year to USD 1.7 billion and the return on equity rose to 13.4%.

All our businesses are growing, as is evident by the 7.6% increase in net premiums earned and fee income in the first half of this year. We continue to successfully navigate financial markets and achieve a strong return on investment of 3.2%, despite the current low-yield environment. We are investing into digital transformation of the Group, while maintaining cost discipline. And our very strong capital position allows us to pursue attractive opportunities across all lines of business.

Property & Casualty Reinsurance (P&C Re) delivered very strong results, with net income of USD 1.2 billion in the first half of 2021. This reflected disciplined underwriting, continued price improvements, diminishing COVID-19 impacts and strong investment returns. Thanks to P&C Re's focus on tightening terms and conditions as well as continuing to reduce exposure to US casualty and secondary perils in property, the business is on track to achieve its normalised¹ combined ratio estimate of less than 95% in 2021. This is an improvement of 5 percentage points since 2018. To put things into perspective – each percentage-point improvement roughly equals USD 200 million in additional annual pre-tax profits for the business. Renewals year to date further underpin our confidence in P&C Re's future performance.



Sergio P. Ermotti
Chairman of the Board of Directors



Christian Mumenthaler
Group CEO

The business achieved a nominal price increase of 4% in this period, more than offsetting lower interest rates and higher loss assumptions, while the volume of renewed treaty contracts remained largely stable at USD 16 billion.

L&H Re delivered good results, excluding COVID-19 losses, with net income of USD 530 million. This was primarily driven by a strong underwriting performance across all regions and investment results. The segment also reported growth in net premiums and fee income of 12.6%, driven mainly by longevity transactions in the EMEA region and favourable foreign exchange developments. We continue to see attractive opportunities to grow L&H Re business, particularly in high-growth markets and through large transactions.

The strong performance of Corporate Solutions this year, with a combined ratio of 92.7%, is the result of the decisive actions we initiated in 2019, disciplined underwriting, strict cost management and continued rate increases, supported by favourable prior-year development. Corporate Solutions is on track to reach the normalised² combined ratio of less than

97% this year — an improvement on the 98% original target we set two years ago, when the normalised combined ratio was at 110%. Corporate Solutions achieved risk-adjusted price increases of 13% year to date, as the strong pricing momentum continues.

Swiss Re's digital white-labelling business iptiQ continued to deliver strong growth in the first half of 2021. Compared with the same period last year, gross premiums written for the core business rose by 133% to USD 333 million, with good contributions across all businesses and particularly dynamic growth in its property and casualty business in the EMEA region, which was launched in 2020. Likewise, iptiQ's gross income, excluding COVID-19-related losses of USD 5 million, increased by 53% year-on-year to USD 26 million in the first half of 2021.

The Group also pushed ahead to reach its sustainability goals of net-zero emissions from its own operations by 2030 and from investment and underwriting portfolios by 2050. To help curb operational emissions, as of 2021 Swiss Re stepped up its internal carbon levy to USD 100 per tonne and will

gradually increase it to USD 200 by 2030. On the underwriting side, tightened policies for providing re/insurance support to businesses with thermal coal, oil and gas exposure corroborate the firm's push for making a real-world impact driving sustainable business practices. Swiss Re's asset management is pursuing a 35% reduction in carbon intensity of its listed equity and corporate bond portfolio by 2025. After co-founding the Net-Zero Asset Owner Alliance in 2019, Swiss Re this year also launched the UN-convened Net-Zero Insurance Alliance with seven other global insurance and reinsurance peers to accelerate the transition to a net-zero emissions economy.

We are very encouraged by the progress Swiss Re is making in improving business performance and facilitating the transition to a low-carbon world. While we remain in an uncertain environment marked by the further ramifications of the pandemic, we are confident that all our businesses are well positioned to continue to perform strongly. We thank our employees for their dedication and hard work in these challenging times.

We would also like to thank you, our shareholders, for your continued support.

Zurich, 30 July 2021

Sergio P. Ermotti
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

^{1,2} Assumes an average large natural catastrophe loss burden and excludes prior-year reserve developments as well as the COVID-19 impact.

Key events

February

2 February: Swiss Re and Diameter Health, a leader in health data interoperability, entered a partnership to transform complex clinical electronic health data into organised, usable information. This will accelerate Swiss Re's efforts to help life insurers improve the speed and quality of their underwriting – thereby providing end-consumers with a better experience.

19 February: Swiss Re reported strong underlying performance for the full year 2020, despite large losses related to COVID-19. Group net income, excluding the impacts of COVID-19, was USD 2.2 billion in 2020. Including COVID-19 impacts, Swiss Re reported a net loss of USD 878 million for the year.

March

2 March: Swiss Re announced a strategic partnership with ICEYE, the largest commercial synthetic-aperture-radar (SAR) satellite operator and flood monitoring provider. Building on ICEYE's innovative technology, the partnership will advance flood risk management, assist disaster response and speed up claims payments globally. Swiss Re's clients will benefit from enhanced insights and bespoke solutions.

16 March: Swiss Re announced new measures to support the transition to a net-zero economy, encompassing both asset management and underwriting as well as its own operations. This included a carbon reduction target for its investment portfolio of 35% by 2025, a full phase-out of thermal coal with an exit strategy in treaty re/insurance by 2030 (OECD) and 2040 (rest of the world), and a triple-digit real internal carbon levy for Swiss Re's own operations.

April

8 April: A Swiss Re Institute stress-test analysis showed that the world economy is set to lose up to 18% GDP from climate change if no action is taken. It examined how 48 economies would be impacted by the ongoing effects of climate change under four different temperature increase scenarios. This showed that economies in Asia would be hardest hit, with China at risk of losing nearly 24% of its GDP in a severe scenario, while the world's biggest economy, the US, stands to lose close to 10%, and Europe almost 11%.

20 April: Swiss Re and Veoneer entered into a partnership to further improve assessment and enhance development of advanced driver assistance systems (ADAS) technology and related services. Veoneer's expertise on ADAS hardware and software technologies will feed into and enhance Swiss Re's ADAS Risk Score, creating a vehicle-specific insurance rating that primary carriers can use to calculate insurance premiums.

April

17 April: Swiss Re's shareholders approved all proposals put forward by the Board of Directors at the company's Annual General Meeting. This included the distribution of an ordinary dividend of CHF 5.90 per share as well as the election of Sergio P. Ermotti as new Chairman of the Board of Directors and the re-election of all other proposed members of the Board. The Board of Directors also awarded the title of Honorary Chairman to Walter B. Kielholz to recognise his services to Swiss Re.

30 April: Swiss Re reported a Group net income of USD 333 million in the first quarter of 2021, as the strong underlying performance of all businesses more than offset losses related to COVID-19 and large natural catastrophes. Excluding COVID-19-related claims and reserves, Swiss Re's net income was USD 843 million.

June

3 June: A Swiss Re survey showed financial anxiety remains despite the commencement of the vaccine rollout, fuelling demand for insurance products across Asia Pacific.

8 June: Swiss Re Institute published its 2021 SONAR report, which provided insights on emerging risks that have the potential to affect the insurance industry landscape.

23 June: Swiss Re announced that it reduced its shareholding in Phoenix Group Holdings plc, acquired in the sale of ReAssure in 2020, by selling an approximately 6.6% stake for GBP 437 million through an accelerated book-building process.

29 June: Swiss Re's iptiQ and ImmoScout24, Germany's leading online real estate platform, launched a loss of rent insurance product, which protects private landlords against the financial uncertainties that can arise from new tenancy agreements.

Swiss Re at a glance

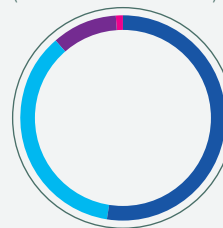
The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient.

Half-year ended 30 June 2021

Group
(After consolidation)

Net premiums earned and fee income by business segments

(Total USD 20.8 billion)



- 51% P&C Reinsurance
- 36% L&H Reinsurance
- 12% Corporate Solutions
- 1% Group items

8.2%
Return on equity
(2020: -7.9%)

7.2%
Net operating margin
(2020: -5.1%)

Reinsurance

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

 [Read more: page 12](#)

Corporate Solutions

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

 [Read more: page 15](#)

Property & Casualty

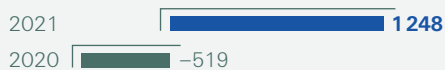
Net premiums earned

(USD billions)



Net income/loss

(USD millions)



27.2%

Return on equity
(2020: -12.8%)

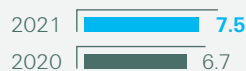
94.4%

Combined ratio
(2020: 115.8%)

Life & Health

Net premiums earned and fee income

(USD billions)



Net income/loss

(USD millions)



-3.7%

Return on equity
(2020: 1.8%)

-0.1%

Net operating margin
(2020: 3.9%)

Net premiums earned

(USD billions)



Net income/loss

(USD millions)



21.1%

Return on equity
(2020: -26.2%)

92.7%

Combined ratio
(2020: 118.7%)

Group results

Swiss Re reported a Group net income of USD 1.0 billion and return on equity (ROE) of 8.2% in the first half of 2021, with very strong performance in the property and casualty businesses amid diminishing COVID-19-related impacts.

Swiss Re reported a net income of USD 1.0 billion for the first six months of 2021. Excluding the after-tax impact of COVID-19-related losses, the Group net income was USD 1.7 billion, compared with USD 865 million (excluding COVID-19) in the same period of the prior year.

COVID-19 losses decreased to USD 870 million in the first half of 2021 from USD 2.5 billion in the same period of 2020. The vast majority of the current losses were attributable to the Life & Health Reinsurance (L&H Re) business, while the impact on the property and casualty businesses was minimal in the first six months of 2021.

The net operating margin¹ for the first six months of 2021 was 7.2%, compared with -5.1% for the same period in 2020.

Reinsurance reported a net income of USD 1.1 billion. Excluding the after-tax impact of COVID-19-related losses, Reinsurance's net income was USD 1.8 billion, compared with USD 1.2 billion excluding COVID-19-related losses for the same period in 2020.

Property & Casualty Reinsurance (P&C Re) reported a net income of USD 1.2 billion in the first half of 2021, compared with a net loss of USD 519 million in the same period last year. This result reflected disciplined underwriting, continued price improvements, significantly diminishing COVID-19 impacts as well as strong investment results. Large natural catastrophe losses were USD 521 million, which mainly related to US winter storm Uri in the first quarter. The net operating margin was 14.7%, compared with -5.0% in the prior-year period.

L&H Re reported a net loss of USD 119 million compared with a net income of USD 74 million in the prior-year period. Excluding the after-tax impact of COVID-19-related losses, L&H Re's net

income was USD 530 million for the first six months of 2021, an increase from USD 516 million for the same period in 2020, primarily driven by a strong underwriting performance across all regions and favourable investment results. The net operating margin, excluding the pre-tax impact of COVID-19 losses, was 9.7% in the first half of 2021 compared with 11.1% in the same period in 2020.

Corporate Solutions reported a net income of USD 262 million in the first half of 2021, following the successful turnaround of the business in 2020. This reflects a significant improvement compared with a COVID-19-driven net loss of USD 312 million in the prior-year period² and includes large natural catastrophe losses of USD 155 million, relating to US winter storm Uri in the first quarter.

Shareholders' equity, excluding non-controlling interests, decreased to USD 23.8 billion as of 30 June 2021, compared with USD 27.1 billion at the end of December 2020, mainly reflecting the unrealised losses on fixed income securities of USD 2.5 billion and a payment to shareholders of USD 1.9 billion for the 2020 regular dividend, partially offset by the net income for the first half of 2021.

ROE was 8.2% for the first half of 2021, compared with -7.9% for the prior-year period.

Earnings per share for the 2021 period were USD 3.62 or CHF 3.28, compared with USD -3.92 or CHF -3.79 for the first half of 2020.

Book value per share decreased to USD 82.36 or CHF 76.12 at the end of June 2021, compared with USD 93.90 or CHF 83.00 at the end of December 2020. Book value per share is based on shareholders' equity and excludes non-controlling interests.

Business performance

Net premiums earned and fee income for the Group were USD 20.8 billion for the first six months of 2021, a 7.6% increase from USD 19.3 billion in the same period of the previous year. The increase was driven by growth across many property and casualty lines and significant transactions completed in L&H Re. At constant foreign exchange rates, premiums and fees increased by 3.2%.

Net premiums earned by P&C Re were USD 10.5 billion, an increase from USD 9.6 billion for the same period of the previous year, reflecting a combination of business growth, price increases and favourable exchange rate movements.

P&C Re's combined ratio decreased to 94.4% in the first six months of 2021 from 115.8% in the same period last year, mainly driven by disciplined underwriting and improving margins as well as lower COVID-19-related losses.

L&H Re's net premiums earned and fee income amounted to USD 7.5 billion in the first half of 2021, an increase from USD 6.7 billion in the prior-year period, supported by large longevity transactions and favourable foreign exchange developments.

Corporate Solutions' net premiums earned increased to USD 2.6 billion from USD 2.5 billion in the prior-year period, reflecting realised rate increases and selective new business growth, while the impact of portfolio pruning measures diminished. The Corporate Solutions combined ratio significantly improved to 92.7% for the first half of 2021 from 118.7% for the same period of the previous year, reflecting disciplined underwriting, strict expense management and continued rate increases.

¹ Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

² For Corporate Solutions, H1 2020 has been revised from the originally reported net loss of USD 301 million to a net loss of USD 312 million to reflect the results of elipsLife, which as of 1 January 2021 is reported as part of Corporate Solutions following the disbandment of the Life Capital Business Unit at the end of 2020. All comparative information for H1 2020 has been restated accordingly.

Income statement

For the six months ended 30 June

USD millions	2020	2021	Change in %
Revenues			
Gross premiums written	23 558	25 068	6
Net premiums written	21 861	23 329	7
Change in unearned premiums	-2 814	-2 665	-5
Premiums earned	19 047	20 664	8
Fee income from policyholders	282	136	-52
Net investment income – non-participating business	1 448	1 836	27
Net realised investment gains/losses – non-participating business	868	172	-80
Net investment result – unit-linked and with-profit business	-2 685	5	-
Other revenues	18	16	-11
Total revenues	18 978	22 829	20
Expenses			
Claims and claim adjustment expenses	-9 839	-7 821	-21
Life and health benefits	-6 758	-7 349	9
Return credited to policyholders	2 377	-212	-
Acquisition costs	-4 171	-4 152	-
Operating expenses	-1 702	-1 654	-3
Total expenses before interest expenses	-20 093	-21 188	5
Income/loss before interest and income tax expense	-1 115	1 641	-
Interest expenses	-298	-280	-6
Income/loss before income tax expense	-1 413	1 361	-
Income tax expense	341	-317	-
Net income/loss before attribution of non-controlling interests	-1 072	1 044	-
Income/loss attributable to non-controlling interests	-63	2	-
Net income/loss attributable to shareholders	-1 135	1 046	-

iptiQ achieved strong growth of gross premiums written in its core business of USD 333 million for the first six months of 2021, increasing the amount by 133% compared with the prior-year period. All markets have developed positively, in particular the EMEA property and casualty business since its successful launch in 2020.

Excluding COVID-19-related losses of USD 5 million, iptiQ recorded gross income³ of USD 26 million for the first half of 2021 and 53% growth compared with the previous year. The net loss of USD 105 million was in line with expectations and reflects the investment phase of the business as well as the adverse foreign exchange developments. During the first six months of 2021, iptiQ reached a total in-force policy count of over one million, which represents an increase compared with the prior-year period of 174%.

Investment result and expenses

The Group's non-participating investment portfolio decreased to USD 121.0 billion as of 30 June 2021 from USD 125.7 billion at the end of 2020. The decrease reflects the impact of rising interest rates and divestments

in Principal Investments, including the partial sale of the shares held in Phoenix Group Holdings plc.

The return on investment (ROI) was 3.2% for the first six months, which is in line with the same period in 2020. The strong investment result was largely driven by recurring income as well as equity valuation gains.

The Group's non-participating net investment income was USD 1.8 billion for the first six months of 2021, compared with USD 1.4 billion for the first six months of 2020. The increase was mainly driven by higher private equity valuations of equity-accounted investments. The Group's recurring income yield for the six-month period was 2.3% in 2021, compared with 2.5% in 2020, which reflects turnover into lower yields.

The Group reported non-participating net realised gains of USD 0.2 billion for the first six months of 2021, compared with USD 0.9 billion in 2020, due to lower gains from sales of fixed income securities, partially offset by higher gains on listed equities and alternative investments.

Acquisition costs for the Group remained stable at USD 4.2 billion compared with the same period of the previous year.

Operating expenses remained stable at USD 1.7 billion compared with the same period in 2020.

Interest expenses were USD 280 million in the first six months of 2021, compared with USD 298 million in the prior-year period.

The Group reported a tax charge of USD 317 million on a pre-tax income of USD 1.4 billion for the first six months of 2021, compared with a tax benefit of USD 341 million on a pre-tax loss of USD 1.4 billion for the same period in 2020. This translates into an effective tax rate in the current and prior-year reporting periods of 23.3% and 24.1%, respectively. The tax rate in the first half of 2021 was driven by profits earned in higher tax jurisdictions and tax charges from increases in valuation allowances on net operating losses, partially offset by tax benefits from foreign currency translation differences between statutory and US GAAP accounts.

³ Calculated as net income before tax expense with operating expenses, other overheads and net realised investment gains/losses removed; gross of reinsurance.

Reinsurance

Reinsurance benefitted from a very strong net income in P&C Re, reflecting disciplined underwriting, continued price improvements, diminishing COVID-19 impacts and strong investment results.

Property & Casualty Reinsurance

P&C Re reported a net income of USD 1.2 billion in the first half of 2021, compared with a net loss of USD 519 million in the same period last year. This result reflected disciplined underwriting, continued price improvements, diminishing COVID-19 impacts as well as strong investment results.

Natural catastrophe losses were largely in line with expectations and amounted to USD 521 million, mainly related to US winter storm Uri in the first quarter, while large man-made losses were USD 100 million. COVID-19-related losses amounted to USD 49 million for the period. The prior-year development was favourable, supported by reserve releases for natural catastrophe losses. The net operating margin was 14.7%, compared with -5.0% in the same period of 2020.

The investment portfolio made a strong contribution with a return on investment (ROI) of 3.5% for the first six months of 2021, including favourable market valuations.

The return on equity (ROE) significantly increased to 27.2% compared with -12.8% in the same period of 2020.

Premiums

Gross premiums written increased by 5.5% to USD 13.5 billion in the first half of the year. The increase was largely due to higher volumes and price increases as well as foreign exchange movements. Net premiums earned increased 8.9% to USD 10.5 billion.

Combined ratio

Improved margins and favourable prior-year developments supported the combined ratio, while large natural catastrophe experience was broadly in line with expectations and COVID-19 impacts were moderate. As a result, the combined ratio for the first half of 2021 was 94.4%, compared with 115.8% in the same period of last year.

Administrative expense ratio¹

The ratio decreased to 5.6% in the first six months of 2021 from 6.2% in 2020 due to higher premiums, while expenses remained broadly unchanged.

Lines of business

The property combined ratio improved significantly to 87.6% from 120.4% in the same period last year. The ratio benefitted from disciplined underwriting and reserve releases. Large losses were mainly due to US winter storm Uri and European June hailstorm events. COVID-19 losses in 2021 were moderate.

Better margins, improved claims experience and reduced COVID-19 impacts compared with the prior-year period contributed to reducing the casualty combined ratio to 101.2%, compared with 118.1% in the same period last year.

The specialty combined ratio decreased to 88.0% for the first six months of 2021 from 96.4% in 2020, supported by favourable claims experience in marine and engineering. COVID-19 losses were modest compared with the same period last year.

Investment result

The ROI was 3.5% for the first six months of 2021, compared with 3.6% for the same period in 2020, with an increase in the investment result of USD 46 million.

Net investment income increased by USD 322 million to USD 768 million in the first six months of 2021 compared with the prior-year period, driven mainly by private equity valuations.

Net realised gains were USD 248 million for the first six months of 2021, compared with USD 524 million for the prior-year period. The decrease was mainly due to fewer gains on sales within the fixed income portfolio, partially offset by market value gains on equity securities.

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

Shareholders' equity

The shareholders' equity remained stable at USD 9.2 billion as of 30 June 2021 compared with 31 December 2020, as the net income was compensated by lower unrealised gains due to increasing interest rates.

Outlook

The property business showed attractive margins, which enabled P&C Re to deploy new capacity in its target growth segments and improve its portfolio quality by reducing exposure to some segments and structures. P&C Re was successful in maintaining a strict infectious disease management approach.

Specialty lines, especially marine, engineering and aviation, showed positive momentum and P&C Re continued to capitalise on its leading franchise in these lines.

For casualty, P&C Re further de-risked its US liability portfolio with a clear focus on profitability. The business sees overall margin improvements, with increasing rate momentum in several markets, which is partially offset by shifting ceding commissions.

P&C Re continues to see good opportunities for transactions and solutions and participated in those that meet its return requirements.

Life & Health Reinsurance

L&H Re reported a net loss of USD 119 million for the period, including the impact of COVID-19. COVID-19-related losses amounted to USD 810 million in the first half of 2021. These losses markedly lessened over the course of the second quarter. For the remainder of the year a further decrease is expected as the global vaccination programmes progress.

Excluding the after-tax impact of COVID-19-related losses, net income increased to USD 530 million in the first six months of 2021, compared with USD 516 million in the same period a year earlier. This result was primarily driven by a strong underwriting performance across all regions and was supported by good investment performance, which delivered a return on investment (ROI) of 3.2%.

The return on equity (ROE), excluding the after-tax impact of COVID-19-related losses, was 15.5%. This was above 12.4%, which was reported in the same period of 2020, due to a significantly higher underwriting performance as well as a lower average equity base in the current period. Reflecting the after-tax impact of COVID-19, the ROE was -3.7% for the first six months of 2021.

Premiums

Net premiums earned and fee income increased by 12.6% to USD 7.5 billion, compared with USD 6.7 billion in 2020. This was supported by large longevity transactions and favourable foreign exchange developments. Gross premiums written in the first half of 2021 increased by USD 0.7 billion, or 9.6%, to USD 8.1 billion, compared with the first six months of 2020.

Net operating margin

The net operating margin, excluding the pre-tax impact of COVID-19-related losses, was 9.7% for the first six months of 2021. This compares with a margin of 11.1% reported in the same period of 2020.

Management expense ratio

The management expense ratio was 5.0%, an increase from 4.8% in the prior-year period, primarily driven by a reallocation of internal costs and investments into strategic growth initiatives.

Lines of business

Earnings before interest and income tax expenses (EBIT) for the life business decreased to USD -443 million in the first six months of 2021 from USD -103 million in the prior-year period. The current-year result was impacted by COVID-19 losses of USD 820 million, while the prior-year result reflected losses of USD 531 million. The mortality losses markedly lessened over the course of the second quarter, and for the remainder of the year a further decrease is expected as the global vaccination programmes progress.

EBIT for the health business was USD 296 million in the first six months of 2021, compared with USD 127 million in the prior-year period. This reflected improved underwriting performance across all regions.

Investment result

The ROI was 3.2% in the first six months of 2021, compared with 4.1% in the same period of 2020, with a decrease in the investment result of USD 184 million.

Net investment income of USD 498 million for the first six months of 2021 was below the prior-year period, reflecting the impact of the low-yield environment on the fixed income portfolio. The recurring income yield was 2.9% in the reporting period, compared with 3.1% in the prior-year period.

Net realised gains were USD 113 million for the first six months of 2021, compared with USD 251 million for the same period in 2020. The prior-year period included significant gains from sales of fixed income, while the current year includes higher equity valuation gains and lower impairments.

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

Shareholders' equity

Shareholders' equity decreased to USD 5.6 billion as of 30 June 2021, compared with USD 7.4 billion as of 31 December 2020. The net loss for the period, the change in net unrealised gains and the dividend paid to the Group contributed to the significant decrease in shareholders' equity.

Outlook

The current pandemic has led to disruption in sales and claims activity for insurers. However, L&H Re expects an increase in life and health treaty reinsurance new business, driven by increased customer awareness, with greater growth expected in emerging markets. Cession rates on normal core business are expected to remain broadly stable in major markets.

While interest rates are still low, recent increases benefit long-term business. L&H Re sees a continued strong focus of clients on capital, risk and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions.

L&H Re also sees opportunities to respond to the expanding need for health protection driven by ageing societies, and is applying its risk knowledge to help reduce the protection gap in all regions.

Overall, L&H Re expects to continue to seek growth opportunities in emerging and mature markets, also with a focus on large transactions, including longevity deals.

Corporate Solutions

Corporate Solutions continues its resurgence with high profitability and strong pricing momentum.

Corporate Solutions reported a net income of USD 262 million for the first half of 2021, up from a COVID-19-driven net loss of USD 312 million¹ for the same period of 2020. The significant net profit improvement of USD 574 million follows the successful turnaround in 2020 and is supported by a strong prior-year development, in particular in property. It includes large natural catastrophe losses of USD 155 million relating to US winter storm Uri in the first quarter. The net operating margin was 12.7%, compared with –14.7% for the prior-year period. Return on equity (ROE) was very strong at 21.1% for the period.

Premiums

Gross premiums written increased by 13.2% (8.4% at constant foreign exchange rates) to USD 3.7 billion in the first six months of 2021, as business is being written across all geographies at more adequate price levels. Net premiums earned increased 3.3% to USD 2.6 billion, thanks to realised rate increases and selective new business growth, while the impact of portfolio pruning measures continues to diminish.

Combined ratio

The overall combined ratio improved to 92.7% in the first six months of 2021, compared with 118.7% in the same period of 2020. The improvement was driven by favourable prior-year development, partially offset by higher-than-expected large natural catastrophe losses and increased man-made claims activity versus 2020, as well as benign COVID-19 impacts compared with the prior-year period.

The normalised² combined ratio (without the benefit of strongly positive reserve development and the offset from higher large natural catastrophe activity) was 97.7% for the first half of the year, on track to reach the targeted normalised combined ratio of less than 97% for 2021. This reflects the ongoing benefits of disciplined underwriting, strict expense management and continued rate increases.

Lines of business

The property combined ratio for the first six months of 2021 improved to 81.2% from 138.8% in the prior-year period. This was driven by favourable prior-year development, lower large man-made loss activity and achieved rate increases, partially offset by large natural catastrophe losses. The previous period was impacted by COVID-19 losses, including for claims related to event cancellations.

The casualty combined ratio decreased to 103.7% in the first six months of 2021, compared with 112.7% in the same period of 2020. Both periods were impacted by large man-made losses, mainly from prior accident years. The improvement in the current period was driven by the benefits of the management actions previously taken.

The specialty combined ratio for the first six months of 2021 improved by 27.8 percentage points to 86.7%, reflecting profitable business performance and favourable prior-year development. The previous period was impacted by COVID-19-related losses mainly on the credit & surety portfolio.

elipsLife's combined ratio improved by 2.1 percentage points to 100.0% for the first six months of 2021, driven by a successful renewal season and slightly favourable prior-year development.

Investment result

The return on investment (ROI) was 2.3% in the first six months of 2021, compared with 3.0% in the same period of 2020, with a decrease in the investment result of USD 5 million.

Net investment income decreased by USD 19 million to USD 70 million for the first six months compared with the same period in 2020, mainly due to the impact of the low-yield environment on the fixed income and short-term investments portfolio.

Net realised gains were USD 53 million in the first six months of 2021, compared with USD 39 million in the first six months of 2020, reflecting market value gains on equity securities, partially offset by fewer realised gains on sales of fixed income securities.

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

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 25 million in the first six months of 2021, compared with net realised losses of USD 46 million in the same period of 2020, reflecting a return to profitable business performance while the previous period was adversely impacted by mild winter temperatures in Europe.

Shareholders' equity

Shareholders' equity increased to USD 2.5 billion from the end of 2020, due to the net income for the period, partly offset by the unrealised investment losses. The ROE was 21.1% in the first six months of 2021, compared with –26.2% in the same period of 2020.

Outlook

The commercial insurance market experienced significant price gains through 2020, continuing the trend started in 2019. Rate increases continued in the first half of 2021 at almost the same pace seen in 2020. Swiss Re expects the positive momentum in commercial insurance rates to continue, albeit at a slower pace, after achieving a broad-based 13% price quality increase in the first half of 2021.

¹ For Corporate Solutions, H1 2020 has been revised from the originally reported net loss of USD 301 million to a net loss of USD 312 million to reflect the results of elipsLife, which as of 1 January 2021 is reported as part of Corporate Solutions following the disbandment of the Life Capital Business Unit at the end of 2020. All comparative information for H1 2020 has been restated accordingly.

² Assumes an average large natural catastrophe loss burden and excludes prior-year reserves development as well as COVID-19-related losses.

Income statement

For the six months ended 30 June

USD millions	Note	2020	2021
Revenues			
Gross premiums written	4	23 558	25 068
Net premiums written	4	21 861	23 329
Change in unearned premiums		-2 814	-2 665
Premiums earned			
Fee income from policyholders	3	19 047	20 664
Net investment income – non-participating business	3	282	136
Net investment income – non-participating business	7	1 448	1 836
Net realised investment gains/losses – non-participating business ¹	7	868	172
Net investment result – unit-linked and with-profit business	7	-2 685	5
Other revenues		18	16
Total revenues		18 978	22 829
Expenses			
Claims and claim adjustment expenses	3	-9 839	-7 821
Life and health benefits	3	-6 758	-7 349
Return credited to policyholders		2 377	-212
Acquisition costs	3	-4 171	-4 152
Operating expenses		-1 702	-1 654
Total expenses before interest expenses		-20 093	-21 188
Income/loss before interest and income tax expense/benefit		-1 115	1 641
Interest expenses		-298	-280
Income/loss before income tax expense/benefit		-1 413	1 361
Income tax expense/benefit		341	-317
Net income/loss before attribution of non-controlling interests		-1 072	1 044
Income/loss attributable to non-controlling interests		-63	2
Net income/loss attributable to common shareholders		-1 135	1 046
Earnings per share in USD			
Basic	12	-3.92	3.62
Diluted	12	-3.92	3.47
Earnings per share in CHF²			
Basic	12	-3.79	3.28
Diluted	12	-3.79	3.15

¹ Total impairments for the six months ended 30 June of USD 29 million in 2020 and of USD 2 million in 2021, respectively, were fully recognised in earnings.

² The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

Statement of comprehensive income

For the six months ended 30 June

USD millions	2020	2021
Net income/loss before attribution of non-controlling interests	-1 072	1 044
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	1 728	-2 486
Change in other-than-temporary impairment		-5
Change in cash flow hedges	2	
Change in foreign currency translation	-34	-47
Change in adjustment for pension benefits	29	27
Change in credit risk of financial liabilities at fair value option	3	-1
Other comprehensive income/loss attributable to non-controlling interests	-4	-3
Total comprehensive income/loss before attribution of non-controlling interests	652	-1 471
Comprehensive income/loss attributable to non-controlling interests	-59	5
Total comprehensive income/loss attributable to common shareholders	593	-1 466

Reclassification out of accumulated other comprehensive income

For the six months ended 30 June

2020 USD millions	Net unrealised investment gains/losses ¹	Other-than-temporary impairment	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 152	-1	-2	-5 794	-850	3	-1 492
Change during the period	3 251		17	-23	8	4	3 257
Amounts reclassified out of accumulated other comprehensive income	-1 078		-15		30		-1 063
Tax	-445			-11	-9	-1	-466
Balance as of period end	6 880	-1	0	-5 828	-821	6	236
2021 USD millions	Net unrealised investment gains/losses ¹	Other-than-temporary impairment	Cash flow hedges ¹	Foreign currency translation ^{1,2}	Adjustment for pension benefits ³	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 760	-1	0	-5 755	-808	4	-800
Change during the period	-3 279	-6		-11	6	-1	-3 291
Amounts reclassified out of accumulated other comprehensive income	199			-14	29		214
Tax	594	1		-22	-8		565
Balance as of period end	3 274	-6	0	-5 802	-781	3	-3 312

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

² Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

³ Reclassification adjustment included in net income is presented in "Operating expenses".

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

Balance sheet

Assets

USD millions	Note	31.12.2020	30.06.2021
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 7 435 in 2020 and 12 242 in 2021 subject to securities lending and repurchase agreements) (amortised cost: 2020: 73 862; 2021: 78 217)		81 080	82 557
Trading (including 1 551 in 2020 and 945 in 2021 subject to securities lending and repurchase agreements)		1 938	1 618
Equity securities at fair value through earnings (including 59 in 2020 and 21 in 2021 subject to securities lending and repurchase agreements)		4 899	4 222
Policy loans, mortgages and other loans		3 315	3 637
Investment real estate		2 602	2 408
Short-term investments (including 3 969 in 2020 and 2 459 in 2021 subject to securities lending and repurchase agreements)		16 082	8 868
Other invested assets		10 314	9 601
Investments for unit-linked and with-profit business (including equity securities at fair value through earnings: 463 in 2020 and 462 in 2021)		463	462
Total investments		120 693	113 373
Cash and cash equivalents (including 773 in 2020 and 799 in 2021 subject to securities lending, and 3 in 2020 and 3 in 2021 backing unit-linked and with-profit contracts)		5 470	8 095
Accrued investment income		626	599
Premiums and other receivables		15 934	18 286
Reinsurance recoverable on unpaid claims and policy benefits		5 892	5 814
Funds held by ceding companies		10 726	11 796
Deferred acquisition costs	6	8 230	8 358
Acquired present value of future profits	6	928	893
Goodwill		4 021	4 000
Income taxes recoverable		337	329
Deferred tax assets		6 079	6 250
Other assets		3 686	4 814
Total assets		182 622	182 607

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

Liabilities and Equity

USD millions	Note	31.12.2020	30.06.2021
Liabilities			
Unpaid claims and claim adjustment expenses	5	81 258	81 675
Liabilities for life and health policy benefits	8	22 456	22 049
Policyholder account balances		5 192	5 212
Unearned premiums		13 309	16 243
Funds held under reinsurance treaties		5 146	6 132
Reinsurance balances payable		1 097	1 638
Income taxes payable		336	290
Deferred and other non-current tax liabilities		6 740	6 554
Short-term debt	11	153	125
Accrued expenses and other liabilities	7	8 093	7 389
Long-term debt	11	11 584	11 374
Total liabilities		155 364	158 681
Equity			
Common shares, CHF 0.10 par value			
2020: 317 497 306; 2021: 317 497 306 shares authorised and issued		30	30
Additional paid-in capital		251	241
Treasury shares, net of tax		-1 396	-1 395
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 760	3 274
Other-than-temporary impairment, net of tax		-1	-6
Foreign currency translation, net of tax		-5 755	-5 802
Adjustment for pension and other post-retirement benefits, net of tax		-808	-781
Credit risk of financial liabilities at fair value option, net of tax		4	3
Total accumulated other comprehensive income		-800	-3 312
Retained earnings		29 050	28 241
Shareholders' equity		27 135	23 805
Non-controlling interests		123	121
Total equity		27 258	23 926
Total liabilities and equity		182 622	182 607

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

Statement of shareholders' equity

For the twelve months ended 31 December and the six months ended 30 June

USD millions	2020	2021
Common shares		
Balance as of 1 January	31	30
Cancellation of shares bought back	-1	
Balance as of period end	30	30
Additional paid-in capital		
Balance as of 1 January	256	251
Transactions with non-controlling interests ¹	9	
Cancellation of shares bought back	-27	
Share-based compensation	-1	-5
Realised gains/losses on treasury shares	14	-5
Balance as of period end	251	241
Treasury shares, net of tax		
Balance as of 1 January	-2 220	-1 396
Purchase of treasury shares	-228	-36
Cancellation of shares bought back	1 011	
Issuance of treasury shares, including share-based compensation to employees	41	37
Balance as of period end	-1 396	-1 395
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	5 152	5 760
Disposal of ReAssure ¹	-2 133	
Changes during the period	2 741	-2 486
Balance as of period end	5 760	3 274
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-1	-1
Changes during the period		-5
Balance as of period end	-1	-6
Cash flow hedges, net of tax		
Balance as of 1 January	-2	0
Changes during the period	2	
Balance as of period end	0	0

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

USD millions	2020	2021
Foreign currency translation, net of tax		
Balance as of 1 January	-5 794	-5 755
Disposal of ReAssure ¹	-13	
Changes during the period	52	-47
Balance as of period end	-5 755	-5 802
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-850	-808
Disposal of ReAssure ¹	66	
Changes during the period	-24	27
Balance as of period end	-808	-781
Credit risk of financial liabilities at fair value option, net of tax		
Balance as of 1 January	3	4
Changes during the period	1	-1
Balance as of period end	4	3
Retained earnings		
Balance as of 1 January	32 676	29 050
Net income/loss after attribution of non-controlling interests	-878	1 046
Dividends on common shares	-1 765	-1 855
Cancellation of shares bought back	-983	
Balance as of period end	29 050	28 241
Shareholders' equity	27 135	23 805
Non-controlling interests		
Balance as of 1 January	1 786	123
Transactions with non-controlling interests ¹	4	3
Income/loss attributable to non-controlling interests	54	-2
Other comprehensive income attributable to non-controlling interests		
Change in net unrealised investment gains/losses	179	-2
Change in foreign currency translation	-53	-1
Other	1	
Disposal of ReAssure ¹	-1 848	
Balance as of period end	123	121
Total equity	27 258	23 926

¹ In the fourth quarter of 2019, the Group agreed to reacquire the 25% stake in ReAssure in connection with the agreement to sell ReAssure to Phoenix Group Holdings plc (Phoenix). In the third quarter of 2020, the Group completed the sale of ReAssure to Phoenix.

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

Statement of cash flows

For the six months ended 30 June

USD millions	2020	2021
Cash flows from operating activities		
Net income/loss attributable to common shareholders	-1 135	1 046
Add income/loss attributable to non-controlling interests	63	-2
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	298	313
Net realised investment gains/losses	2 256	-177
Income from equity-accounted investees, net of dividends received	256	-373
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	1 691	1 408
Funds held by ceding companies and under reinsurance treaties	134	-98
Reinsurance recoverable on unpaid claims and policy benefits	140	32
Other assets and liabilities, net	-377	-468
Income taxes payable/recoverable	-647	203
Trading positions, net	615	-386
Net cash provided/used by operating activities	3 294	1 498
Cash flows from investing activities		
Fixed income securities:		
Sales	34 796	17 372
Maturities	3 862	5 166
Purchases	-32 589	-26 660
Net purchases/sales/maturities of short-term investments	-3 012	6 972
Equity securities:		
Sales	1 402	1 551
Purchases	-1 337	-731
Securities purchased/sold under agreement to resell/repurchase, net	424	-61
Net purchases/sales/maturities of other investments	-1 253	-377
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	1 983	10
Net cash provided/used by investing activities	4 276	3 242
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	215	6
Withdrawals	-1 781	-17
Issuance/repayment of long-term debt	842	-26
Issuance/repayment of short-term debt		-29
Purchase/sale of treasury shares	-193	-26
Dividends paid to shareholders	-1 765	-1 855
Net cash provided/used by financing activities	-2 682	-1 947

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

USD millions	2020	2021
Total net cash provided/used	4 888	2 793
Effect of foreign currency translation	-338	-168
Change in cash and cash equivalents	4 550	2 625
Cash and cash equivalents as of 1 January	7 562	5 470
Cash and cash equivalents as of 1 January classified as assets held for sale	2 729	
Reclassified to assets held for sale	-3 994	
Cash and cash equivalents as of 30 June	10 847	8 095

Interest paid was USD 210 million and USD 218 million (thereof USD 3 million and USD 4 million for letter of credit fees) for the six months ended 30 June 2020 and 2021, respectively. Tax paid was USD 306 million and USD 114 million for the six months ended 30 June 2020 and 2021, respectively.

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

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

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

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intra-group transactions and balances have been eliminated on consolidation. The year-end balance sheet data presented was derived from audited financial statements. These interim financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group’s audited financial statements for the year ended 31 December 2020. On 22 July 2020, the Group completed the sale of ReAssure to Phoenix. Subsequently, the subject business was deconsolidated as of that date. Further details on the transaction are provided in Note 10 “Disposal”.

The segmental disclosures have been revised to reflect the way the Group manages its business activities: as of 1 January 2021, Life Capital reporting segment ceased to be a separate Business Unit; iptiQ is a stand-alone division and is reported as part of the Group items; and elipsLife is part of the Corporate Solutions reporting segment. Segmental comparative information for 2020 has been adjusted accordingly. The Life Capital reporting segment for the comparative period 2020 reflects the ReAssure business. There is no impact on the Group net income and the Group net assets. Further details are provided in Note 2 “Information on business segments”.

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

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The 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 judgement 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 June 2021, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 29 July 2021. This is the date on which the financial statements are available to be issued.

Adoption of new accounting standards

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes", an update to Topic 740, "Income Taxes". The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance, with the added benefit of a reduction in the cost and complexity in accounting for Income Taxes, and an improvement in the usefulness of the information provided to the users of financial statements. The Group adopted the standard on 1 January 2021. The adoption did not have a material impact on the Group's financial statements.

In January 2020, the FASB issued ASU 2020-01, "Clarifying the Interactions between Topic 321, Topic 323, and Topic 815", an update to Topic 321, "Investments – Equity Securities", Topic 323, "Investments – Equity Method and Joint Ventures", and Topic 815 "Derivatives and Hedging". The amendments clarify that an entity should consider observable transactions that result in either applying or discontinuing the equity method of accounting for the purpose of applying the measurement alternative in Topic 321. In addition, the amendments clarify that when determining the accounting for nonderivative forward contracts and purchased options, an entity should not consider whether the underlying securities would be accounted for under the equity method or fair value option upon settlement or exercise, for the purposes of evaluating characteristic (a) in ASC 815-10-15-141. The Group adopted the standard on 1 January 2021. The adoption did not have an impact on the Group's financial statements.

In March 2020, the FASB issued ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting", an update to Topic 848, "Reference Rate Reform". In response to concerns about structural risks of interbank offered rates (IBORs) and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates. The amendments in this update provide optional expedients and exceptions for applying US GAAP accounting principles to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of these reference rate reform initiatives. The Group adopted ASU 2020-04 on 12 March 2020, which is the issuance date of the standard. There is a choice to apply the guidance by Topic or industry Subtopic at any time prospectively during the effective period from 12 March 2020 through 31 December 2022. As of 30 June 2021, the Group applied the guidance to Topic 815 related to Group's adherence to the ISDA 2020 Fallbacks Protocol, which is a standardized approach for amending contracts in order to incorporate IBOR fallback provisions, and related to changes to the critical terms of a hedging relationship due to reference rate reform as well as to Topic 944 related to changes resulting from the replacement of discontinued reference rates included in contracts within the scope of Topic 944, "Financial Services – Insurance".

In January 2021, the FASB issued ASU 2021-01, "Scope", an update to Topic 848, "Reference Rate Reform". Because of the broad population of derivatives affected by the market-wide transition to new reference rates (commonly referred to as the "discounting transition"), stakeholders analysed the accounting implications of the discounting transition against the available exceptions and expedients within Topic 848, "Reference Rate Reform", which led them to raise questions about the scope of that Topic. The amendments clarify the scope of Topic 848 and allows entities to apply certain optional provisions in Topic 848 to derivative instruments that undergo a modification of the interest rate used for margining, discounting, or contract price alignment because of the discounting transition that do not also reference LIBOR or another reference rate that is expected to be discontinued as a result of reference rate reform. The Group adopted ASU 2021-01 on a prospective basis from 1 January 2021. As of 30 June 2021, the Group applied the guidance to Topic 815 related to derivative instruments that use an interest rate for margining, discounting, or contract price alignment.

Future adoption of new accounting standards

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to Topic 326, "Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. The standard is applicable to all financial assets such as financial instruments that are measured at amortised cost, available-for-sale debt securities and reinsurance recoverables. The objective of the expected credit loss model is that a reporting entity recognises its estimate of expected credit losses incorporating forward-looking information in a valuation allowance for financial assets in scope.

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Notes to the Group financial statements (unaudited)

As amended by ASU 2019-10 "Effective Dates", ASU 2016-13 is effective for annual and interim periods beginning after 15 December 2022. For most affected financial assets, the ASU must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to opening retained earnings on the adoption date. The Group is currently assessing the impact of the new requirements.

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

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

2 Information on business segments

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

The Group presents three core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance and Corporate Solutions. 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). Cross-segmental dividends and gains and losses on certain one-off transfers and transactions between segments are accounted for through segmental shareholders' equity.

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

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

Property & Casualty includes the business lines property, casualty (including motor) and specialty. Life & Health includes the life and health lines of business.

Corporate Solutions

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

Life Capital

As of 1 January 2021, the Life Capital reporting segment ceased to be managed as a separate Business Unit. Life Capital managed the Group's primary life and health business as well as its primary retail property and casualty business. It encompassed the closed and open life and health insurance books, including the ReAssure business sold in 2020 (please refer to Note 10 of the 2020 Annual Report for further details on the disposal of ReAssure Group plc.) and the business comprising elipsLife and iptiQ. In 2021, iptiQ operates as a stand-alone division, and is reported as part of the Group items reporting segment. elipsLife moved to the Corporate Solutions reporting segment. Comparative information for 2020 has been adjusted accordingly. The Life Capital reporting segment for the comparative period 2020 reflects the ReAssure business.

Group items

Group items includes iptiQ, which operates as a standalone division, with results reported within the Group items segment. Group items also includes items not allocated to the business segments, which encompass Principal Investments, Swiss Re Ltd, the Group's ultimate parent company, certain Treasury units and reinsurance and insurance business in run-off. iptiQ partners with distributors providing Swiss Re access to risk pools offering white labelled protection cover in both the life and health as well as property and casualty businesses. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation

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

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Notes to the Group financial statements (unaudited)

a) Business segments – income statement

For the six months ended 30 June

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	12 776	7 360	3 239	265	609	-691	23 558
Net premiums written	12 270	6 667	2 445	81	398		21 861
Change in unearned premiums	-2 669	-70	28	3	-106		-2 814
Premiums earned	9 601	6 597	2 473	84	292		19 047
Fee income from policyholders		79		159	44		282
Net investment income – non-participating business	485	593	89	314	152	-185	1 448
Net realised investment gains/losses – non-participating business	496	339	-6	32	7		868
Net investment result – unit-linked and with-profit business		-113		-2 572			-2 685
Other revenues	13	3	3		219	-220	18
Total revenues	10 595	7 498	2 559	-1 983	714	-405	18 978
Expenses							
Claims and claim adjustment expenses	-8 027		-1 812				-9 839
Life and health benefits		-5 985	-396	-86	-291		-6 758
Return credited to policyholders		102		2 427	-152		2 377
Acquisition costs	-2 497	-967	-345	-274	-88		-4 171
Operating expenses	-597	-351	-382	-190	-402	220	-1 702
Total expenses before interest expenses	-11 121	-7 201	-2 935	1 877	-933	220	-20 093
Income/loss before interest and income tax expense/benefit							
	-526	297	-376	-106	-219	-185	-1 115
Interest expenses	-160	-199	-19	-35	-70	185	-298
Income/loss before income tax expense/benefit	-686	98	-395	-141	-289	0	-1 413
Income tax expense/benefit	167	-24	87	26	85		341
Net income/loss before attribution of non-controlling interests	-519	74	-308	-115	-204	0	-1 072
Income/loss attributable to non-controlling interests			-4	-59			-63
Net income/loss attributable to common shareholders	-519	74	-312	-174	-204	0	-1 135
Claims ratio in %	83.6		89.3				84.8
Expense ratio in %	32.2		29.4				31.6
Combined ratio in %	115.8		118.7				116.4
Management expense ratio ¹ in %		4.8					
Net operating margin ² in %	-5.0	3.9	-14.7	-18.0			-5.1

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

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

Business segments – income statement

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
Revenues						
Gross premiums written	13 478	8 065	3 667	361	-503	25 068
Net premiums written	12 943	7 371	2 764	251		23 329
Change in unearned premiums	-2 490	51	-209	-17		-2 665
Premiums earned	10 453	7 422	2 555	234		20 664
Fee income from policyholders		96		40		136
Net investment income – non-participating business	856	566	63	446	-95	1 836
Net realised investment gains/losses – non-participating business	242	119	86	-275		172
Net investment result – unit-linked and with-profit business		5				5
Other revenues	9	1	7	200	-201	16
Total revenues	11 560	8 209	2 711	645	-296	22 829
Expenses						
Claims and claim adjustment expenses	-6 637		-1 172	-12		-7 821
Life and health benefits		-6 686	-481	-182		-7 349
Return credited to policyholders		-21		-191		-212
Acquisition costs	-2 637	-1 108	-310	-97		-4 152
Operating expenses	-590	-406	-405	-454	201	-1 654
Total expenses before interest expenses	-9 864	-8 221	-2 368	-936	201	-21 188
Income/loss before interest and income tax expense/benefit	1 696	-12	343	-291	-95	1 641
Interest expenses	-147	-136	-12	-80	95	-280
Income/loss before income tax expense/benefit	1 549	-148	331	-371	0	1 361
Income tax expense/benefit	-301	29	-71	26		-317
Net income/loss before attribution of non-controlling interests	1 248	-119	260	-345	0	1 044
Income/loss attributable to non-controlling interests			2			2
Net income/loss attributable to common shareholders	1 248	-119	262	-345	0	1 046
Claims ratio in %	63.5		64.7			63.7
Expense ratio in %	30.9		28.0			30.3
Combined ratio in %	94.4		92.7			94.0
Management expense ratio ¹ in %		5.0				
Net operating margin ² in %	14.7	-0.1	12.7			7.2

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

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

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Notes to the Group financial statements (unaudited)

Business segments – balance sheet

As of 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
Assets						
Fixed income securities	39 691	32 958	8 522	1 847		83 018
Equity securities	1 518	641	225	2 515		4 899
Other investments	19 345	3 502	149	5 830	-12 595	16 231
Short-term investments	9 216	4 275	2 072	519		16 082
Investments for unit-linked and with-profit business		463				463
Cash and cash equivalents	2 941	1 625	692	212		5 470
Deferred acquisition costs	2 576	4 900	426	328		8 230
Acquired present value of future profits		510		418		928
Reinsurance recoverable	2 030	2 042	6 902	89	-5 171	5 892
Other reinsurance assets	13 003	7 883	3 108	3 861	-1 195	26 660
Goodwill	1 958	1 869	194			4 021
Other	8 769	7 705	2 772	5 438	-13 956	10 728
Total assets	101 047	68 373	25 062	21 057	-32 917	182 622
Liabilities						
Unpaid claims and claim adjustment expenses	55 267	14 863	15 343	953	-5 168	81 258
Liabilities for life and health policy benefits		20 207	747	1 503	-1	22 456
Policyholder account balances		1 303		3 889		5 192
Other reinsurance liabilities	14 570	1 399	4 845	253	-1 515	19 552
Short-term debt	435	1 500		126	-1 908	153
Long-term debt	4 771	12 304	498	2 400	-8 389	11 584
Other	16 834	9 416	1 081	3 774	-15 936	15 169
Total liabilities	91 877	60 992	22 514	12 898	-32 917	155 364
Shareholders' equity	9 168	7 381	2 427	8 159	0	27 135
Non-controlling interests	2		121			123
Total equity	9 170	7 381	2 548	8 159	0	27 258
Total liabilities and equity	101 047	68 373	25 062	21 057	-32 917	182 622

Business segments – balance sheet

As of 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
Assets						
Fixed income securities	41 586	32 266	8 546	1 777		84 175
Equity securities	1 876	609	257	1 480		4 222
Other investments	19 137	3 727	164	5 659	-13 041	15 646
Short-term investments	4 443	2 280	1 849	296		8 868
Investments for unit-linked and with-profit business		462				462
Cash and cash equivalents	4 053	2 618	1 125	299		8 095
Deferred acquisition costs	2 710	4 826	437	385		8 358
Acquired present value of future profits		477		416		893
Reinsurance recoverable	2 032	1 943	6 781	62	-5 004	5 814
Other reinsurance assets	16 467	7 857	2 957	3 852	-1 051	30 082
Goodwill	1 936	1 875	189			4 000
Other	9 540	8 568	3 221	3 483	-12 820	11 992
Total assets	103 780	67 508	25 526	17 709	-31 916	182 607
Liabilities						
Unpaid claims and claim adjustment expenses	55 474	15 204	15 222	775	-5 000	81 675
Liabilities for life and health policy benefits		19 857	746	1 447	-1	22 049
Policyholder account balances		1 265		3 947		5 212
Other reinsurance liabilities	18 472	1 325	5 339	382	-1 505	24 013
Short-term debt	1 080	1 500		65	-2 520	125
Long-term debt	4 220	12 557	498	2 368	-8 269	11 374
Other	15 310	10 162	1 063	2 319	-14 621	14 233
Total liabilities	94 556	61 870	22 868	11 303	-31 916	158 681
Shareholders' equity						
	9 218	5 638	2 543	6 406	0	23 805
Non-controlling interests	6		115			121
Total equity	9 224	5 638	2 658	6 406	0	23 926
Total liabilities and equity	103 780	67 508	25 526	17 709	-31 916	182 607

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Notes to the Group financial statements (unaudited)

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

For the six months ended 30 June

2020 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	5 827	5 155	1 794		12 776
Net premiums written	5 396	5 129	1 745		12 270
Change in unearned premiums	-1 853	-445	-371		-2 669
Premiums earned	3 543	4 684	1 374		9 601
Net investment income				485	485
Net realised investment gains/losses				496	496
Other revenues				13	13
Total revenues	3 543	4 684	1 374	994	10 595
Expenses					
Claims and claim adjustment expenses	-3 188	-3 953	-886		-8 027
Acquisition costs	-782	-1 356	-359		-2 497
Operating expenses	-295	-223	-79		-597
Total expenses before interest expenses	-4 265	-5 532	-1 324	0	-11 121
Income/loss before interest and income tax expense	-722	-848	50	994	-526
Interest expenses				-160	-160
Income/loss before income tax expense	-722	-848	50	834	-686
Claims ratio in %	90.0	84.4	64.5		83.6
Expense ratio in %	30.4	33.7	31.9		32.2
Combined ratio in %	120.4	118.1	96.4		115.8

Property & Casualty Reinsurance business segment – by line of business

For the six months ended 30 June

2021 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	6 049	5 582	1 847		13 478
Net premiums written	5 606	5 526	1 811		12 943
Change in unearned premiums	-1 784	-391	-315		-2 490
Premiums earned	3 822	5 135	1 496		10 453
Net investment income				856	856
Net realised investment gains/losses				242	242
Other revenues				9	9
Total revenues	3 822	5 135	1 496	1 107	11 560
Expenses					
Claims and claim adjustment expenses	-2 261	-3 539	-837		-6 637
Acquisition costs	-800	-1 458	-379		-2 637
Operating expenses	-288	-202	-100		-590
Total expenses before interest expenses	-3 349	-5 199	-1 316	0	-9 864
Income/loss before interest and income tax expense	473	-64	180	1 107	1 696
Interest expenses				-147	-147
Income/loss before income tax expense	473	-64	180	960	1 549
Claims ratio in %	59.1	68.9	56.0		63.5
Expense ratio in %	28.5	32.3	32.0		30.9
Combined ratio in %	87.6	101.2	88.0		94.4

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Notes to the Group financial statements (unaudited)

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

For the six months ended 30 June

2020 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	4 944	2 416		7 360
Net premiums written	4 389	2 278		6 667
Change in unearned premiums	12	-82		-70
Premiums earned	4 401	2 196		6 597
Fee income from policyholders	79			79
Net investment income – non-participating business	454	139		593
Net realised investment gains/losses – non-participating business	67	-1	273	339
Net investment result – unit-linked and with-profit business	-113			-113
Other revenues	2	1		3
Total revenues	4 890	2 335	273	7 498
Expenses				
Life and health benefits	-4 191	-1 794		-5 985
Return credited to policyholders	102			102
Acquisition costs	-669	-298		-967
Operating expenses	-235	-116		-351
Total expenses before interest expenses	-4 993	-2 208	0	-7 201
Income/loss before interest and income tax expense	-103	127	273	297
Interest expenses			-199	-199
Income/loss before income tax expense	-103	127	74	98
Management expense ratio ¹ in %	4.8	5.0		4.8
Net operating margin ² in %	-2.1	5.4		3.9

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

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

Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2021 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	5 764	2 301		8 065
Net premiums written	5 220	2 151		7 371
Change in unearned premiums	10	41		51
Premiums earned	5 230	2 192		7 422
Fee income from policyholders	96			96
Net investment income – non-participating business	423	143		566
Net realised investment gains/losses – non-participating business	-16		135	119
Net investment result – unit-linked and with-profit business	5			5
Other revenues	1			1
Total revenues	5 739	2 335	135	8 209
Expenses				
Life and health benefits	-5 153	-1 533		-6 686
Return credited to policyholders	-21			-21
Acquisition costs	-739	-369		-1 108
Operating expenses	-269	-137		-406
Total expenses before interest expenses	-6 182	-2 039	0	-8 221
Income/loss before interest and income tax expense	-443	296	135	-12
Interest expenses			-136	-136
Income/loss before income tax expense	-443	296	-1	-148
Management expense ratio ¹ in %	4.7	5.9		5.0
Net operating margin ² in %	-7.7	12.7		-0.1

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

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

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c) Group items business segment

For the six months ended 30 June

2020 USD millions	iptiQ	Other	Total
Revenues			
Gross premiums written	562	47	609
Net premiums written	351	47	398
Change in unearned premiums	-106		-106
Premiums earned	245	47	292
Fee income from policyholders		44	44
Net investment income – non-participating business	16	136	152
Net realised investment gains/losses	2	5	7
Other revenues		219	219
Total revenues	263	451	714
Expenses			
Claims and claim adjustment expenses			
Life and health benefits	-199	-92	-291
Return credited to policyholders		-152	-152
Acquisition costs	-36	-52	-88
Operating expenses	-112	-290	-402
Total expenses before interest expenses	-347	-586	-933
Income/loss before interest and income tax expense/benefit	-84	-135	-219
Interest expenses		-70	-70
Income/loss before income tax expense/benefit	-84	-205	-289
Income tax expense/benefit	2	83	85
Net income/loss	-82	-122	-204

Group items business segment

For the six months ended 30 June

2021			
USD millions	iptiQ	Other	Total
Revenues			
Gross premiums written	333	28	361
Net premiums written	223	28	251
Change in unearned premiums	-17		-17
Premiums earned	206	28	234
Fee income from policyholders		40	40
Net investment income – non-participating business	11	435	446
Net realised investment gains/losses		-275	-275
Other revenues	1	199	200
Total revenues	218	427	645
Expenses			
Claims and claim adjustment expenses	-12		-12
Life and health benefits	-136	-46	-182
Return credited to policyholders		-191	-191
Acquisition costs	-57	-40	-97
Operating expenses	-127	-327	-454
Total expenses before interest expenses	-332	-604	-936
Income/loss before interest and income tax expense/benefit	-114	-177	-291
Interest expenses		-80	-80
Income/loss before income tax expense/benefit	-114	-257	-371
Income tax expense/benefit	9	17	26
Net income/loss	-105	-240	-345

Financial statements

Notes to the Group financial statements (unaudited)

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3 Insurance information

Premiums earned and fees assessed against policyholders

For the six months ended 30 June

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Premiums earned, thereof:						
Direct			2 563	268	366	3 197
Reinsurance	9 599	7 066	457		33	17 155
Intra-group transactions (assumed and ceded)	182	223	-182	-117	-106	0
Premiums earned before retrocession to external parties	9 781	7 289	2 838	151	293	20 352
Retrocession to external parties	-180	-692	-365	-67	-1	-1 305
Net premiums earned	9 601	6 597	2 473	84	292	19 047
Fee income from policyholders, thereof:						
Direct				159		159
Reinsurance		79			44	123
Gross fee income before retrocession to external parties		79		159	44	282
Retrocession to external parties						0
Net fee income	0	79	0	159	44	282

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Premiums earned, thereof:						
Direct			2 740		271	3 011
Reinsurance	10 398	8 102	480		19	18 999
Intra-group transactions (assumed and ceded)	280	2	-230		-52	0
Premiums earned before retrocession to external parties	10 678	8 104	2 990		238	22 010
Retrocession to external parties	-225	-682	-435		-4	-1 346
Net premiums earned	10 453	7 422	2 555	0	234	20 664
Fee income from policyholders, thereof:						
Direct						0
Reinsurance		96			40	136
Gross fee income before retrocession to external parties		96			40	136
Retrocession to external parties						0
Net fee income	0	96	0	0	40	136

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Claims and claim adjustment expenses

For the six months ended 30 June

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-6 346	-5 554	-2 099	-939	-406	-15 344
Intra-group transactions (assumed and ceded)	-199	-127	199	87	40	0
Claims before receivables from retrocession to external parties						
Retrocession to external parties	191	639	247	113	1	1 191
Net claims paid	-6 354	-5 042	-1 653	-739	-365	-14 153
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-1 595	-977	-495	735	17	-2 315
Intra-group transactions (assumed and ceded)	68	-75	-68	18	57	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties						
Retrocession to external parties	-146	109	8	-100		-129
Net unpaid claims and claim adjustment expenses; life and health benefits	-1 673	-943	-555	653	74	-2 444
Claims and claim adjustment expenses; life and health benefits	-8 027	-5 985	-2 208	-86	-291	-16 597

Acquisition costs

For the six months ended 30 June

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-2 504	-1 088	-420	-279	-96	-4 387
Intra-group transactions (assumed and ceded)	-26	-13	26	5	8	0
Acquisition costs before impact of retrocession to external parties						
Retrocession to external parties	33	134	49			216
Net acquisition costs	-2 497	-967	-345	-274	-88	-4 171

Claims and claim adjustment expenses

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-5 972	-7 164	-2 065		-442	-15 643
Intra-group transactions (assumed and ceded)	-238	-59	233		64	0
Claims before receivables from retrocession to external parties	-6 210	-7 223	-1 832		-378	-15 643
Retrocession to external parties	149	792	281		1	1 223
Net claims paid	-6 061	-6 431	-1 551	0	-377	-14 420
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-747	-255	63		207	-732
Intra-group transactions (assumed and ceded)	205	59	-240		-24	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	-542	-196	-177		183	-732
Retrocession to external parties	-34	-59	75			-18
Net unpaid claims and claim adjustment expenses; life and health benefits	-576	-255	-102	0	183	-750
Claims and claim adjustment expenses; life and health benefits	-6 637	-6 686	-1 653	0	-194	-15 170

Acquisition costs

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-2 629	-1 239	-415		-108	-4 391
Intra-group transactions (assumed and ceded)	-52	-3	45		10	0
Acquisition costs before impact of retrocession to external parties	-2 681	-1 242	-370		-98	-4 391
Retrocession to external parties	44	134	60		1	239
Net acquisition costs	-2 637	-1 108	-310	0	-97	-4 152

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Reinsurance receivables

Reinsurance receivables as of 31 December 2020 and 30 June 2021 were as follows:

USD millions	2020	2021
Premium receivables invoiced	3 960	5 087
Receivables invoiced from ceded re/insurance business	468	476
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	649	692
Recognised allowance	-73	-77

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the six months ended 30 June 2020 and 2021, the relative percentage of participating insurance of the life and health policy benefits was 8% and 0%, respectively. The amount of policyholder dividend expense for the six months ended 30 June 2020 and 2021 was USD 40 million and USD 0 million, respectively.

4 Premiums written

For the six months ended 30 June

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct			2 860	265	576		3 701
Reinsurance	12 428	7 034	362		33		19 857
Intra-group transactions (assumed)	348	326	17			-691	0
Gross premiums written	12 776	7 360	3 239	265	609	-691	23 558
Intra-group transactions (ceded)	-17		-348	-116	-210	691	0
Gross premiums written before retrocession to external parties	12 759	7 360	2 891	149	399		23 558
Retrocession to external parties	-489	-693	-446	-68	-1		-1 697
Net premiums written	12 270	6 667	2 445	81	398	0	21 861

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct			3 168		342		3 510
Reinsurance	13 041	8 063	435		19		21 558
Intra-group transactions (assumed)	437	2	64			-503	0
Gross premiums written	13 478	8 065	3 667		361	-503	25 068
Intra-group transactions (ceded)	-64		-334		-105	503	0
Gross premiums written before retrocession to external parties	13 414	8 065	3 333		256		25 068
Retrocession to external parties	-471	-694	-569		-5		-1 739
Net premiums written	12 943	7 371	2 764	0	251	0	23 329

5 Unpaid claims and claim adjustment expenses

A reconciliation of the opening and closing reserve balances for unpaid claims and claim adjustment expenses as of 31 December 2020 and 30 June 2021 is presented as follows:

USD millions	2020	2021
Balance as of 1 January	72 373	81 258
Balance as of 1 January classified as held for sale	497	0
Reinsurance recoverable	-3 732	-3 636
Deferred expense on retroactive reinsurance	-168	-191
Net balance as of 1 January	68 970	77 431
Incurred related to:		
Current year	34 064	15 742
Prior year	166	-433
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	-36	5
Total incurred	34 194	15 314
Paid related to:		
Current year	-10 329	-2 484
Prior year	-17 445	-11 936
Total paid	-27 774	-14 420
Foreign exchange	2 149	-642
Effect of acquisitions, disposals, new retroactive reinsurance and other items	-108	206
Net balance as of period end	77 431	77 889
Reinsurance recoverable	3 636	3 606
Deferred expense on retroactive reinsurance	191	180
Balance as of period end	81 258	81 675

Prior-year development

Non-life claims development in the first six months ended 30 June 2021 on prior years is mainly driven by favourable property experience partly offset by adverse casualty experience. Development in property is principally due to reserve releases related to natural catastrophe events and lower than expected claims activity, mostly in North America and Asia. The deterioration for casualty mainly comes from adverse experience for liability in North America and cyber, partly offset by favourable development in workers' compensation. Specialty was impacted by positive claims experience mainly in credit and engineering, partly offset by adverse development in marine.

For life and health lines of business, development on prior years' unpaid claims is unfavourable. For health business, unfavourable experience in disability portfolio in the US was partially offset by positive experience in disability portfolios in Australia. Claims development related to prior years for disability portfolios also includes an element of interest accretion for unpaid claims reported at an estimated present value. For life business, there is favourable development in Continental Europe and the UK from release of prior year's COVID-19 allowances exceeding the actual claims paid.

A summary of prior-year net claims and claim adjustment expenses development by lines of business for the year ended 31 December 2020 and for the six months ended 30 June 2021 is shown below¹:

USD millions	2020	2021
Line of business:		
Property	-582	-482
Casualty	456	94
Specialty	26	-57
Life and health	266	12
Total	166	-433

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

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

As of 31 December 2020 and 30 June 2021, the DAC were as follows:

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Opening balance as of 1 January	2 613	4 529	494		202	7 838
Opening balance as of 1 January classified as held for sale				657		657
Deferred	5 016	619	573		142	6 350
Effect of acquisitions/disposals and retrocessions		-2		-595	2	-595
Amortisation	-5 103	-417	-648	-46	-65	-6 279
Effect of foreign currency translation and other changes	50	171	7	-16	47	259
Closing balance	2 576	4 900	426	0	328	8 230

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Opening balance as of 1 January	2 576	4 900	426		328	8 230
Deferred	2 793	226	318		155	3 492
Effect of acquisitions/disposals and retrocessions						0
Amortisation	-2 637	-234	-304		-96	-3 271
Effect of foreign currency translation and other changes	-22	-66	-3		-2	-93
Closing balance	2 710	4 826	437	0	385	8 358

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 2020 and 30 June 2021, the PVFP was as follows:

2020 USD millions	Life & Health Reinsurance	Life Capital		Group Items	Total
		Positive PVFP	Negative PVFP	Total	
Opening balance as of 1 January	577			465	1 042
Opening balance as of 1 January classified as held for sale		1 156	-476	680	680
Effect of acquisitions/disposals and retrocessions		-912	444	-468	-2
Amortisation	-99	-254	33	-221	-394
Interest accrued on unamortised PVFP	28	36	-10	26	91
Effect of change in unrealised gains/losses				-8	-8
Effect of foreign currency translation	4	-26	9	-17	-13
Closing balance	510	0	0	0	418

2021 USD millions	Life & Health Reinsurance	Life Capital		Group Items	Total
		Positive PVFP	Negative PVFP	Total	
Opening balance as of 1 January	510			418	928
Effect of acquisitions/disposals and retrocessions					-
Amortisation	-37			-19	-56
Interest accrued on unamortised PVFP	2			9	11
Effect of change in unrealised gains/losses				8	8
Effect of foreign currency translation	2				2
Closing balance	477	0	0	0	416

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.

7 Investments

Investment income

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

USD millions	2020 ¹	2021
Fixed income securities	1 284	914
Equity securities	21	96
Policy loans, mortgages and other loans	77	64
Investment real estate	120	127
Short-term investments	25	10
Other current investments	39	58
Share in earnings of equity-accounted investees	-192	470
Cash and cash equivalents	22	
Net result from deposit-accounted contracts	55	47
Deposits with ceding companies	209	242
Gross investment income	1 660	2 028
Investment expenses	-206	-191
Interest charged for funds held	-6	-1
Net investment income – non-participating business	1 448	1 836
Of which from assets/liabilities held for sale	314	

¹ The Group revised its allocation of net investment income. The revision has no impact on the income statement or balance sheet of the Group. Comparative information for 2020 has been adjusted accordingly.

Dividends received from investments accounted for using the equity method were USD 64 million and USD 97 million for the six months ended 30 June 2020 and 2021, respectively.

Realised gains and losses

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

USD millions	2020	2021
Fixed income securities available-for-sale:		
Gross realised gains	1 358	271
Gross realised losses	-177	-197
Other-than-temporary impairments	-29	
Net realised investment gains/losses on equity securities	-68	-16
Change in net unrealised investment gains/losses on equity securities	-97	41
Net realised investment gains/losses on trading securities	71	-58
Change in net unrealised investment gains/losses on trading securities	15	-35
Net realised/unrealised gains/losses on other investments	178	176
Net realised/unrealised gains/losses on insurance-related activities	23	17
Foreign exchange gains/losses	-54	-27
Loss related to sale of ReAssure	-352	
Net realised investment gains/losses – non-participating business	868	172
Of which from assets/liabilities held for sale	384	

Net realised/unrealised gains/losses on insurance-related activities included impairments of nil and USD 2 million for the six months ended 30 June 2020 and 2021, respectively.

Investment result – unit-linked and with-profit business

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

Net investment result on unit-linked and with-profit business credited to policyholders for the six months ended 30 June was as follows:

USD millions	2020		2021	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	27	45		
Investment income – equity securities	332	27	1	
Investment income – other	6	2	–1	
Total investment income – unit-linked and with-profit business	365	74	0	0
Realised gains/losses – fixed income securities	87	56		
Realised gains/losses – equity securities	–2 921	–320	5	
Realised gains/losses – other	–18	–8		
Total realised gains/losses – unit-linked and with-profit business	–2 852	–272	5	0
Total net investment result – unit-linked and with-profit business	–2 487	–198	5	0
Of which from assets/liabilities held for sale	–2 373	–198		

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 six months ended 30 June was as follows:

USD millions	2020	2021
Balance as of 1 January	61	46
Credit losses for which an other-than-temporary impairment was not previously recognised	18	1
Reductions for securities sold during the period	–20	–9
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		1
Impact of increase in cash flows expected to be collected	–1	–1
Impact of foreign exchange movements	–1	
Balance as of 30 June	57	38

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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 2020 and 30 June 2021 were as follows:

2020 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	10 915	693	-18		11 590
US Agency securitised products	6 575	214	-10		6 779
States of the United States and political subdivisions of the states	1 444	248			1 692
United Kingdom	4 206	841	-5		5 042
Germany	3 038	494	-1		3 531
France	2 551	570	-1		3 120
Canada	2 179	223	-13		2 389
Japan	2 086	56	-24		2 118
Other	10 189	788	-20		10 957
Total	43 183	4 127	-92		47 218
Corporate debt securities	27 538	3 084	-35		30 587
Mortgage- and asset-backed securities	3 141	157	-22	-1	3 275
Fixed income securities available-for-sale	73 862	7 368	-149	-1	81 080

2021 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	13 034	387	-88		13 333
US Agency securitised products	5 140	106	-28		5 218
States of the United States and political subdivisions of the states	1 272	215			1 487
United Kingdom	4 222	461	-74		4 609
Germany	3 053	295	-39		3 309
France	2 628	263	-38		2 853
Canada	2 333	128	-15		2 446
Japan	2 086	26	-40		2 072
Other	10 349	436	-71		10 714
Total	44 117	2 317	-393		46 041
Corporate debt securities	30 636	2 396	-79		32 953
Mortgage- and asset-backed securities	3 464	121	-14	-8	3 563
Fixed income securities available-for-sale	78 217	4 834	-486	-8	82 557

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

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2020 and 30 June 2021.

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

2021 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	3 962	86	37	2	3 999	88
US Agency securitised products	1 646	18	24	10	1 670	28
States of the United States and political subdivisions of the states						0
United Kingdom	852	72	7	2	859	74
Germany	673	37	25	2	698	39
France	1 065	37	27	1	1 092	38
Canada	909	10	96	5	1 005	15
Japan	594	18	248	22	842	40
Other	2 921	63	266	8	3 187	71
Total	12 622	341	730	52	13 352	393
Corporate debt securities	4 831	70	250	9	5 081	79
Mortgage- and asset-backed securities	433	3	102	19	535	22
Total	17 886	414	1 082	80	18 968	494

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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 2020 and 30 June 2021, USD 20 219 million and USD 22 609 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2020		2021	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	8 806	8 863	7 106	7 145
Due after one year through five years	18 298	19 040	25 858	26 449
Due after five years through ten years	14 512	15 696	15 621	16 413
Due after ten years	29 942	35 035	27 044	29 856
Mortgage- and asset-backed securities with no fixed maturity	2 304	2 446	2 588	2 694
Total fixed income securities available-for-sale	73 862	81 080	78 217	82 557

Investments trading and at fair value through earnings

The carrying amounts of fixed income securities classified as trading and equity securities at fair value through earnings (excluding unit-linked and with-profit business) as of 31 December 2020 and 30 June 2021 were as follows:

USD millions	2020	2021
Debt securities issued by governments and government agencies	1 907	1 589
Mortgage- and asset-backed securities	31	29
Fixed income securities trading – non-participating business	1 938	1 618
Equity securities at fair value through earnings – non-participating business	4 899	4 222

Investments held for unit-linked and with-profit business

As of 31 December 2020 and 30 June 2021, the carrying amounts of investments held for unit-linked business consist of equity securities at fair value through earnings of USD 463 million and of USD 462 million.

Mortgage, policy and other loans, and investment real estate

As of 31 December 2020 and 30 June 2021, the carrying and respective fair values of investments in mortgage, policy and other loans, and investment real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2020		2021	
	Carrying value	Fair value	Carrying value	Fair value
Policy loans	43	43	35	35
Mortgage loans	1 410	1 458	1 536	1 579
Other loans	1 862	1 906	2 066	2 105
Investment real estate	2 602	5 118	2 408	4 830

As of 30 June 2021, investment in real estate included USD 179 million of real estate held for sale.

Depreciation expense related to investment real estate was USD 32 million and USD 32 million for the six months ended 30 June 2020 and 2021, respectively. Accumulated depreciation on investment real estate totalled USD 779 million and USD 774 million as of 31 December 2020 and 30 June 2021, respectively.

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

Investment real estate held by the Group includes residential and commercial investment real estate.

Other financial assets and liabilities by measurement category

As of 31 December 2020 and 30 June 2021, "Other invested assets" and "Accrued expenses and other liabilities" by measurement category were as follows:

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

2021 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope ¹	Total
Other invested assets						
Derivative financial instruments	180					180
Reverse repurchase agreements			2 965			2 965
Securities lending/borrowing	933		247			1 180
Equity-accounted investments	161			2 684		2 845
Other	306	1 123	1 002			2 431
Other invested assets	1 580	1 123	4 214	2 684	0	9 601
Accrued expenses and other liabilities						
Derivative financial instruments	370					370
Repurchase agreements			153			153
Securities lending	934		89			1 023
Securities sold short	1 319					1 319
Other			2 592		1 932	4 524
Accrued expenses and other liabilities	2 623	0	2 834	0	1 932	7 389

¹ Amounts do not relate to financial assets or liabilities.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2020 and 30 June 2021 was as follows:

2020 USD millions	Gross amounts of recognised financial assets	Amounts set-off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – assets	1 609	–1 343	266	–3	263
Reverse repurchase agreements	4 945	–1 943	3 002	–3 002	0
Securities borrowing	292	–10	282	–280	2
Total	6 846	–3 296	3 550	–3 285	265

2020 USD millions	Gross amounts of recognised financial liabilities	Amounts set-off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–1 775	1 280	–495	303	–192
Repurchase agreements	–1 891	1 643	–248	248	0
Securities lending	–2 032	310	–1 722	1 652	–70
Total	–5 698	3 233	–2 465	2 203	–262

2021 USD millions	Gross amounts of recognised financial assets	Amounts set-off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – assets	1 637	–1 457	180	–3	177
Reverse repurchase agreements	5 053	–2 088	2 965	–2 965	0
Securities borrowing	362	–115	247	–246	1
Total	7 052	–3 660	3 392	–3 214	178

2021 USD millions	Gross amounts of recognised financial liabilities	Amounts set-off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–1 450	1 080	–370	210	–160
Repurchase agreements	–1 942	1 789	–153	153	0
Securities lending	–1 437	414	–1 023	993	–30
Total	–4 829	3 283	–1 546	1 356	–190

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

Assets pledged

As of 31 December 2020 and 30 June 2021, investments with a carrying value of USD 5 858 million and USD 5 680 million, respectively, were on deposit with regulatory agencies in accordance with local requirements, of which USD 249 million and USD 358 million, respectively, were cash and cash equivalents. As of 31 December 2020 and 30 June 2021, investments with a carrying value of USD 15 424 million and USD 15 200 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries, of which USD 259 million and USD 694 million, respectively, were cash and cash equivalents. Cash and cash equivalents pledged include some instances where cash is legally restricted from usage or withdrawal.

As of 31 December 2020 and 30 June 2021, securities of USD 13 787 million and USD 16 466 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 970 million and USD 1 176 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or reuse.

As of 31 December 2020 and 30 June 2021, a real estate portfolio with a carrying value of USD 200 million and USD 189 million, respectively, served as collateral for a credit facility, allowing the Group to withdraw funds up to CHF 500 million.

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

As of 31 December 2020 and 30 June 2021, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 4 837 million and USD 5 980 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2020 and 30 June 2021 was USD 1 341 million and USD 1 440 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements, derivative transactions and reinsurance transactions.

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

As of 31 December 2020 and 30 June 2021, 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.

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

2021 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	82	1 696			1 778
Corporate debt securities		164			164
Total repurchase agreements	82	1 860	0	0	1 942
Securities lending					
Debt securities issued by governments and government agencies	487	449	300		1 236
Corporate debt securities	86	115			201
Total securities lending	573	564	300	0	1 437
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 379

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.

8 Fair value disclosures

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

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

Level 1 inputs are unadjusted, quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible. The types of instruments include most US government and sovereign obligations, active listed equities, certain exchange-traded derivative instruments and most money market securities.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); (iv) inputs derived from, or corroborated by, observable market data; and (v) quoted prices provided by third-party brokers. The types of instruments that trade in markets that are not considered to be active include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, certain exchange-traded derivative instruments, catastrophe bonds, less liquid listed equities and state, municipal and provincial obligations.

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

Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the six months ended 30 June 2021, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued and the private company-specific performance indicators, both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as a practical expedient.

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

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

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

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

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

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Notes to the Group financial statements (unaudited)

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2020 and 30 June 2021, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

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

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.

2021 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	13 029	69 884	1 262		84 175
Debt securities issued by US government and government agencies	13 029	1 908			14 937
US Agency securitised products		5 528			5 528
Debt securities issued by non-US governments and government agencies		27 165			27 165
Corporate debt securities		31 691	1 262		32 953
Mortgage- and asset-backed securities		3 592			3 592
Equity securities held for proprietary investment purposes	3 572	650			4 222
Equity securities backing unit-linked and with-profit business	462				462
Short-term investments held for proprietary investment purposes	2 857	6 011			8 868
Derivative financial instruments		1 504	133	-1 457	180
Interest rate contracts		417			417
Foreign exchange contracts		270			270
Equity contracts		812	103		915
Credit contracts		5			5
Other contracts			30		30
Other invested assets	313	620	468		1 401
Funds held by ceding companies		171			171
Total assets at fair value	20 233	78 840	1 863	-1 457	99 479
Liabilities					
Derivative financial instruments	-7	-1 210	-233	1 080	-370
Interest rate contracts		-459	-2		-461
Foreign exchange contracts		-253			-253
Equity contracts	-6	-422	-12		-440
Credit contracts		-76			-76
Other contracts	-1		-219		-220
Liabilities for life and health policy benefits			-83		-83
Accrued expenses and other liabilities	-561	-1 692			-2 253
Total liabilities at fair value	-568	-2 902	-316	1 080	-2 706

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

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Notes to the Group financial statements (unaudited)

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

As of 31 December 2020 and 30 June 2021, the reconciliations of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

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

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

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

2021 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	1 183	0	232	0	588	2 003	-341	-98	-439
Realised/unrealised gains/losses:									
Included in net income ¹			-72		18	-54	110	16	126
Included in other comprehensive income ²	-28					-28		-1	-1
Purchases	121				8	129			0
Issuances						0	-27		-27
Sales			-3		-147	-150			0
Settlements	-11		-24			-35	25		25
Transfers into level 3						0			0
Transfers out of level 3						0			0
Impact of foreign exchange movements	-3				1	-2			0
Closing balance as of 31 March	1 262	0	133	0	468	1 863	-233	-83	-316

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

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

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

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the six months ended 30 June were as follows:

USD millions	2020	2021
Gains/losses included in net income for the period	-204	72
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	-162	34

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2020 and 30 June 2021 were as follows:

USD millions	2020	2021		Unobservable input	Range (weighted average ¹)
	Fair value	Fair value	Valuation technique		
Assets					
Corporate debt securities	1 183	1 262			
Infrastructure loans	701	730	Discounted cash flow model	Valuation spread	66–526 bps (181 bps)
Private placement corporate debt	440	493	Corporate spread matrix	Credit spread	23–193 bps (86 bps)
Private placement credit tenant leases	42	39	Discounted cash flow model	Illiquidity premium	125 – 150 bps (146 bps)
Derivative equity contracts	201	103			
OTC equity option referencing correlated equity indices	201	103	Proprietary option model	Correlation	0–50% (35%)
Liabilities					
Derivative equity contracts	–23	–12			
OTC equity option referencing correlated equity indices	–23	–12	Proprietary option model	Correlation	–10–95% (47%)
Other derivative contracts and liabilities for life and health policy benefits	–414	–302			
Variable annuity and fair valued GMDB contracts	–355	–268	Discounted cash flow model	Risk margin	4% (n/a)
				Volatility	10.7–58.8%
				Lapse	1.5–15%
				Mortality improvement	0–1.5%
				Withdrawal rate	0–90%
Weather contracts	–30	–11	Proprietary option model	Risk margin	6–11% (9.8%)
				Correlation	–15–48% (8.2%)
				Volatility (power/gas)	32–65% (55%)
				Volatility (temperature)	47–62 (60) HDD/CAT ²
				Index value (temperature)	597–7426 (6063) HDD/CAT ²

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

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

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

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

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would have resulted in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would 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 improvement rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would have resulted in a significantly lower (higher) fair value of the Group's obligation. A significant increase (decrease) in isolation in lapse rate would, in general, have resulted in a significantly higher (lower) fair value of the Group's obligation due to the maturity of the contracts. Changes in the mortality improvement rate impact the fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality improvement rate (ie decrease (increase) in mortality) in isolation would have resulted in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality improvement rate in isolation would have resulted in an increase (decrease) in fair value of the Group's liability.

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

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2020 and 30 June 2021 were as follows:

USD millions	2020 Fair value	2021 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	763	975	550	non-redeemable	n/a
Hedge funds	2	1		redeemable ¹	45–95 days ²
Private equity direct	259	138	142	non-redeemable	n/a
Real estate funds	2	9	5	non-redeemable	n/a
Total	1 026	1 123	697		

¹ The redemption frequency varies by position.

² Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including relative value and event-driven across various asset classes.

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

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated. The period of time over which the underlying assets are expected to be liquidated is indeterminate as investees provide liquidation notices.

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

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis. The Group elected the fair value option for positions in the following line items:

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market. The liability is carried at fair value and changes in fair value attributable to instrument-specific credit risk are reported in other comprehensive income and all other changes in fair value are reported as a component of earnings.

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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 2020 and 30 June 2021 were as follows:

USD millions	2020	2021
Assets		
Other invested assets	10 314	9 601
of which at fair value pursuant to the fair value option	287	161
Funds held by ceding companies	10 726	11 796
of which at fair value pursuant to the fair value option	172	171
Liabilities		
Liabilities for life and health policy benefits	-22 456	-22 049
of which at fair value pursuant to the fair value option	-98	-83

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 six months ended 30 June were as follows:

USD millions	2020	2021
Other invested assets	-62	13
Funds held by ceding companies	5	-1
Liabilities for life and health policy benefits	-32	16
Total	-89	28

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income – non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits". Fair value changes from accrued expenses and other liabilities are reported in "Net realised investment gains/losses – non-participating business".

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2020 and 30 June 2021 were as follows:

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

2021 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets			
Policy loans		35	35
Mortgage loans		1 579	1 579
Other loans		2 105	2 105
Investment real estate		4 830	4 830
Total assets	0	8 549	8 549
Liabilities			
Debt	-10 574	-3 542	-14 116
Total liabilities	-10 574	-3 542	-14 116

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business, whilst the fair value of some other positions does not differ materially from the carrying amount. Considering these circumstances for these positions, the Group presents the carrying amount as an approximation for the fair value. For certain commercial mortgage loans and infrastructure loans, which are included in mortgage loans and other loans respectively, the fair value can be estimated using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement.

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

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

9 Derivative financial instruments

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

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many OTC 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 2020 and 30 June 2021, the fair values and notional amounts of the derivatives outstanding were as follows:

2020 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	21 315	485	-436	49
Foreign exchange contracts	27 311	195	-186	9
Equity contracts	21 583	858	-364	494
Credit contracts	9 755	10	-237	-227
Other contracts	10 128	32	-318	-286
Total	90 092	1 580	-1 541	39
Derivatives designated as hedging instruments				
Interest rate contracts	3 990	9	-10	-1
Foreign exchange contracts	18 258	20	-224	-204
Total	22 248	29	-234	-205
Total derivative financial instruments	112 340	1 609	-1 775	-166
Amount offset				
Where a right of set-off exists		-653	653	
Due to cash collateral		-690	627	
Total net amount of derivative financial instruments		266	-495	-229

2021 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	21 110	417	-410	7
Foreign exchange contracts	30 718	145	-232	-87
Equity contracts	19 402	915	-440	475
Credit contracts	5 714	5	-76	-71
Other contracts	8 925	30	-220	-190
Total	85 869	1 512	-1 378	134
Derivatives designated as hedging instruments				
Interest rate contracts	3 865		-51	-51
Foreign exchange contracts	18 013	125	-21	104
Total	21 878	125	-72	53
Total derivative financial instruments	107 747	1 637	-1 450	187
Amount offset				
Where a right of set-off exists		-714	714	
Due to cash collateral		-743	366	
Total net amount of derivative financial instruments		180	-370	-190

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and "Investments for unit-linked and with-profit business". The fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2020 and 30 June 2021.

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Notes to the Group financial statements (unaudited)

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in “Net realised investment gains/losses – non-participating business” and “Net investment result – unit-linked and with-profit business” in the income statement.

For the six months ended 30 June, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2020 ¹	2021
Derivatives not designated as hedging instruments		
Interest rate contracts	132	12
Foreign exchange contracts	-71	-377
Equity contracts	277	-145
Credit contracts	71	-24
Other contracts	-176	130
Total gains/losses recognised in income	233	-404

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

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 June 2020 and 2021, the following hedging relationships were outstanding:

Fair value hedges

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

For the six months ended 30 June, the gains and losses attributable to the hedged risks were as follows:

USD millions	2020			2021		
	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses	Net realised investment gains/losses – non-participating business	Interest expenses	Other comprehensive income - Net unrealised investment gains/losses
Total amounts of income and expense line items	868	-298	1 728	172	-280	-2 486
Foreign exchange contracts						
Gains/losses on derivatives	86			262		
Gains/losses on hedged items	-86			-262		
Amounts excluded from the effectiveness assessment	-2		-15			
Interest rate contracts						
Gains/losses on derivatives		28			-52	
Gains/losses on hedged items		-27			50	

As of 31 December 2020 and 30 June 2021, the carrying values of the hedged assets and liabilities, and the cumulative amounts of fair value hedging adjustments included therein, recognised in the balance sheet, were as follows:

USD millions	2020		2021	
	Carrying value	Cumulative basis adjustment	Carrying value	Cumulative basis adjustment
Assets				
Fixed income securities available-for-sale	13 083		14 369	
Liabilities				
Long-term debt	-3 968	-10	-3 798	40

Cash flow hedges

The Group entered into cross-currency swaps to reduce the exposure to foreign exchange volatility for a long-term debt instrument issued in the second quarter of 2016. These derivative instruments were designated as cash flow hedging instruments, until the hedge was discontinued in the second quarter of 2020. As of 30 June 2021 the Group had no derivative instruments designated as cash flow hedging instruments outstanding.

For the six months ended 30 June 2020, the gains and losses recorded in accumulated other comprehensive income, and reclassified into income were as follows:

USD millions	2020	
	Net realised investment gains/losses — non-participating business	Other comprehensive income - Cash flow hedges
Total amounts of income and expense line items	868	2
Foreign exchange contracts		
Gains/losses on derivatives	15	2

Hedges of the net investment in foreign operations

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

As of 31 December 2020 and 30 June 2021, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 248 million and USD 279 million, respectively, in "Other comprehensive income - Foreign currency translation". These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2020 and 30 June 2021 was approximately USD 956 million and USD 923 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 71 million and USD 47 million as of 31 December 2020 and 30 June 2021, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 48 million and USD 37 million as of 31 December 2020 and 30 June 2021, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 10 million additional collateral would have had to be posted as of 30 June 2021. The total equals the amount needed to settle the instruments immediately as of 30 June 2021.

10 Disposal

Disposal of ReAssure Group plc

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

Swiss Re received a cash payment of USD 1.6 billion, and shares in Phoenix representing a 13.3% stake. ReAssure's minority shareholder, MS&AD Insurance Group Holdings, Inc. received shares in Phoenix representing a 14.5% stake. Swiss Re sold part of its stake in the six months ended 30 June 2021.

Please refer to Note 10 of the 2020 Annual Report for further details on the disposal of ReAssure Group plc.

11 Debt and contingent capital instruments

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

The Group's debt as of 31 December 2020 and 30 June 2021 was as follows:

USD millions	2020	2021
Senior operational debt	153	125
Short-term debt	153	125
Senior financial debt	2 919	2 856
Senior operational debt	95	98
Subordinated financial debt ¹	6 147	6 003
Subordinated operational debt	1 927	1 921
Contingent capital instruments classified as financial debt	496	496
Long-term debt	11 584	11 374
Total carrying value	11 737	11 499
Total fair value	14 749	14 116

As of 31 December 2020 and 30 June 2021, operational debt, ie debt related to operational leverage, amounted to USD 2.2 billion (thereof USD 1.9 billion limited- or non-recourse) and USD 2.1 billion (thereof USD 1.9 billion limited- or non-recourse), respectively. Operational leverage is subject to asset/liability matching and is excluded from rating agency financial leverage calculations.

Interest expense on long-term debt and contingent capital instruments

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

USD millions	2020	2021
Senior financial debt	44	44
Senior operational debt	4	2
Subordinated financial debt ¹	137	123
Subordinated operational debt	55	60
Contingent capital instruments classified as financial debt	9	9
Total	249	238

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

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

Long-term debt issued in 2021

No long-term debt was issued in the first half of 2021.

12 Earnings per share

Earnings per share for the six months ended 30 June were as follows:

USD millions (except share data)	2020	2021
Basic earnings per share		
Net income/loss	-1 072	1 044
Non-controlling interests	-63	2
Net income/loss attributable to common shareholders	-1 135	1 046
Weighted average common shares outstanding	289 255 435	288 908 507
Net income/loss per share in USD	-3.92	3.62
Net income/loss per share in CHF¹	-3.79	3.28
Effect of dilutive securities		
Change in income available to common shares due to convertible debt		7
Change in average number of shares due to convertible debt		14 155 175
Change in average number of shares due to employee options		333 419
Diluted earnings per share		
Net income assuming debt conversion and exercise of options		1 053
Weighted average common shares outstanding		303 397 101
Net income/loss per share in USD	-3.92	3.47
Net income/loss per share in CHF¹	-3.79	3.15

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

Dividends are declared in Swiss francs. During the twelve months ended 31 December 2020 and the six months ended 30 June 2021, the parent company of the Group (Swiss Re Ltd) paid dividends per share of CHF 5.90, respectively.

13 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the six months ended 30 June 2020 and 2021 were USD 42 million and USD 42 million, respectively. Pension and post-retirement cost is presented in "Operating expenses".

Employer's contribution for 2021

For the six months ended 30 June 2021, the Group contributed USD 72 million to its defined benefit pension plans and USD 8 million to other post-retirement plans, compared to USD 64 million and USD 8 million, respectively, in the same period of 2020.

The expected 2021 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 June 2021 for the latest information, amount to USD 130 million and USD 17 million, respectively.

14 Variable interest entities

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

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

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

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

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

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

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

Insurance-linked securitisations

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

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

Life and health funding vehicles

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

Swaps in trusts

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

Debt financing vehicles

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

Investment vehicles

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

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

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

Investment vehicles for unit-linked business

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

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

Senior commercial mortgage and infrastructure loans

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

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

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

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

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

Other

The Group consolidates two vehicles providing reinsurance to their members, because it serves as a decision maker over the entity's investment and/or underwriting activities, provides retrocession for the majority of the vehicles' insurance risk and receives performance-based fees in one case. Additionally, the Group is obligated to absorb losses through the provision of loans in case of deficits or receive benefits that potentially may be significant to the vehicles. The vehicles are a VIE, primarily because their total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2021 that it was not previously contractually required to provide.

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Consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs of which the Group is the primary beneficiary as of 31 December 2020 and 30 June 2021:

USD millions	2020	2021
Fixed income securities available-for-sale	3 807	3 566
Short-term investments	59	6
Cash and cash equivalents	20	85
Accrued investment income	30	32
Premiums and other receivables	35	14
Funds held by ceding companies	1	1
Deferred acquisition costs	5	6
Deferred tax assets	191	128
Other assets	14	10
Total assets	4 162	3 848
Unpaid claims and claim adjustment expenses	59	62
Unearned premiums	16	20
Funds held under reinsurance treaties	4	3
Reinsurance balances payable	22	24
Deferred and other non-current tax liabilities	166	104
Accrued expenses and other liabilities	18	12
Long-term debt	1 926	1 921
Total liabilities	2 211	2 146

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

Non-consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2020 and 30 June 2021:

USD millions	2020	2021
Fixed income securities available-for-sale	1 322 ¹	1 373
Equity securities at fair value through earnings	100	129
Policy loans, mortgages and other loans	1 518	1 698
Other invested assets	2 359	2 885
Investments for unit-linked and with-profit business	145	147
Funds held by ceding companies	25	
Total assets	5 469	6 232
Unpaid claims and claim adjustment expenses	19	
Accrued expenses and other liabilities	52	42
Total liabilities	71	42

¹ The Group has revised the scope of its insurance-linked securitisations holdings. The revision had no impact on net income or shareholders' equity. The comparatives have been adjusted accordingly.

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 2020 and 30 June 2021:

USD millions	2020			2021		
	Total assets	Total liabilities	Maximum exposure to loss ¹	Total assets	Total liabilities	Maximum exposure to loss ¹
Insurance-linked securitisations	783 ³		796 ³	831		845
Life and health funding vehicles	20		2 377	18		2 329
Swaps in trusts	14	52	- ²	35	42	- ²
Investment vehicles	2 435		2 435	2 971		2 971
Investment vehicles for unit-linked business	145			147		
Senior commercial mortgage and infrastructure loans	2 047		2 047	2 230		2 230
Other	25	19				
Total	5 469	71	-²	6 232	42	-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.

³ The Group has revised the scope of its insurance-linked securitisations holdings. The revision had no impact on net income or shareholders' equity. The comparatives have been adjusted accordingly.

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.

15 Subsequent events

The Group is in the process of estimating its loss exposure to two significant post balance sheet events that occurred in July 2021 - floods in Europe and social unrest in South Africa.

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Cautionary note on forward-looking statements

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

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

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the cyclicity of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- the Group’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group’s financial strength or otherwise;
- the Group’s inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- the Group’s inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;

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

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

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

Note on risk factors

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

Coronavirus

The global spread of the novel coronavirus and the disease it causes (“COVID-19”), and the actions taken to slow the spread of the pandemic, have had an adverse impact on communities, social and business interactions, economic activity and economies across the globe. Following the impressive contractions of 2020, economic growth momentum is expected to carry over into 2022. However, believing having past the peak of post-crisis global growth and the recovery remains fragile and uneven across economies. This remains especially true given the lower level of global economic resilience after the pandemic which renders economies much more vulnerable in the face of any subsequent shocks and/or challenges. The recovery of individual economies remains highly exposed to developments around the coronavirus, including: new strains of the virus which risk becoming vaccine-resistant, drop in vaccine-acceptance rates making herd immunity increasingly difficult to reach, and slow vaccination rollout in a number of emerging market economies. Despite the impact of the pandemic on the global economy, the global insurance markets (as measured by premium growth) were less severely impacted in 2020 than expected (although the life market was more adversely affected than the non-life market) and premium growth is expected to recover, alongside recovery of the global economy, in 2021 and 2022, supported by rate hardening. Growth is expected to be led by China and, to a lesser extent, by other markets in Asia, aided in the case of life business by greater awareness of the importance of post-pandemic mortality and health coverage, as well as digital insurance penetration.

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

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

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

General impact of adverse market conditions

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

Regulatory changes

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

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

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

structured in any particular jurisdiction and how aspects of its business may be affected. Moreover, the Group cannot predict whether the Financial Stability Board will endorse the new IAIS holistic framework or retain the existing G-SII approach, or what regulatory changes may apply in the future to ceding companies in the context of broader designations of reinsurers as systemically important.

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

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

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

Market risk

Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, low interest rates continue to pose significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns can be offset by lower combined

ratios or higher returns from other asset classes, which in a soft market cycle is a challenge. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

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

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

Credit risk

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

Liquidity risks

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

addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

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

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

Counterparty risks

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

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

Risks relating to credit rating downgrades

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

Ratings may be solicited or unsolicited and may be downgraded or withdrawn at the sole discretion of the rating agencies.

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

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

Legal and regulatory risks

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

The Group could in the future be involved in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. These investigations and proceedings could relate to insurance or reinsurance matters, or could involve broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions, competition law and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to litigation or enforcement actions arising from potential employee misconduct, including non-compliance with

internal policies and procedures, negligence and malfeasance, such as undertaking or facilitating cyber-attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

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

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that its management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements (such as assumptions related to the Group's capital requirements and anticipated liabilities), including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates (and could be adversely affected if premiums turn out to be lower, while claims stay the same). In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates

may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations (in the case of accounting judgments), and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact

future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

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

These measures have inherent limitations, are not required to be uniformly applied and are not audited.

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

Risks related to the Swiss Re corporate structure

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

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Corporate calendar

29 October 2021

Nine months 2021 key financial data

01 December 2021

Investors' Day 2021

25 February 2022

2021 annual results

17 March 2022

Publication of Annual Report 2021

13 April 2022

158th Annual General Meeting

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Title:
Swiss Re Group
2021 Half-Year Report

Production:
Swiss Re Corporate Real Estate & Services/
Media Services, Zurich

printed in
switzerland



The web version of
the 2021 Half-Year Report is available at:
www.swissre.com/investors

Order no: 1507790_21_EN

CCHCC, 07/21

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