

Swiss Reinsurance Company  
Consolidated

# Half-Year 2022 Report

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# Income statement

## For the six months ended 30 June

USD millions	Note	2021 <sup>1</sup>	2022
<b>Revenues</b>			
Gross premiums written	4	25 068	<b>26 603</b>
Net premiums written	4	23 329	<b>24 582</b>
Change in unearned premiums		-2 665	<b>-3 521</b>
<b>Premiums earned</b>			
Fee income from policyholders	3	20 664	<b>21 061</b>
Net investment income – non-participating business <sup>2</sup>	7	1 787	<b>1 290</b>
Net realised investment gains/losses – non-participating business <sup>3</sup>	7	162	<b>-270</b>
Net investment result – unit-linked business	7	5	<b>-72</b>
Other revenues		15	<b>34</b>
<b>Total revenues</b>		<b>22 769</b>	<b>22 186</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	3	-7 821	<b>-8 766</b>
Life and health benefits	3	-7 333	<b>-7 256</b>
Return credited to policyholders		-212	<b>-90</b>
Acquisition costs	3	-4 152	<b>-3 946</b>
Operating expenses		-1 759	<b>-1 808</b>
<b>Total expenses before interest expenses</b>		<b>-21 277</b>	<b>-21 866</b>
<b>Income before interest and income tax expense</b>		<b>1 492</b>	<b>320</b>
Interest expenses		-274	<b>-296</b>
<b>Income/loss before income tax expense/benefit</b>		<b>1 218</b>	<b>24</b>
Income tax expense/benefit		-279	<b>4</b>
<b>Net income before attribution of non-controlling interests</b>		<b>939</b>	<b>28</b>
Income/loss attributable to non-controlling interests		2	<b>-3</b>
<b>Net income attributable to common shareholder</b>		<b>941</b>	<b>25</b>

<sup>1</sup> In the third quarter of 2021, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd merged into Swiss Reinsurance Company Ltd. As a result, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd are included in the financial statements and the comparative information for the six months ended 30 June 2021 has been retrospectively adjusted.

<sup>2</sup> Total impairments for the six months ended 30 June of nil in 2021 and of USD 3 million in 2022, respectively, were fully recognised in earnings.

<sup>3</sup> Total impairments for the six months ended 30 June of USD 2 million in 2021 and USD 52 million in 2022, respectively, were fully recognised in earnings.

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

## Financial statements

Group financial statements (unaudited)

# Statement of comprehensive income

### For the six months ended 30 June

USD millions	2021 <sup>1</sup>	2022
Net income/loss before attribution of non-controlling interests	939	28
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	-2 481	-7 487
Change in other-than-temporary impairment	-5	-7
Change in foreign currency translation	-99	84
Change in adjustment for pension benefits	26	315
Change in credit risk of financial liabilities at fair value option	-1	-1
Other comprehensive income/loss attributable to non-controlling interests	-3	
<b>Total comprehensive income before attribution of non-controlling interests</b>	<b>-1 624</b>	<b>-7 068</b>
Comprehensive income/loss attributable to non-controlling interests	5	-3
<b>Total comprehensive income attributable to common shareholder</b>	<b>-1 619</b>	<b>-7 071</b>

<sup>1</sup>In the third quarter of 2021, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd merged into Swiss Reinsurance Company Ltd. As a result, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd are included in the financial statements and the comparative information for the six months ended 30 June 2021 has been retrospectively adjusted.

### Reclassification out of accumulated other comprehensive income

For the six months ended 30 June

2021 USD millions	Net unrealised investment gains/losses <sup>2</sup>	Other-than-temporary impairment <sup>2</sup>	Foreign currency translation <sup>2,3</sup>	Adjustment for pension benefits <sup>4</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 635	-1	-5 066	-807	4	-235
Change during the period	-3 277	-6	-66	5	-1	-3 345
Amounts reclassified out of accumulated other comprehensive income	198		-13	29		214
Tax	598	1	-20	-8		571
<b>Balance as of period end</b>	<b>3 154</b>	<b>-6</b>	<b>-5 165</b>	<b>-781</b>	<b>3</b>	<b>-2 795</b>

2022 USD millions	Net unrealised investment gains/losses <sup>2</sup>	Other-than-temporary impairment <sup>2</sup>	Foreign currency translation <sup>2,3</sup>	Adjustment for pension benefits <sup>4</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	2 670	-6	-5 548	-549	4	-3 429
Change during the period	-10 618	-8	267	390	-1	-9 970
Amounts reclassified out of accumulated other comprehensive income	1 241			5		1 246
Tax	1 890	1	-183	-80		1 628
<b>Balance as of period end</b>	<b>-4 817</b>	<b>-13</b>	<b>-5 464</b>	<b>-234</b>	<b>3</b>	<b>-10 525</b>

<sup>1</sup>In the third quarter of 2021, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd merged into Swiss Reinsurance Company Ltd. As a result, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd are included in the financial statements and the comparative information for the six months ended 30 June 2021 has been retrospectively adjusted.

<sup>2</sup>Reclassification adjustment included in net income is presented in "Net realised investment gains/losses – non-participating business".

<sup>3</sup>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.

<sup>4</sup>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	31.12.2021	30.6.2022
<b>Investments</b>	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 13 662 in 2021 and 12 962 in 2022 subject to securities lending and repurchase agreements) (amortised cost: 2021: 82 398; 2022: 81 707)		85 685	75 840
Trading (including 824 in 2021 and 862 in 2022 subject to securities lending and repurchase agreements)		1 300	1 346
Equity securities at fair value through earnings (including 2 in 2021 and 15 in 2022 subject to securities lending and repurchase agreements)		3 973	2 230
Policy loans, mortgages and other loans		4 003	4 004
Investment real estate		2 871	2 870
Short-term investments (including 1 383 in 2021 and 2 183 in 2022 subject to securities lending and repurchase agreements)		8 402	7 729
Other invested assets		9 313	8 796
Investments for unit-linked business (including equity securities at fair value through earnings: 468 in 2021 and 352 in 2022)		468	352
<b>Total investments</b>		116 015	103 167
Cash and cash equivalents (including 903 in 2021 and 614 in 2022 subject to securities lending, and 4 in 2021 and 5 in 2022 backing unit-linked contracts)		5 006	5 186
Accrued investment income		635	605
Premiums and other receivables		16 875	20 046
Reinsurance recoverable on unpaid claims and policy benefits		6 482	6 155
Funds held by ceding companies		12 532	13 314
Deferred acquisition costs	6	8 142	8 208
Acquired present value of future profits	6	836	796
Goodwill		3 970	3 868
Income taxes recoverable		303	259
Deferred tax assets		5 996	7 412
Other assets		3 692	5 201
<b>Total assets</b>		180 484	174 217

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

## Financial statements

Group financial statements (unaudited)

### Liabilities and equity

USD millions	Note	31.12.2021	30.6.2022
<b>Liabilities</b>			
Unpaid claims and claim adjustment expenses	5	84 096	82 547
Liabilities for life and health policy benefits		22 196	21 175
Policyholder account balances		5 147	4 940
Unearned premiums		14 134	17 572
Funds held under reinsurance treaties		6 553	6 847
Reinsurance balances payable		1 074	1 863
Income taxes payable		262	281
Deferred and other non-current tax liabilities		6 279	5 847
Short-term debt	11	3 026	3 341
Accrued expenses and other liabilities	7	8 704	8 358
Long-term debt	11	9 741	10 429
<b>Total liabilities</b>		161 212	163 200
<b>Equity</b>			
Common shares, CHF 0.10 par value			
2021: 344 052 565; 2022: 344 052 565 shares authorised and issued		32	32
Additional paid-in capital		12 524	11 337
Shares in Swiss Re Ltd, net of tax		-19	-18
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		2 670	-4 817
Other-than-temporary impairment, net of tax		-6	-13
Foreign currency translation, net of tax		-5 548	-5 464
Adjustment for pension and other post-retirement benefits, net of tax		-549	-234
Credit risk of financial liabilities at fair value option, net of tax		4	3
Total accumulated other comprehensive income		-3 429	-10 525
Retained earnings		10 054	10 079
<b>Shareholder's equity</b>		19 162	10 905
Non-controlling interests		110	112
<b>Total equity</b>		19 272	11 017
<b>Total liabilities and equity</b>		180 484	174 217

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

# Statement of shareholder's equity

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

USD millions	2021	2022
<b>Common shares</b>		
Balance as of 1 January	32	32
Issue of common shares		
Balance as of period end	32	32
<b>Additional paid-in capital</b>		
Balance as of 1 January	13 003	12 524
Capital contribution	14	
Dividends on common shares	-500	-1 200
Share-based compensation	12	2
Realised gains/losses on treasury shares	-5	11
Balance as of period end	12 524	11 337
<b>Shares in Swiss Re Ltd, net of tax</b>		
Balance as of 1 January	-17	-19
Change in shares in Swiss Re Ltd	-2	1
Balance as of period end	-19	-18
<b>Net unrealised investment gains/losses, net of tax</b>		
Balance as of 1 January	5 635	2 670
Changes during the period	-2 965	-7 487
Balance as of period end	2 670	-4 817
<b>Other-than-temporary impairment, net of tax</b>		
Balance as of 1 January	-1	-6
Changes during the period	-5	-7
Balance as of period end	-6	-13
<b>Foreign currency translation, net of tax</b>		
Balance as of 1 January	-5 066	-5 548
Changes during the period	-482	84
Balance as of period end	-5 548	-5 464
<b>Adjustment for pension and other post-retirement benefits, net of tax</b>		
Balance as of 1 January	-807	-549
Changes during the period	258	315
Balance as of period end	-549	-234

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

## Financial statements

Group financial statements (unaudited)

USD millions	2021	2022
<b>Credit risk of financial liabilities at fair value option, net of tax</b>		
Balance as of 1 January	4	4
Changes during the period		-1
Balance as of period end	4	3
<b>Retained earnings</b>		
Balance as of 1 January	8 936	10 054
Net income after attribution of non-controlling interests	1 118	25
Balance as of period end	10 054	10 079
<b>Shareholder's equity</b>	19 162	10 905
<b>Non-controlling interests</b>		
Balance as of 1 January	123	110
Transactions with non-controlling interests	3	
Income/loss attributable to non-controlling interests		3
Other comprehensive income attributable to non-controlling interests		
Change in net unrealised investment gains/losses	-5	-4
Change in foreign currency translation	-11	4
Dividends to non-controlling interests		-1
Balance as of period end	110	112
<b>Total equity</b>	19 272	11 017

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	2021 <sup>1</sup>	2022
<b>Cash flows from operating activities</b>		
Net income attributable to common shareholder	941	25
Add income/loss attributable to non-controlling interests	-2	3
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	288	258
Net realised investment gains/losses	-167	343
Income from equity-accounted investees, net of dividends received	-338	148
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	1 408	1 286
Funds held by ceding companies and under reinsurance treaties	-98	-506
Reinsurance recoverable on unpaid claims and policy benefits	32	177
Other assets and liabilities, net	-2 010	-723
Income taxes payable/recoverable	173	-140
Derivative financial instruments and collateral, net	-341	267
<b>Net cash provided/used by operating activities</b>	<b>-114</b>	<b>1 138</b>
<b>Cash flows from investing activities</b>		
Fixed income securities:		
Sales	17 362	14 866
Maturities	5 166	2 558
Purchases	-26 660	-19 476
Net purchases/sales/maturities of short-term investments	6 924	293
Equity securities:		
Sales	1 258	1 719
Purchases	-731	-838
Securities purchased/sold under agreement to resell/repurchase, net	-66	-802
Cash paid/received for acquisitions/disposals and reinsurance transactions, net		-4
Net purchases/sales/maturities of other investments	-515	644
Net purchases/sales/maturities of investments held for unit-linked business	10	-2
<b>Net cash provided/used by investing activities</b>	<b>2 748</b>	<b>-1 042</b>
<b>Cash flows from financing activities</b>		
Policyholder account balances, unit-linked business:		
Deposits	6	18
Withdrawals	-17	-18
Issuance/repayment of long-term debt	1 261	1 661
Issuance/repayment of short-term debt	-676	-105
Purchase/sale of shares in Swiss Re Ltd.	3	2
Dividends paid to parent	-500	-1 200
Dividends paid to non-controlling interests		-1
<b>Net cash provided/used by financing activities</b>	<b>77</b>	<b>357</b>

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

## Financial statements

Group financial statements (unaudited)

USD millions	2021 <sup>1</sup>	2022
<b>Total net cash provided/used</b>	2 711	<b>453</b>
Effect of foreign currency translation	-149	<b>-273</b>
<b>Change in cash and cash equivalents</b>	2 562	<b>180</b>
Cash and cash equivalents as of 1 January	5 445	<b>5 006</b>
<b>Cash and cash equivalents as of 30 June</b>	8 007	<b>5 186</b>

<sup>1</sup>In the third quarter of 2021, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd merged into Swiss Reinsurance Company Ltd. As a result, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd are included in the financial statements and the comparative information for 2021 has been retrospectively adjusted.

Interest paid was USD 224 million and USD 208 million (thereof USD 4 million and USD 4 million for letter of credit fees) for the six months ended 30 June 2021 and 2022, respectively. Tax paid was USD 106 million and USD 136 million for the six months ended 30 June 2021 and 2022, 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 Reinsurance Company Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "SRZ") and its subsidiaries (collectively, the "Group"). The Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer as well as other insurance-related services. 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.

SRZ is a wholly owned subsidiary of Swiss Re Ltd. Swiss Re Ltd is the ultimate parent company of the Swiss Re Group, which consists of three business segments: Property & Casualty Reinsurance, Life & Health Reinsurance and Corporate Solutions.

### 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 Group's audited financial statements for the year ended 31 December 2021.

In the third quarter of 2021, Swiss Re Corporate Solutions Ltd (SRCS) and Swiss Re Life Capital Ltd (SRLC) merged into SRZ. As a result, SRCS and SRLC are included in the financial statements and the comparative information for the first half-year 2021 has been retrospectively adjusted. The segmental disclosures have been revised to reflect the business newly included within the Group. The reasons for the mergers were to streamline the legal entity structure of the Group and make SRZ the sole direct wholly-owned operating subsidiary of Swiss Re Ltd.

The impacts as of 30 June 2021 were as follows:

	Published Q2 2021	Impact of the mergers (unaudited)	Adjusted Q2 2021
<b>Total revenues</b>	22 041	728	22 769
<b>Total expenses before interest expenses</b>	-20 502	-775	-21 277
<b>Net income/loss attributable to common shareholder</b>	1 001	-60	941
<b>Total comprehensive income attributable to common shareholder</b>	-1 378	-241	-1 619

The Board of Directors of SRZ 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). The impact of the adoption on the Group's financial statements is being assessed. Financial statements for periods ending on or prior to 31 December 2023 will continue to be prepared in accordance with US GAAP. The adoption of IFRS to the Group's financial statements is expected to have a material impact.

### 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.

### Subsequent events

Subsequent events for the current reporting period have been evaluated up to 28 July 2022. This is the date on which the condensed unaudited financial statements are available to be issued.

## Financial statements

Notes to the Group financial statements (unaudited)

### Adoption of new accounting standards

In May 2021, the FASB issued ASU 2021-04, "Modification of equity-classified written call options", an update to Topic 260, "Earnings per share", to Topic 470-50, "Debt – Modification and Extinguishments", to Topic 718, "Compensation – Stock Compensation", and to Topic 815-40, "Derivatives and Hedging – Contract in Entity's Own Equity". The amendments in this update clarify and reduce diversity in the accounting by issuers for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. The Group adopted the standard on 1 January 2022. The adoption did not have an impact on the Group's financial statements.

In July 2021, the FASB issued ASU 2021-05, "Lessors—Certain Leases with Variable Lease Payments", an update to Topic 842, "Leases". The amendments in this update address stakeholders' concerns by amending the lease classification requirements for lessors to align them with practice under Topic 840. A lessor shall account for a lease with variable lease payments that do not depend on an index or a rate as an operating lease, if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a day-one loss. The Group adopted the standard on 1 January 2022. The adoption did not have an impact on the Group's financial statements.

In November 2021, the FASB issued ASU 2021-10, "Disclosures by Business Entities about Government Assistance", an update to Topic 832, "Government Assistance". The amendments in this update require additional annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model. The Group adopted the standard on 1 January 2022. 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 2022, 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". The Group also applied the guidance to modifications of loan contracts within the scope of Topic 310 "Receivables" due to replacements of reference rates that are expected to be discontinued. These modifications are being accounted for by prospectively adjusting the effective interest rate.

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 allow 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 applied ASU 2021-01 as of 30 June 2022.

### 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 assets such as financial instruments that are measured at amortised cost, available-for-sale debt securities, premium receivables, funds withheld assets 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 assets in scope. 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 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.

## Financial statements

### Notes to the Group financial statements (unaudited)

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 SRZ 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.

## Financial statements

Notes to the Group financial statements (unaudited)

## 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 assignment of assets and liabilities for entities that span over 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 within an entity which impacts two or more segments is allocated to the segments based on the applicable statutory tax rate on pre-tax income or loss with permanent tax differences specifically allocated to the applicable segments. 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 shareholder's 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.

### 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 certain administrative expenses related to non-core activities, 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. As of 1 January 2022, a part of Principal Investments as well as Admin Re US have been reallocated from Group items to Reinsurance. Segmental comparative information for 2021 has been adjusted accordingly.

### 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 and intersegmental funding.

## Financial statements

Notes to the Group financial statements (unaudited)

### a) Business segments – income statement

For the six months ended 30 June

2021 <sup>1</sup> USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Revenues</b>						
Gross premiums written	13 478	8 081	3 667	345	-503	25 068
Net premiums written	12 943	7 387	2 764	235		23 329
Change in unearned premiums	-2 490	51	-209	-17		-2 665
<b>Premiums earned</b>	<b>10 453</b>	<b>7 438</b>	<b>2 555</b>	<b>218</b>		<b>20 664</b>
Fee income from policyholders		136				136
Net investment income – non-participating business	854	743	63	161	-34	1 787
Net realised investment gains/losses – non-participating business	242	119	86	-285		162
Net investment result – unit-linked business		5				5
Other revenues	9	1	7		-2	15
<b>Total revenues</b>	<b>11 558</b>	<b>8 442</b>	<b>2 711</b>	<b>94</b>	<b>-36</b>	<b>22 769</b>
<b>Expenses</b>						
Claims and claim adjustment expenses	-6 637		-1 172	-12		-7 821
Life and health benefits		-6 704	-481	-148		-7 333
Return credited to policyholders		-212				-212
Acquisition costs	-2 637	-1 139	-310	-66		-4 152
Operating expenses	-587	-408	-401	-365	2	-1 759
<b>Total expenses before interest expenses</b>	<b>-9 861</b>	<b>-8 463</b>	<b>-2 364</b>	<b>-591</b>	<b>2</b>	<b>-21 277</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>1 697</b>	<b>-21</b>	<b>347</b>	<b>-497</b>	<b>-34</b>	<b>1 492</b>
Interest expenses	-147	-134	-12	-15	34	-274
<b>Income/loss before income tax expense/benefit</b>	<b>1 550</b>	<b>-155</b>	<b>335</b>	<b>-512</b>	<b>0</b>	<b>1 218</b>
Income tax expense/benefit	-302	30	-72	65		-279
<b>Net income/loss before attribution of non-controlling interests</b>	<b>1 248</b>	<b>-125</b>	<b>263</b>	<b>-447</b>	<b>0</b>	<b>939</b>
Income/loss attributable to non-controlling interests			2			2
<b>Net income/loss attributable to common shareholder</b>	<b>1 248</b>	<b>-125</b>	<b>265</b>	<b>-447</b>	<b>0</b>	<b>941</b>
Claims ratio in %	63.5		64.7			63.7
Expense ratio in %	30.8		27.8			30.3
Combined ratio in %	94.3		92.5			94.0
Management expense ratio <sup>2</sup> in %		4.9				
Net operating margin <sup>3</sup> in %	14.7	-0.2	12.8			6.6

<sup>1</sup> In the third quarter of 2021, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd merged into Swiss Reinsurance Company Ltd. As a result, Swiss Re Corporate Solutions Ltd and Swiss Re Life Capital Ltd are included in the financial statements and the comparative information for the six months ended 30 June 2021 has been retrospectively adjusted. In addition, comparative information for 2021 has been revised to reflect the reallocation of part of Principal Investments as well as Admin Re US from Group items to Reinsurance.

<sup>2</sup> 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 business".

<sup>3</sup> Net operating margin is calculated as "Income/loss before income tax expense/benefit" divided by "Total revenues" excluding "Net investment result – unit-linked business".

## Financial statements

Notes to the Group financial statements (unaudited)

### Business segments – income statement

For the six months ended 30 June

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Revenues</b>						
Gross premiums written	14 348	8 149	4 230	464	-588	26 603
Net premiums written	13 651	7 426	3 267	238		24 582
Change in unearned premiums	-3 101	-40	-384	4		-3 521
<b>Premiums earned</b>	<b>10 550</b>	<b>7 386</b>	<b>2 883</b>	<b>242</b>		<b>21 061</b>
Fee income from policyholders		143				143
Net investment income – non-participating business	620	690	72	-55	-37	1 290
Net realised investment gains/losses – non-participating business	-231	23	33	-95		-270
Net investment result – unit-linked business		-72				-72
Other revenues	20	1	2	12	-1	34
<b>Total revenues</b>	<b>10 959</b>	<b>8 171</b>	<b>2 990</b>	<b>104</b>	<b>-38</b>	<b>22 186</b>
<b>Expenses</b>						
Claims and claim adjustment expenses	-7 364		-1 384	-18		-8 766
Life and health benefits		-6 582	-508	-166		-7 256
Return credited to policyholders		-90				-90
Acquisition costs	-2 467	-1 008	-391	-80		-3 946
Operating expenses	-558	-416	-405	-430	1	-1 808
<b>Total expenses before interest expenses</b>	<b>-10 389</b>	<b>-8 096</b>	<b>-2 688</b>	<b>-694</b>	<b>1</b>	<b>-21 866</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>570</b>	<b>75</b>	<b>302</b>	<b>-590</b>	<b>-37</b>	<b>320</b>
Interest expenses	-173	-138	-13	-9	37	-296
<b>Income/loss before income tax expense/benefit</b>	<b>397</b>	<b>-63</b>	<b>289</b>	<b>-599</b>	<b>0</b>	<b>24</b>
Income tax expense/benefit	-88	14	-66	144		4
<b>Net income/loss before attribution of non-controlling interests</b>	<b>309</b>	<b>-49</b>	<b>223</b>	<b>-455</b>	<b>0</b>	<b>28</b>
Income/loss attributable to non-controlling interests			-3			-3
<b>Net income/loss attributable to common shareholder</b>	<b>309</b>	<b>-49</b>	<b>220</b>	<b>-455</b>	<b>0</b>	<b>25</b>
Claims ratio in %	69.8		65.6			68.9
Expense ratio in %	28.7		27.6			28.4
Combined ratio in %	98.5		93.2			97.3
Management expense ratio <sup>1</sup> in %		5.1				
Net operating margin <sup>2</sup> in %	5.2	0.9	10.1			1.4

<sup>1</sup> 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 business".

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



## Financial statements

Notes to the Group financial statements (unaudited)

### Business segments – balance sheet

As of 31 December 2021

2021 <sup>1</sup> USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Assets</b>						
Fixed income securities	42 762	34 086	9 688	449		86 985
Equity securities	2 218	213	254	1 288		3 973
Other investments	20 075	3 658	162	1 680	-9 388	16 187
Short-term investments	4 335	2 327	1 476	264		8 402
Investments for unit-linked business		468				468
Cash and cash equivalents	1 301	2 048	858	799		5 006
Deferred acquisition costs	2 538	4 718	480	406		8 142
Acquired present value of future profits		836				836
Reinsurance recoverable	2 004	2 289	6 907	114	-4 832	6 482
Other reinsurance assets	15 423	11 963	3 120	164	-1 263	29 407
Goodwill	1 903	1 855	182	30		3 970
Other	9 103	9 239	3 137	1 209	-12 062	10 626
<b>Total assets</b>	<b>101 662</b>	<b>73 700</b>	<b>26 264</b>	<b>6 403</b>	<b>-27 545</b>	<b>180 484</b>
<b>Liabilities</b>						
Unpaid claims and claim adjustment expenses	56 883	16 152	15 660	232	-4 831	84 096
Liabilities for life and health policy benefits		20 487	798	912	-1	22 196
Policyholder account balances		5 147				5 147
Other reinsurance liabilities	16 040	1 627	5 317	424	-1 647	21 761
Short-term debt	1 269	1 750		649	-642	3 026
Long-term debt	3 596	11 774	499	1 275	-7 403	9 741
Other	14 640	10 989	1 132	1 505	-13 021	15 245
<b>Total liabilities</b>	<b>92 428</b>	<b>67 926</b>	<b>23 406</b>	<b>4 997</b>	<b>-27 545</b>	<b>161 212</b>
<b>Shareholder's equity</b>	<b>9 227</b>	<b>5 774</b>	<b>2 755</b>	<b>1 406</b>	<b>0</b>	<b>19 162</b>
Non-controlling interests	7		103			110
<b>Total equity</b>	<b>9 234</b>	<b>5 774</b>	<b>2 858</b>	<b>1 406</b>	<b>0</b>	<b>19 272</b>
<b>Total liabilities and equity</b>	<b>101 662</b>	<b>73 700</b>	<b>26 264</b>	<b>6 403</b>	<b>-27 545</b>	<b>180 484</b>

<sup>1</sup> Comparative information for 2021 has been revised to reflect the reallocation of part of Principal Investments as well as Admin Re US from Group items to Reinsurance.

## Financial statements

Notes to the Group financial statements (unaudited)

### Business segments – balance sheet

As of 30 June 2022

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Assets</b>						
Fixed income securities	40 485	27 036	9 175	490		77 186
Equity securities	1 196	294	129	611		2 230
Other investments	17 669	3 855	288	1 396	-7 538	15 670
Short-term investments	4 030	2 271	1 272	156		7 729
Investments for unit-linked business		352				352
Cash and cash equivalents	1 660	2 431	937	158		5 186
Deferred acquisition costs	2 841	4 451	493	423		8 208
Acquired present value of future profits		796				796
Reinsurance recoverable	1 726	2 129	6 573	178	-4 451	6 155
Other reinsurance assets	18 620	12 209	3 065	145	-679	33 360
Goodwill	1 846	1 800	192	30		3 868
Other	12 822	9 961	3 315	1 549	-14 170	13 477
<b>Total assets</b>	<b>102 895</b>	<b>67 585</b>	<b>25 439</b>	<b>5 136</b>	<b>-26 838</b>	<b>174 217</b>
<b>Liabilities</b>						
Unpaid claims and claim adjustment expenses	55 945	15 432	15 323	299	-4 452	82 547
Liabilities for life and health policy benefits		19 523	798	854		21 175
Policyholder account balances		4 940				4 940
Other reinsurance liabilities	19 835	1 787	5 421	402	-1 163	26 282
Short-term debt	1 592	1 749				3 341
Long-term debt	4 958	10 471	499	967	-6 466	10 429
Other	14 620	11 918	1 096	1 609	-14 757	14 486
<b>Total liabilities</b>	<b>96 950</b>	<b>65 820</b>	<b>23 137</b>	<b>4 131</b>	<b>-26 838</b>	<b>163 200</b>
<b>Shareholder's equity</b>	<b>5 938</b>	<b>1 765</b>	<b>2 197</b>	<b>1 005</b>	<b>0</b>	<b>10 905</b>
Non-controlling interests	7		105			112
<b>Total equity</b>	<b>5 945</b>	<b>1 765</b>	<b>2 302</b>	<b>1 005</b>	<b>0</b>	<b>11 017</b>
<b>Total liabilities and equity</b>	<b>102 895</b>	<b>67 585</b>	<b>25 439</b>	<b>5 136</b>	<b>-26 838</b>	<b>174 217</b>

## Financial statements

Notes to the Group financial statements (unaudited)

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

For the six months ended 30 June

2021 USD millions	Property	Casualty	Specialty	Unallocated	Total
<b>Revenues</b>					
Gross premiums written	6 049	5 384	2 045		13 478
Net premiums written	5 606	5 328	2 009		12 943
Change in unearned premiums	-1 784	-364	-342		-2 490
<b>Premiums earned</b>	<b>3 822</b>	<b>4 964</b>	<b>1 667</b>		<b>10 453</b>
Net investment income				854	854
Net realised investment gains/losses				242	242
Other revenues				9	9
<b>Total revenues</b>	<b>3 822</b>	<b>4 964</b>	<b>1 667</b>	<b>1 105</b>	<b>11 558</b>
<b>Expenses</b>					
Claims and claim adjustment expenses	-2 261	-3 354	-1 022		-6 637
Acquisition costs	-800	-1 405	-432		-2 637
Operating expenses	-286	-198	-103		-587
<b>Total expenses before interest expenses</b>	<b>-3 347</b>	<b>-4 957</b>	<b>-1 557</b>	<b>0</b>	<b>-9 861</b>
<b>Income before interest and income tax expense</b>	<b>475</b>	<b>7</b>	<b>110</b>	<b>1 105</b>	<b>1 697</b>
Interest expenses				-147	-147
<b>Income before income tax expense</b>	<b>475</b>	<b>7</b>	<b>110</b>	<b>958</b>	<b>1 550</b>
Claims ratio in %	59.2	67.6	61.3		63.5
Expense ratio in %	28.4	32.3	32.1		30.8
Combined ratio in %	87.6	99.9	93.4		94.3

## Financial statements

Notes to the Group financial statements (unaudited)

### Property & Casualty Reinsurance business segment – by line of business

For the six months ended 30 June

2022 USD millions	Property	Casualty	Specialty	Unallocated	Total
<b>Revenues</b>					
Gross premiums written	6 627	5 546	2 175		14 348
Net premiums written	5 993	5 512	2 146		13 651
Change in unearned premiums	-1 945	-670	-486		-3 101
<b>Premiums earned</b>	<b>4 048</b>	<b>4 842</b>	<b>1 660</b>		<b>10 550</b>
Net investment income				620	620
Net realised investment gains/losses				-231	-231
Other revenues				20	20
<b>Total revenues</b>	<b>4 048</b>	<b>4 842</b>	<b>1 660</b>	<b>409</b>	<b>10 959</b>
<b>Expenses</b>					
Claims and claim adjustment expenses	-2 943	-3 352	-1 069		-7 364
Acquisition costs	-814	-1 317	-336		-2 467
Operating expenses	-237	-209	-112		-558
<b>Total expenses before interest expenses</b>	<b>-3 994</b>	<b>-4 878</b>	<b>-1 517</b>	<b>0</b>	<b>-10 389</b>
<b>Income/loss before interest and income tax expense</b>	<b>54</b>	<b>-36</b>	<b>143</b>	<b>409</b>	<b>570</b>
Interest expenses				-173	-173
<b>Income/loss before income tax expense</b>	<b>54</b>	<b>-36</b>	<b>143</b>	<b>236</b>	<b>397</b>
Claims ratio in %	72.7	69.2	64.4		69.8
Expense ratio in %	26.0	31.5	27.0		28.7
Combined ratio in %	98.7	100.7	91.4		98.5

## Financial statements

Notes to the Group financial statements (unaudited)

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

For the six months ended 30 June

2021 USD millions	Life	Health	Unallocated	Total
<b>Revenues</b>				
Gross premiums written	5 780	2 301		8 081
Net premiums written	5 236	2 151		7 387
Change in unearned premiums	10	41		51
<b>Premiums earned</b>	<b>5 246</b>	<b>2 192</b>		<b>7 438</b>
Fee income from policyholders	136			136
Net investment income – non-participating business	601	142		743
Net realised investment gains/losses – non-participating business	-17		136	119
Net investment result – unit-linked business	5			5
Other revenues	1			1
<b>Total revenues</b>	<b>5 972</b>	<b>2 334</b>	<b>136</b>	<b>8 442</b>
<b>Expenses</b>				
Life and health benefits	-5 170	-1 534		-6 704
Return credited to policyholders	-212			-212
Acquisition costs	-770	-369		-1 139
Operating expenses	-272	-136		-408
<b>Total expenses before interest expenses</b>	<b>-6 424</b>	<b>-2 039</b>	<b>0</b>	<b>-8 463</b>
<b>Income/loss before interest and income tax expense</b>	<b>-452</b>	<b>295</b>	<b>136</b>	<b>-21</b>
Interest expenses			-134	-134
<b>Income/loss before income tax expense</b>	<b>-452</b>	<b>295</b>	<b>2</b>	<b>-155</b>
Management expense ratio <sup>1</sup> in %	4.5	5.8		4.9
Net operating margin <sup>2</sup> in %	-7.6	12.6		-0.2

<sup>1</sup> 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 business".

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

## Financial statements

Notes to the Group financial statements (unaudited)

### Life & Health Reinsurance business segment – by line of business

For the six months ended 30 June

2022				
USD millions	Life	Health	Unallocated	Total
<b>Revenues</b>				
Gross premiums written	5 760	2 389		8 149
Net premiums written	5 170	2 256		7 426
Change in unearned premiums	-14	-26		-40
<b>Premiums earned</b>	5 156	2 230		7 386
Fee income from policyholders	143			143
Net investment income – non-participating business	574	116		690
Net realised investment gains/losses – non-participating business	33		-10	23
Net investment result – unit-linked business	-72			-72
Other revenues	1			1
<b>Total revenues</b>	<b>5 835</b>	<b>2 346</b>	<b>-10</b>	<b>8 171</b>
<b>Expenses</b>				
Life and health benefits	-4 918	-1 664		-6 582
Return credited to policyholders	-90			-90
Acquisition costs	-712	-296		-1 008
Operating expenses	-278	-138		-416
<b>Total expenses before interest expenses</b>	<b>-5 998</b>	<b>-2 098</b>	<b>0</b>	<b>-8 096</b>
<b>Income/loss before interest and income tax expense</b>	<b>-163</b>	<b>248</b>	<b>-10</b>	<b>75</b>
Interest expenses			-138	-138
<b>Income/loss before income tax expense</b>	<b>-163</b>	<b>248</b>	<b>-148</b>	<b>-63</b>
Management expense ratio <sup>1</sup> in %	4.7	5.9		5.1
Net operating margin <sup>2</sup> in %	-2.8	10.6		0.9

<sup>1</sup> 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 business".

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

## Financial statements

Notes to the Group financial statements (unaudited)

### d) Group items business segment

For the six months ended 30 June

2021 USD millions	iptiQ	Other	Total
<b>Revenues</b>			
Gross premiums written	333	12	345
Net premiums written	223	12	235
Change in unearned premiums	-17		-17
<b>Premiums earned</b>	206	12	218
Net investment income – non-participating business	11	150	161
Net realised investment gains/losses		-285	-285
Other revenues			0
<b>Total revenues</b>	217	-123	94
<b>Expenses</b>			
Claims and claim adjustment expenses	-12		-12
Life and health benefits	-136	-12	-148
Acquisition costs	-57	-9	-66
Operating expenses	-127	-238	-365
<b>Total expenses before interest expenses</b>	-332	-259	-591
<b>Income/loss before interest and income tax expense/benefit</b>	-115	-382	-497
Interest expenses		-15	-15
<b>Income/loss before income tax expense/benefit</b>	-115	-397	-512
Income tax expense/benefit	9	56	65
<b>Net income/loss</b>	-106	-341	-447

## Financial statements

Notes to the Group financial statements (unaudited)

### Group items business segment

For the six months ended 30 June

2022			
USD millions	iptiQ	Other	Total
<b>Revenues</b>			
Gross premiums written	455	9	464
Net premiums written	229	9	238
Change in unearned premiums	4		4
<b>Premiums earned</b>	233	9	242
Net investment income – non-participating business	–17	–38	–55
Net realised investment gains/losses	–16	–79	–95
Other revenues	12		12
<b>Total revenues</b>	<b>212</b>	<b>–108</b>	<b>104</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	–18		–18
Life and health benefits	–164	–2	–166
Acquisition costs	–70	–10	–80
Operating expenses	–155	–275	–430
<b>Total expenses before interest expenses</b>	<b>–407</b>	<b>–287</b>	<b>–694</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>–195</b>	<b>–395</b>	<b>–590</b>
Interest expenses		–9	–9
<b>Income/loss before income tax expense/benefit</b>	<b>–195</b>	<b>–404</b>	<b>–599</b>
Income tax expense/benefit	10	134	144
<b>Net income/loss</b>	<b>–185</b>	<b>–270</b>	<b>–455</b>



## Financial statements

Notes to the Group financial statements (unaudited)

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## Financial statements

Notes to the Group financial statements (unaudited)

### 3 Insurance information

#### Premiums earned and fees assessed against policyholders

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Premiums earned, thereof:</b>					
Direct			2 740	271	3 011
Reinsurance	10 398	8 118	480	3	18 999
Intra-group transactions (assumed and ceded)	280	2	-230	-52	0
<b>Premiums earned before retrocession to external parties</b>	<b>10 678</b>	<b>8 120</b>	<b>2 990</b>	<b>222</b>	<b>22 010</b>
Retrocession to external parties	-225	-682	-435	-4	-1 346
<b>Net premiums earned</b>	<b>10 453</b>	<b>7 438</b>	<b>2 555</b>	<b>218</b>	<b>20 664</b>
<b>Fee income from policyholders, thereof:</b>					
Direct					0
Reinsurance		136			136
<b>Gross fee income before retrocession to external parties</b>		<b>136</b>			<b>136</b>
Retrocession to external parties					0
<b>Net fee income</b>	<b>0</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>136</b>

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Premiums earned, thereof:</b>					
Direct			3 160	390	3 550
Reinsurance	10 419	8 080	496	5	19 000
Intra-group transactions (assumed and ceded)	371		-226	-145	0
<b>Premiums earned before retrocession to external parties</b>	<b>10 790</b>	<b>8 080</b>	<b>3 430</b>	<b>250</b>	<b>22 550</b>
Retrocession to external parties	-240	-694	-547	-8	-1 489
<b>Net premiums earned</b>	<b>10 550</b>	<b>7 386</b>	<b>2 883</b>	<b>242</b>	<b>21 061</b>
<b>Fee income from policyholders, thereof:</b>					
Direct					0
Reinsurance		144			144
<b>Gross fee income before retrocession to external parties</b>		<b>144</b>			<b>144</b>
Retrocession to external parties		-1			-1
<b>Net fee income</b>	<b>0</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>143</b>

## Financial statements

Notes to the Group financial statements (unaudited)

### Claims and claim adjustment expenses

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Claims paid, thereof:</b>					
Gross claims paid to external parties	-5 972	-7 332	-2 065	-274	-15 643
Intra-group transactions (assumed and ceded)	-238	-59	233	64	0
<b>Claims before receivables from retrocession to external parties</b>	<b>-6 210</b>	<b>-7 391</b>	<b>-1 832</b>	<b>-210</b>	<b>-15 643</b>
Retrocession to external parties	149	792	281	1	1 223
<b>Net claims paid</b>	<b>-6 061</b>	<b>-6 599</b>	<b>-1 551</b>	<b>-209</b>	<b>-14 420</b>
<b>Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:</b>					
Gross – with external parties	-747	-105	63	73	-716
Intra-group transactions (assumed and ceded)	205	59	-240	-24	0
<b>Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties</b>	<b>-542</b>	<b>-46</b>	<b>-177</b>	<b>49</b>	<b>-716</b>
Retrocession to external parties	-34	-59	75		-18
<b>Net unpaid claims and claim adjustment expenses; life and health benefits</b>	<b>-576</b>	<b>-105</b>	<b>-102</b>	<b>49</b>	<b>-734</b>
<b>Claims and claim adjustment expenses; life and health benefits</b>	<b>-6 637</b>	<b>-6 704</b>	<b>-1 653</b>	<b>-160</b>	<b>-15 154</b>

### Acquisition costs

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Acquisition costs, thereof:</b>					
Gross acquisition costs with external parties	-2 629	-1 270	-415	-77	-4 391
Intra-group transactions (assumed and ceded)	-52	-3	45	10	0
<b>Acquisition costs before impact of retrocession to external parties</b>	<b>-2 681</b>	<b>-1 273</b>	<b>-370</b>	<b>-67</b>	<b>-4 391</b>
Retrocession to external parties	44	134	60	1	239
<b>Net acquisition costs</b>	<b>-2 637</b>	<b>-1 139</b>	<b>-310</b>	<b>-66</b>	<b>-4 152</b>

## Financial statements

Notes to the Group financial statements (unaudited)

### Claims and claim adjustment expenses

For the six months ended 30 June

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Claims paid, thereof:</b>					
Gross claims paid to external parties	-6 252	-7 241	-2 179	-232	-15 904
Intra-group transactions (assumed and ceded)	-328	-7	278	57	0
<b>Claims before receivables from retrocession to external parties</b>	<b>-6 580</b>	<b>-7 248</b>	<b>-1 901</b>	<b>-175</b>	<b>-15 904</b>
Retrocession to external parties	275	734	384	2	1 395
<b>Net claims paid</b>	<b>-6 305</b>	<b>-6 514</b>	<b>-1 517</b>	<b>-173</b>	<b>-14 509</b>
<b>Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:</b>					
Gross – with external parties	-1 101	-15	-145	-87	-1 348
Intra-group transactions (assumed and ceded)	195	7	-277	75	0
<b>Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties</b>	<b>-906</b>	<b>-8</b>	<b>-422</b>	<b>-12</b>	<b>-1 348</b>
Retrocession to external parties	-153	-60	47	1	-165
<b>Net unpaid claims and claim adjustment expenses; life and health benefits</b>	<b>-1 059</b>	<b>-68</b>	<b>-375</b>	<b>-11</b>	<b>-1 513</b>
<b>Claims and claim adjustment expenses; life and health benefits</b>	<b>-7 364</b>	<b>-6 582</b>	<b>-1 892</b>	<b>-184</b>	<b>-16 022</b>

### Acquisition costs

For the six months ended 30 June

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Total
<b>Acquisition costs, thereof:</b>					
Gross acquisition costs with external parties	-2 455	-1 171	-523	-95	-4 244
Intra-group transactions (assumed and ceded)	-52	-2	41	13	0
<b>Acquisition costs before impact of retrocession to external parties</b>	<b>-2 507</b>	<b>-1 173</b>	<b>-482</b>	<b>-82</b>	<b>-4 244</b>
Retrocession to external parties	40	165	91	2	298
<b>Net acquisition costs</b>	<b>-2 467</b>	<b>-1 008</b>	<b>-391</b>	<b>-80</b>	<b>-3 946</b>

## Financial statements

Notes to the Group financial statements (unaudited)

### Reinsurance receivables

Reinsurance receivables as of 31 December 2021 and 30 June 2022 were as follows:

USD millions	2021	2022
Premium receivables invoiced	4 835	4 856
Receivables invoiced from ceded re/insurance business	392	676
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	640	712
Recognised allowance	-80	-78

## Financial statements

Notes to the Group financial statements (unaudited)

### 4 Premiums written

For the six months ended 30 June

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Gross premiums written, thereof:</b>						
Direct			3 168	342		3 510
Reinsurance	13 041	8 079	435	3		21 558
Intra-group transactions (assumed)	437	2	64		-503	0
<b>Gross premiums written</b>	<b>13 478</b>	<b>8 081</b>	<b>3 667</b>	<b>345</b>	<b>-503</b>	<b>25 068</b>
Intra-group transactions (ceded)	-64		-334	-105	503	0
<b>Gross premiums written before retrocession to external parties</b>						
	13 414	8 081	3 333	240		25 068
Retrocession to external parties	-471	-694	-569	-5		-1 739
<b>Net premiums written</b>	<b>12 943</b>	<b>7 387</b>	<b>2 764</b>	<b>235</b>	<b>0</b>	<b>23 329</b>

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Gross premiums written, thereof:</b>						
Direct			3 757	459		4 216
Reinsurance	13 813	8 149	420	5		22 387
Intra-group transactions (assumed)	535		53		-588	0
<b>Gross premiums written</b>	<b>14 348</b>	<b>8 149</b>	<b>4 230</b>	<b>464</b>	<b>-588</b>	<b>26 603</b>
Intra-group transactions (ceded)	-53		-318	-217	588	0
<b>Gross premiums written before retrocession to external parties</b>						
	14 295	8 149	3 912	247		26 603
Retrocession to external parties	-644	-723	-645	-9		-2 021
<b>Net premiums written</b>	<b>13 651</b>	<b>7 426</b>	<b>3 267</b>	<b>238</b>	<b>0</b>	<b>24 582</b>

## Financial statements

Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022 is presented as follows:

USD millions	2021	2022
Balance as of 1 January	81 258	84 096
Reinsurance recoverable	-3 636	-3 975
Deferred expense on retroactive reinsurance	-191	-165
<b>Net balance as of 1 January</b>	<b>77 431</b>	<b>79 956</b>
Incurred related to:		
Current year <sup>1</sup>	32 416	15 765
Prior year <sup>1</sup>	-487	113
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	8	7
<b>Total incurred</b>	<b>31 937</b>	<b>15 885</b>
Paid related to:		
Current year <sup>1</sup>	-9 718	-1 579
Prior year <sup>1</sup>	-18 291	-12 930
<b>Total paid</b>	<b>-28 009</b>	<b>-14 509</b>
Foreign exchange	-1 686	-2 848
Effect of acquisitions, disposals, new retroactive reinsurance and other items	283	187
<b>Net balance as of period end</b>	<b>79 956</b>	<b>78 671</b>
Reinsurance recoverable	3 975	3 746
Deferred expense on retroactive reinsurance	165	130
<b>Balance as of period end</b>	<b>84 096</b>	<b>82 547</b>

<sup>1</sup>The Group has revised the methodology used to estimate the current/prior year split of incurred and paid claims for a part of the individual mortality business in the US. The revision had no impact on net income or shareholder's equity. The comparatives have been adjusted accordingly.

## Financial statements

Notes to the Group financial statements (unaudited)

### Prior-year development

Non-life claims development on prior years in the first six months ended 30 June 2022 is due to favourable development in property and specialty, partially offset by adverse development from casualty. The adverse movement in casualty is mainly from motor and liability partly offset by favourable development in workers compensation. Specialty was mainly impacted by positive claim experience in marine and engineering partly offset by adverse development in multilines. Development in property is principally due to lower-than-expected claims activity in all regions, partly offset by large loss events in America.

For life and health lines of business, development on prior years' unpaid claims in the first six months ended 30 June 2022 is unfavourable. There is unfavourable development in the US, Australia & New Zealand, and Asia driven by adverse experience and strengthening of claim reserves, partially offset by favourable development in Continental Europe and the UK. Claims development related to prior years for disability portfolio also includes an element of interest accretion for unpaid claims reported at an estimated present value.

A summary of prior-year net claims and claim adjustment expenses development by lines of business for the year ended 31 December 2021 and for the six months ended 30 June 2022 is shown below<sup>1</sup>:

USD millions	2021	2022
Line of business:		
Property	-918	-159
Casualty	473	160
Specialty	-255	-48
Life and health <sup>2</sup>	213	160
<b>Total</b>	<b>-487</b>	<b>113</b>

<sup>1</sup> 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.

<sup>2</sup> The Group has revised the methodology used to estimate the current/prior year split of incurred and paid claims for a part of the individual mortality business in the US. The revision had no impact on net income or shareholder's equity. The comparatives have been adjusted accordingly.



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

As of 31 December 2021 and 30 June 2022, the DAC were as follows:

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group Items	Total
Opening balance as of 1 January	2 576	4 901	426	327	8 230
Deferred	5 367	543	738	208	6 856
Effect of acquisitions/disposals and retrocessions		-38			-38
Amortisation	-5 359	-538	-679	-122	-6 698
Effect of foreign currency translation and other changes	-46	-150	-5	-7	-208
<b>Closing balance</b>	<b>2 538</b>	<b>4 718</b>	<b>480</b>	<b>406</b>	<b>8 142</b>

2022 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group Items	Total
Opening balance as of 1 January	2 538	4 718	480	406	8 142
Deferred	2 853	212	415	114	3 594
Effect of acquisitions/disposals and retrocessions					0
Amortisation	-2 467	-232	-385	-81	-3 165
Effect of foreign currency translation and other changes	-83	-247	-17	-16	-363
<b>Closing balance</b>	<b>2 841</b>	<b>4 451</b>	<b>493</b>	<b>423</b>	<b>8 208</b>

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 2021 and 30 June 2022, the PVFP for Life & Health Reinsurance was as follows:

USD millions	2021	2022
Opening balance as of 1 January	983	836
Effect of acquisitions/disposals and retrocessions	-7	
Amortisation	-130	-59
Interest accrued on unamortised PVFP	42	19
Effect of change in unrealised gains/losses	-51	8
Effect of foreign currency translation	-1	-8
<b>Closing balance</b>	<b>836</b>	<b>796</b>

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.

## Financial statements

Notes to the Group financial statements (unaudited)

# 7 Investments

## Investment income

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

USD millions	2021	2022
Fixed income securities	904	905
Equity securities	96	23
Policy loans, mortgages and other loans	64	79
Investment real estate	127	126
Short-term investments	10	18
Other current investments	51	41
Share in earnings of equity-accounted investees	423	-31
Cash and cash equivalents	3	6
Net result from deposit-accounted contracts	47	77
Deposits with ceding companies	242	222
<b>Gross investment income</b>	<b>1 967</b>	<b>1 466</b>
Investment expenses	-179	-176
Interest charged for funds held	-1	
<b>Net investment income – non-participating business</b>	<b>1 787</b>	<b>1 290</b>

Dividends received from investments accounted for using the equity method were USD 85 million and USD 117 million for the six months ended 30 June 2021 and 2022, respectively.

Share in earnings of equity-accounted investees included impairments of the carrying amount of equity-accounted investees of nil and USD 3 million for the six months ended 30 June 2021 and 2022, respectively.

## Realised gains and losses

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

USD millions	2021	2022
Fixed income securities available-for-sale:		
Gross realised gains	272	148
Gross realised losses	-198	-159
Other-than-temporary impairments		-50
Net realised investment gains/losses on equity securities	-5	-232
Change in net unrealised investment gains/losses on equity securities	40	-417
Net realised investment gains/losses on trading securities	-58	-146
Change in net unrealised investment gains/losses on trading securities	-35	-87
Net realised/unrealised gains/losses on other investments	111	539
Net realised/unrealised gains/losses on insurance-related activities	16	98
Foreign exchange gains/losses	19	36
<b>Net realised investment gains/losses – non-participating business</b>	<b>162</b>	<b>-270</b>

Net realised/unrealised gains/losses on insurance-related activities included impairments of USD 2 million and USD 2 million for the six months ended 30 June 2021 and 2022, respectively.

## Financial statements

Notes to the Group financial statements (unaudited)

### Investment result – unit-linked business

The net investment result on unit-linked business credited to policyholders amounted to gains of USD 5 million and to losses of USD 72 million for the six months ended 30 June 2021 and 2022, respectively, originating from equity securities.

### Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2021	2022
Balance as of 1 January	46	44
Credit losses for which an other-than-temporary impairment was not previously recognised	1	46
Reductions for securities sold during the period	-9	-19
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	6
Impact of increase in cash flows expected to be collected	-1	-1
Impact of foreign exchange movements		-1
<b>Balance as of period end</b>	<b>38</b>	<b>75</b>

## Financial statements

Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022 were as follows:

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	15 005	325	-99		15 231
US Agency securitised products	2 981	46	-25		3 002
States of the United States and political subdivisions of the states	1 311	198			1 509
United Kingdom	4 169	356	-62		4 463
Canada	2 874	120	-12		2 982
Germany	2 758	275	-23		3 010
France	2 403	205	-49		2 559
China	2 286	26			2 312
Other	10 613	372	-120		10 865
<b>Total</b>	<b>44 400</b>	<b>1 923</b>	<b>-390</b>		<b>45 933</b>
Corporate debt securities	34 055	1 916	-220	-1	35 750
Mortgage- and asset-backed securities	3 943	90	-24	-7	4 002
<b>Fixed income securities available-for-sale</b>	<b>82 398</b>	<b>3 929</b>	<b>-634</b>	<b>-8</b>	<b>85 685</b>

2022 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	15 452	30	-893		14 589
US Agency securitised products	3 690	7	-223		3 474
States of the United States and political subdivisions of the states	1 382	25	-43		1 364
United Kingdom	3 497	24	-653		2 868
Canada	2 778	15	-128		2 665
Germany	2 181	61	-274		1 968
France	2 262	42	-502		1 802
China	1 710	14	-4		1 720
Other	10 528	68	-931		9 665
<b>Total</b>	<b>43 480</b>	<b>286</b>	<b>-3 651</b>		<b>40 115</b>
Corporate debt securities	34 087	205	-2 530	-10	31 752
Mortgage- and asset-backed securities	4 140	16	-176	-7	3 973
<b>Fixed income securities available-for-sale</b>	<b>81 707</b>	<b>507</b>	<b>-6 357</b>	<b>-17</b>	<b>75 840</b>

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.

## Financial statements

Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022.

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	9 635	75	582	24	10 217	99
US Agency securitised products	1 325	24	36	1	1 361	25
States of the United States and political subdivisions of the states	20	0			20	0
United Kingdom	830	24	388	38	1 218	62
Canada	1 633	10	40	2	1 673	12
Germany	766	21	39	2	805	23
France	1 130	45	48	4	1 178	49
China	20	0	39	0	59	0
Other	4 608	72	637	48	5 245	120
<b>Total</b>	<b>19 967</b>	<b>271</b>	<b>1 809</b>	<b>119</b>	<b>21 776</b>	<b>390</b>
Corporate debt securities	12 166	188	702	33	12 868	221
Mortgage- and asset-backed securities	1 349	16	86	15	1 435	31
<b>Total</b>	<b>33 482</b>	<b>475</b>	<b>2 597</b>	<b>167</b>	<b>36 079</b>	<b>642</b>

2022 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	11 690	700	1 661	193	13 351	893
US Agency securitised products	2 804	172	331	51	3 135	223
States of the United States and political subdivisions of the states	750	43			750	43
United Kingdom	2 335	500	358	153	2 693	653
Canada	2 075	106	222	22	2 297	128
Germany	1 414	267	36	7	1 450	274
France	1 288	461	79	41	1 367	502
China	273	4	8	0	281	4
Other	7 397	742	1 227	189	8 624	931
<b>Total</b>	<b>30 026</b>	<b>2 995</b>	<b>3 922</b>	<b>656</b>	<b>33 948</b>	<b>3 651</b>
Corporate debt securities	26 155	2 279	1 505	261	27 660	2 540
Mortgage- and asset-backed securities	3 706	165	116	18	3 822	183
<b>Total</b>	<b>59 887</b>	<b>5 439</b>	<b>5 543</b>	<b>935</b>	<b>65 430</b>	<b>6 374</b>

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Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022, USD 25 004 million and USD 23 253 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2021		2022	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	6 120	6 143	9 300	9 197
Due after one year through five years	34 790	35 028	32 249	30 917
Due after five years through ten years	13 660	14 171	13 295	12 157
Due after ten years	24 765	27 215	23 686	20 531
Mortgage- and asset-backed securities with no fixed maturity	3 063	3 128	3 177	3 038
<b>Total fixed income securities available-for-sale</b>	<b>82 398</b>	<b>85 685</b>	<b>81 707</b>	<b>75 840</b>

### 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 business) as of 31 December 2021 and 30 June 2022 were as follows:

USD millions	2021	2022
Debt securities issued by governments and government agencies	1 272	1 323
Mortgage- and asset-backed securities	28	23
<b>Fixed income securities trading – non-participating business</b>	<b>1 300</b>	<b>1 346</b>
<b>Equity securities at fair value through earnings – non-participating business</b>	<b>3 973</b>	<b>2 230</b>

### Investments held for unit-linked business

As of 31 December 2021 and 30 June 2022, the carrying amounts of investments held for unit-linked business consist of equity securities at fair value through earnings of USD 468 million and USD 352 million.

### Mortgage, policy and other loans, and investment real estate

As of 31 December 2021 and 30 June 2022, the carrying and respective fair values of investments in mortgage, policy and other loans, and investment real estate (excluding unit-linked business) were as follows:

USD millions	2021		2022	
	Carrying value	Fair value	Carrying value	Fair value
Policy loans	34	34	33	33
Mortgage loans	1 645	1 672	1 707	1 619
Other loans	2 324	2 362	2 264	2 216
Investment real estate	2 871	5 544	2 870	5 787

Depreciation expense related to investment real estate was USD 32 million and USD 37 million for the six months ended 30 June 2021 and 2022, respectively. Accumulated depreciation on investment real estate totalled USD 786 million and USD 782 million as of 31 December 2021 and 30 June 2022, 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.

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### Other financial assets and liabilities by measurement category

As of 31 December 2021 and 30 June 2022, "Other invested assets" and "Accrued expenses and other liabilities" by measurement category were as follows:

2021 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope <sup>1</sup>	Total
<b>Other invested assets</b>						
Derivative financial instruments	296					296
Reverse repurchase agreements			2 336			2 336
Securities lending/borrowing	1 333		122			1 455
Equity-accounted investments	398			2 159		2 557
Other	368	1 325	976			2 669
<b>Other invested assets</b>	<b>2 395</b>	<b>1 325</b>	<b>3 434</b>	<b>2 159</b>	<b>0</b>	<b>9 313</b>
<b>Accrued expenses and other liabilities</b>						
Derivative financial instruments	496					496
Repurchase agreements			11			11
Securities lending	1 334		139			1 473
Securities sold short	980					980
Other			1 336		4 408	5 744
<b>Accrued expenses and other liabilities</b>	<b>2 810</b>	<b>0</b>	<b>1 486</b>	<b>0</b>	<b>4 408</b>	<b>8 704</b>

2022 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope <sup>1</sup>	Total
<b>Other invested assets</b>						
Derivative financial instruments	596					596
Reverse repurchase agreements			3 131			3 131
Securities lending/borrowing	328		53			381
Equity-accounted investments	392			1 564		1 956
Other	375	1 601	756			2 732
<b>Other invested assets</b>	<b>1 691</b>	<b>1 601</b>	<b>3 940</b>	<b>1 564</b>	<b>0</b>	<b>8 796</b>
<b>Accrued expenses and other liabilities</b>						
Derivative financial instruments	347					347
Repurchase agreements			176			176
Securities lending	328		119			447
Securities sold short	1 853					1 853
Other			1 989		3 546	5 535
<b>Accrued expenses and other liabilities</b>	<b>2 528</b>	<b>0</b>	<b>2 284</b>	<b>0</b>	<b>3 546</b>	<b>8 358</b>

<sup>1</sup> Amounts do not relate to financial assets or liabilities.

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### Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2021 and 30 June 2022 was as follows:

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	1 503	–1 207	296	–45	251
Reverse repurchase agreements	4 398	–2 062	2 336	–2 336	0
Securities borrowing	260	–138	122	–122	0
<b>Total</b>	<b>6 161</b>	<b>–3 407</b>	<b>2 754</b>	<b>–2 503</b>	<b>251</b>

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	–1 611	1 115	–496	181	–315
Repurchase agreements	–1 778	1 767	–11	11	0
Securities lending	–1 906	433	–1 473	1 298	–175
<b>Total</b>	<b>–5 295</b>	<b>3 315</b>	<b>–1 980</b>	<b>1 490</b>	<b>–490</b>

2022 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	1 542	–946	596	–56	<b>540</b>
Reverse repurchase agreements	5 531	–2 400	3 131	–3 131	<b>0</b>
Securities borrowing	93	–40	53	–53	<b>0</b>
<b>Total</b>	<b>7 166</b>	<b>–3 386</b>	<b>3 780</b>	<b>–3 240</b>	<b>540</b>

2022 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	–1 587	1 240	–347	289	<b>–58</b>
Repurchase agreements	–2 196	2 020	–176	176	<b>0</b>
Securities lending	–867	420	–447	437	<b>–10</b>
<b>Total</b>	<b>–4 650</b>	<b>3 680</b>	<b>–970</b>	<b>902</b>	<b>–68</b>

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 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 business” and “Accrued expenses and other liabilities”.



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### Assets pledged

As of 31 December 2021 and 30 June 2022, investments with a carrying value of USD 5 974 million and USD 4 431 million, respectively, were on deposit with regulatory agencies in accordance with local requirements, of which USD 244 million and USD 347 million, respectively, were cash and cash equivalents. As of 31 December 2021 and 30 June 2022, investments with a carrying value of USD 15 006 million and USD 13 898 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries, of which USD 119 million and USD 142 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 2021 and 30 June 2022, investments with a carrying value of USD 407 million and USD 515 million, respectively, were placed on deposit or pledged to secure certain derivative and debt liabilities.

As of 31 December 2021 and 30 June 2022, securities of USD 16 774 million and USD 16 636 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 484 million and USD 623 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 2021 and 30 June 2022, a real estate portfolio with a carrying value of USD 190 million and USD 179 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 2021 and 30 June 2022, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 5 496 million and USD 6 621 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2021 and 30 June 2022 was USD 952 million and USD 1 897 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements, derivative transactions and reinsurance transactions.

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

As of 31 December 2021 and 30 June 2022, 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.

2021 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
<b>Repurchase agreements</b>					
Debt securities issued by governments and government agencies	2	1 614			1 616
Corporate debt securities	2	160			162
<b>Total repurchase agreements</b>	<b>4</b>	<b>1 774</b>	<b>0</b>	<b>0</b>	<b>1 778</b>
<b>Securities lending</b>					
Debt securities issued by governments and government agencies	794		445	402	1 641
Corporate debt securities	73	139			212
Equity securities	53				53
<b>Total securities lending</b>	<b>920</b>	<b>139</b>	<b>445</b>	<b>402</b>	<b>1 906</b>
<b>Gross amount of recognised liabilities for repurchase agreements and securities lending</b>					<b>3 684</b>

2022 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
<b>Repurchase agreements</b>					
Debt securities issued by governments and government agencies	107	1 934			2 041
Corporate debt securities		155			155
<b>Total repurchase agreements</b>	<b>107</b>	<b>2 089</b>	<b>0</b>	<b>0</b>	<b>2 196</b>
<b>Securities lending</b>					
Debt securities issued by governments and government agencies	174		379		553
Corporate debt securities	240	43			283
Equity securities	31				31
<b>Total securities lending</b>	<b>445</b>	<b>43</b>	<b>379</b>	<b>0</b>	<b>867</b>
<b>Gross amount of recognised liabilities for repurchase agreements and securities lending</b>					<b>3 063</b>

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 2022, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Other.

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

### Valuation techniques

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

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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

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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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### Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2021 and 30 June 2022, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

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 <sup>1</sup>	Total
<b>Assets</b>					
Fixed income securities held for proprietary investment purposes	14 998	70 675	1 312		86 985
Debt securities issued by US government and government agencies	14 998	1 939			16 937
US Agency securitised products		3 100			3 100
Debt securities issued by non-US governments and government agencies		27 168			27 168
Corporate debt securities		34 438	1 312		35 750
Mortgage- and asset-backed securities		4 030			4 030
Equity securities held for proprietary investment purposes	3 353	620			3 973
Equity securities backing unit-linked business	468				468
Short-term investments held for proprietary investment purposes	2 435	5 967			8 402
Derivative financial instruments	12	1 406	85	-1 207	296
Interest rate contracts	1	465			466
Foreign exchange contracts		379			379
Equity contracts	9	557	60		626
Credit contracts		5			5
Other contracts	2		25		27
Other invested assets	1 114	486	498		2 098
Funds held by ceding companies		172			172
<b>Total assets at fair value</b>	<b>22 380</b>	<b>79 326</b>	<b>1 895</b>	<b>-1 207</b>	<b>102 394</b>
<b>Liabilities</b>					
Derivative financial instruments	-2	-1 337	-272	1 115	-496
Interest rate contracts		-460	-2		-462
Foreign exchange contracts		-429			-429
Equity contracts	-1	-354	-9		-364
Credit contracts		-93			-93
Other contracts	-1	-1	-261		-263
Liabilities for life and health policy benefits			-83		-83
Accrued expenses and other liabilities	-1 029	-1 285			-2 314
<b>Total liabilities at fair value</b>	<b>-1 031</b>	<b>-2 622</b>	<b>-355</b>	<b>1 115</b>	<b>-2 893</b>

<sup>1</sup> 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.

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2022 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 <sup>1</sup>	Total
<b>Assets</b>					
Fixed income securities held for proprietary investment purposes	14 888	61 062	1 236		77 186
Debt securities issued by US government and government agencies	14 888	1 599			16 487
US Agency securitised products		3 575			3 575
Debt securities issued by non-US governments and government agencies		21 376			21 376
Corporate debt securities		30 516	1 236		31 752
Mortgage- and asset-backed securities		3 996			3 996
Equity securities held for proprietary investment purposes	1 722	508			2 230
Equity securities backing unit-linked business	352				352
Short-term investments held for proprietary investment purposes	2 618	5 111			7 729
Derivative financial instruments	80	1 257	205	-946	596
Interest rate contracts	1	625			626
Foreign exchange contracts		358			358
Equity contracts	79	255	144		478
Credit contracts		19			19
Other contracts			61		61
Other invested assets	295	328	473		1 096
Funds held by ceding companies		165			165
<b>Total assets at fair value</b>	<b>19 955</b>	<b>68 431</b>	<b>1 914</b>	<b>-946</b>	<b>89 354</b>
<b>Liabilities</b>					
Derivative financial instruments	-34	-1 341	-212	1 240	-347
Interest rate contracts	-1	-814	-4		-819
Foreign exchange contracts		-264			-264
Equity contracts	-32	-262	-16		-310
Credit contracts		-1			-1
Other contracts	-1		-192		-193
Liabilities for life and health policy benefits			-83		-83
Accrued expenses and other liabilities	-457	-1 725			-2 182
<b>Total liabilities at fair value</b>	<b>-491</b>	<b>-3 066</b>	<b>-295</b>	<b>1 240</b>	<b>-2 612</b>

<sup>1</sup>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.



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

As of 31 December 2021 and 30 June 2022, the reconciliations of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2021 USD millions	Fixed income securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
<b>Assets and liabilities</b>							
Balance as of 1 January	1 183	232	433	1 848	-341	-98	-439
Realised/unrealised gains/losses:							
Included in net income <sup>1</sup>	1	-94	-6	-99	121	16	137
Included in other comprehensive income <sup>2</sup>	-42			-42		-1	-1
Purchases	202	3	81	286			0
Issuances				0	-86		-86
Sales	-2	-3		-5	1		1
Settlements	-20	-53		-73	33		33
Transfers into level 3				0			0
Transfers out of level 3			-8	-8			0
Impact of foreign exchange movements	-10		-2	-12			0
<b>Closing balance as of 31 December</b>	<b>1 312</b>	<b>85</b>	<b>498</b>	<b>1 895</b>	<b>-272</b>	<b>-83</b>	<b>-355</b>

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

<sup>2</sup> 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".

2022 USD millions	Fixed income securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
<b>Assets and liabilities</b>							
Balance as of 1 January	1 312	85	498	1 895	-272	-83	-355
Realised/unrealised gains/losses:							
Included in net income <sup>1</sup>	-1	148	-28	119	63		63
Included in other comprehensive income <sup>2</sup>	-205			-205			0
Purchases	208	11	6	225			0
Issuances				0	-26		-26
Sales	-29	-2		-31	4		4
Settlements	-35	-36		-71	18		18
Transfers into level 3				0			0
Transfers out of level 3				0			0
Impact of foreign exchange movements	-14	-1	-3	-18	1		1
<b>Closing balance as of 30 June</b>	<b>1 236</b>	<b>205</b>	<b>473</b>	<b>1 914</b>	<b>-212</b>	<b>-83</b>	<b>-295</b>

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

<sup>2</sup> 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	2021	2022
Gains/losses included in net income for the period	73	182
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	36	110

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### Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December 2021 and 30 June 2022 were as follows:

USD millions	2021 Fair value	2022 Fair value	Valuation technique	Unobservable input	Range (weighted average <sup>1</sup> )
<b>Assets</b>					
Corporate debt securities	1 312	<b>1 236</b>			
Infrastructure loans	779	807	Discounted cash flow model	Valuation spread	93–420 bps (221 bps)
Private placement corporate debt	491	392	Corporate spread matrix	Credit spread	70–300 bps (169 bps)
Private placement credit tenant leases	36	32	Discounted cash flow model	Illiquidity premium	125–150 bps (146 bps)
Derivative equity contracts	60	<b>144</b>			
OTC equity option referencing correlated equity indices	60	144	Proprietary option model	Correlation	–20–55% (39%)
Other derivative contracts	25	<b>61</b>			
Weather contracts	7	41	Proprietary option model	Risk margin	7–33% (23.3%)
				Correlation	–17 to –8% (–14.5%)
				Volatility (power/gas)	59–139% (133.3%)
				Volatility (temperature)	3–114 (54) HDD/CDD/CAT <sup>2</sup>
				Volatility (wind)	73 816–4 699 770 (436 679) MWh <sup>3</sup>
				Index value (temperature)	10–2 403 (550) HDD/CDD/CAT <sup>2</sup>
				Index value (wind)	852 353–84 225 290 (7 392 177) MWh <sup>3</sup>
<b>Liabilities</b>					
Derivative equity contracts	–9	<b>–16</b>			
OTC equity option referencing correlated equity indices	–9	–16	Proprietary option model	Correlation	–20–95% (39.3%)
Other derivative contracts and liabilities for life and health policy benefits	–344	<b>–275</b>			
Variable annuity and fair valued GMDB contracts	–261	–237	Discounted cash flow model	Risk margin	4% (n/a)
				Volatility	16.7%–72.3%
				Lapse	1–10%
				Mortality improvement	0–1.5%
				Withdrawal rate (GMDB contracts)	20–97%
Weather contracts	–66	–24	Proprietary option model	Risk margin	7–33% (19%)
				Correlation	–16–54% (6.5%)
				Volatility (power/gas)	85–270% (190.7%)
				Volatility (temperature)	9–25 (11.1) HDD/CDD/CAT <sup>2</sup>
				Volatility (wind)	2 799 883–2 799 883 (2 799 883) MWh <sup>3</sup>
				Index value (temperature)	142–7 524 (411) HDD/CDD/CAT <sup>2</sup>
				Index value (wind)	25 730 779–25 730 779 (25 730 779) MWh <sup>3</sup>

<sup>1</sup> 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.

<sup>2</sup> Heating Degree Days (HDD); Cooling Degree Days (CDD); Cumulative Average Temperature (CAT).

<sup>3</sup> Wind energy production expressed in Megawatt-Hour (MWh).

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### 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 have resulted 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 2021 and 30 June 2022 were as follows:

USD millions	2021 Fair value	2022 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	1 208	1 435	597	non-redeemable	n/a
Hedge funds	1	1		redeemable <sup>1</sup>	90 days <sup>2</sup>
Private equity direct	114	162	110	non-redeemable	n/a
Real estate funds	2	3	15	non-redeemable	n/a
<b>Total</b>	<b>1 325</b>	<b>1 601</b>	<b>722</b>		

<sup>1</sup> The redemption frequency varies by position.

<sup>2</sup> 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.

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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.

### 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 2021 and 30 June 2022 were as follows:

USD millions	2021	2022
<b>Assets</b>		
Other invested assets	9 313	8 796
of which at fair value pursuant to the fair value option	398	392
Funds held by ceding companies	12 532	13 314
of which at fair value pursuant to the fair value option	172	165
<b>Liabilities</b>		
Liabilities for life and health policy benefits	-22 196	-21 175
of which at fair value pursuant to the fair value option	-83	-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	2021	2022
Other invested assets	13	3
Funds held by ceding companies	-1	-7
Liabilities for life and health policy benefits	16	
<b>Total</b>	<b>28</b>	<b>-4</b>

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".

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### 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 2021 and 30 June 2022 were as follows:

2021 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
<b>Assets</b>			
Policy loans		34	34
Mortgage loans		1 672	1 672
Other loans		2 362	2 362
Investment real estate		5 544	5 544
<b>Total assets</b>	0	9 612	9 612
<b>Liabilities</b>			
Debt	-7 395	-7 458	-14 853
<b>Total liabilities</b>	-7 395	-7 458	-14 853

2022 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
<b>Assets</b>			
Policy loans		33	33
Mortgage loans		1 619	1 619
Other loans		2 216	2 216
Investment real estate		5 787	5 787
<b>Total assets</b>	0	9 655	9 655
<b>Liabilities</b>			
Debt	-6 982	-7 176	-14 158
<b>Total liabilities</b>	-6 982	-7 176	-14 158

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.

## Financial statements

Notes to the Group financial statements (unaudited)

### Fair values and notional amounts of derivative financial instruments

As of 31 December 2021 and 30 June 2022, the fair values and notional amounts of the derivatives outstanding were as follows:

2021 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts	24 144	433	-409	24
Foreign exchange contracts	31 026	352	-225	127
Equity contracts	17 067	626	-364	262
Credit contracts	9 007	5	-93	-88
Other contracts	8 571	27	-263	-236
<b>Total</b>	<b>89 815</b>	<b>1 443</b>	<b>-1 354</b>	<b>89</b>
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts	5 491	33	-53	-20
Foreign exchange contracts	19 409	27	-204	-177
<b>Total</b>	<b>24 900</b>	<b>60</b>	<b>-257</b>	<b>-197</b>
<b>Total derivative financial instruments</b>	<b>114 715</b>	<b>1 503</b>	<b>-1 611</b>	<b>-108</b>
<b>Amount offset</b>				
Where a right of set-off exists		-788	788	
Due to cash collateral		-419	327	
<b>Total net amount of derivative financial instruments</b>		<b>296</b>	<b>-496</b>	<b>-200</b>
<b>2022</b>				
USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts	34 125	455	-566	-111
Foreign exchange contracts	33 781	292	-218	74
Equity contracts	14 099	478	-310	168
Credit contracts	5 770	19	-1	18
Other contracts	9 427	61	-193	-132
<b>Total</b>	<b>97 202</b>	<b>1 305</b>	<b>-1 288</b>	<b>17</b>
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts	5 067	171	-253	-82
Foreign exchange contracts	20 055	66	-46	20
<b>Total</b>	<b>25 122</b>	<b>237</b>	<b>-299</b>	<b>-62</b>
<b>Total derivative financial instruments</b>	<b>122 324</b>	<b>1 542</b>	<b>-1 587</b>	<b>-45</b>
<b>Amount offset</b>				
Where a right of set-off exists		-723	723	
Due to cash collateral		-223	517	
<b>Total net amount of derivative financial instruments</b>		<b>596</b>	<b>-347</b>	<b>249</b>

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2021 and 30 June 2022.

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### Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses – non-participating business" in the income statement. For the six months ended 30 June, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2021	2022
<b>Derivatives not designated as hedging instruments</b>		
Interest rate contracts	11	-41
Foreign exchange contracts	-313	-1 177
Equity contracts	-146	163
Credit contracts	-88	88
Other contracts	130	133
<b>Total gains/losses recognised in income</b>	<b>-406</b>	<b>-834</b>

### 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 2021 and 2022, 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	2021		2022	
	Net realised investment gains/losses – non-participating business	Interest expenses	Net realised investment gains/losses – non-participating business	Interest expenses
<b>Total amounts of income and expense line items</b>	162	-274	-270	-296
<b>Foreign exchange contracts</b>				
Gains/losses on derivatives	260		1 214	
Gains/losses on hedged items	-260		-1 214	
<b>Interest rate contracts</b>				
Gains/losses on derivatives		-13		-66
Gains/losses on hedged items		13		65

As of 31 December 2021 and 30 June 2022, 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	2021		2022	
	Carrying value	Cumulative basis adjustment	Carrying value	Cumulative basis adjustment
<b>Assets</b>				
Fixed income securities available-for-sale	15 277		15 178	
<b>Liabilities</b>				
Short-term debt	-562	1	-516	6
Long-term debt	-1 366	20	-1 214	80



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### 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 2021 and 30 June 2022, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 809 million and USD 1 526 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 2021 and 30 June 2022 was approximately USD 715 million and USD 819 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 63 million and USD 49 million as of 31 December 2021 and 30 June 2022, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 36 million and USD 36 million as of 31 December 2021 and 30 June 2022, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 14 million additional collateral would have had to be posted as of 30 June 2022. The total equals the amount needed to settle the instruments immediately as of 30 June 2022.

## 10 Assets held for sale

### **Elips Life AG**

In the fourth quarter of 2021, the Group entered into an agreement to sell its life insurance subsidiary Elips Life AG ("elipsLife"), which is part of the Corporate Solutions business segment, to Swiss Life International and to enter a long-term reinsurance partnership for elipsLife's in-force and new business. The transaction closed on 1 July 2022 following the receipt of all required regulatory and anti-trust approvals. The sale of elipsLife excludes the medical business of Elips Versicherungen AG in Ireland, which remains within the Group.

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# 11 Debt

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 2021 and 30 June 2022 was as follows:

USD millions	2021	2022
Senior financial debt	2 464	2 395
Subordinated financial debt	562	946
<b>Short-term debt</b>	<b>3 026</b>	<b>3 341</b>
Senior financial debt	1 957	1 674
Senior operational debt	99	101
Subordinated financial debt	5 826	7 036
Subordinated operational debt	1 859	1 618
<b>Long-term debt</b>	<b>9 741</b>	<b>10 429</b>
<b>Total carrying value</b>	<b>12 767</b>	<b>13 770</b>
<b>Total fair value</b>	<b>14 853</b>	<b>14 158</b>

## Interest expense on long-term debt

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

USD millions	2021	2022
Senior financial debt	39	34
Senior operational debt	2	2
Subordinated financial debt	127	120
Subordinated operational debt	60	54
<b>Total</b>	<b>228</b>	<b>210</b>

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 2022

In May 2022, Swiss Re Ltd issued subordinated fixed-to-floating rate non step-up callable notes with an aggregate face value of USD 700 million by fully drawing on the subordinated debt facility established in November 2015. Swiss Re Ltd on-lent the issuance proceeds to Swiss Reinsurance Company Ltd effective 11 May 2022 under a subordinated loan agreement on substantially the same terms as the external issuance.

In May 2022, Swiss Re Ltd issued subordinated fixed rate non step-up callable notes with an aggregate face value of USD 400 million by fully drawing on the subordinated debt facility established in April 2016. Swiss Re Ltd on-lent the issuance proceeds to Swiss Reinsurance Company Ltd effective 11 May 2022 under a subordinated loan agreement on substantially the same terms as the external issuance.

In May 2022, Swiss Re Ltd issued subordinated fixed-to-floating rate non step-up callable notes with an aggregate face value of USD 800 million by fully drawing on the subordinated debt facility established in June 2016. Swiss Re Ltd on-lent the issuance proceeds to Swiss Reinsurance Company Ltd effective 11 May 2022 under a subordinated loan agreement on substantially the same terms as the external issuance.

## 12 Benefit plans

### **Net periodic benefit cost**

Pension and post-retirement cost for the six months ended 30 June 2021 and 2022 were USD 42 million and USD 16 million, respectively. Pension and post-retirement cost is presented in "Operating expenses".

### **Employer's contribution for 2022**

For the six months ended 30 June 2022, the Group contributed USD 70 million to its defined benefit pension plans and USD 8 million to other post-retirement plans, compared to USD 72 million and USD 8 million, respectively, in the same period of 2021.

The expected 2022 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 June 2022 for the latest information, amount to USD 125 million and USD 17 million, respectively.

## 13 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.

The Group did not provide financial or other support to any VIEs during 2022 that it was not previously contractually required to provide.

### 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.

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### 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.

### 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, it never has 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.

## Financial statements

Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022:

USD millions	2021	2022
Fixed income securities available-for-sale	3 362	2 288
Short-term investments	42	200
Cash and cash equivalents	76	73
Accrued investment income	29	27
Premiums and other receivables	22	42
Funds held by ceding companies	4	1
Deferred acquisition costs	7	8
Deferred tax assets	121	187
Other assets	19	22
<b>Total assets</b>	<b>3 682</b>	<b>2 848</b>
Unpaid claims and claim adjustment expenses	89	105
Unearned premiums	25	27
Funds held under reinsurance treaties	4	4
Reinsurance balances payable	24	26
Deferred and other non-current tax liabilities	104	153
Accrued expenses and other liabilities	7	4
Long-term debt	1 859	1 618
<b>Total liabilities</b>	<b>2 112</b>	<b>1 937</b>

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.

## Financial statements

Notes to the Group financial statements (unaudited)

### 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 2021 and 30 June 2022:

USD millions	2021	2022
Fixed income securities available-for-sale	1 465	1 692
Equity securities at fair value through earnings	114	119
Policy loans, mortgages and other loans	1 774	1 653
Other invested assets	2 805	2 888
Investments for unit-linked business	142	107
<b>Total assets</b>	<b>6 300</b>	<b>6 459</b>
Accrued expenses and other liabilities	35	34
<b>Total liabilities</b>	<b>35</b>	<b>34</b>

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 2021 and 30 June 2022:

USD millions	Total assets	Total liabilities	2021 Maximum exposure to loss <sup>1</sup>	Total assets	Total liabilities	2022 Maximum exposure to loss <sup>1</sup>
Insurance-linked securitisations	837		855	911		952
Life and health funding vehicles	16		2 392	14		2 410
Swaps in trusts	60	35	- <sup>2</sup>	95	34	- <sup>2</sup>
Investment vehicles	2 859		2 859	2 919		2 919
Investment vehicles for unit-linked business	142			107		
Senior commercial mortgage and infrastructure loans	2 386		2 386	2 413		2 413
<b>Total</b>	<b>6 300</b>	<b>35</b>	<b>-<sup>2</sup></b>	<b>6 459</b>	<b>34</b>	<b>-<sup>2</sup></b>

<sup>1</sup> 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.

<sup>2</sup> The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts.



## 14 Subsequent events

### **Sale of Elips Life AG to Swiss Life International**

On 1 July 2022, the Group successfully completed the sale of Elips Life AG (elipsLife) to Swiss Life International, following the receipt of all required regulatory and anti-trust approvals. The sale effectively leads to the deconsolidation of elipsLife from the Group financial statements in the third quarter of 2022.

The Group financial statements and related notes presented in this report are not impacted by the deconsolidation.

For more details on the transaction, please refer to Note 10 "Assets held for sale".

## 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", "target", "aim", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend" and similar expressions, or by future or conditional verbs such as "will", "may", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Swiss Re Group's (the "Group") 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 the Group 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, including the coronavirus ("COVID-19"), acts of terrorism or acts of war, including the ongoing war in Ukraine, and any associated governmental and other measures such as sanctions, expropriations and seizures of assets as well as the economic consequences of the foregoing;
- mortality, morbidity and longevity experience;
- the cyclical nature 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;
- macro-economic events or developments including increased volatility of, and/or disruption in, global capital, credit, foreign exchange and other markets and their impact on the respective prices, interest and exchange rates and other benchmarks of such markets, and historically high inflation rates;
- 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, including changes related to environment, social and governance ("ESG") and sustainability matters, 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 Group's ability to fully achieve one or more of its ESG or sustainability goals or to fully comply with applicable ESG or voluntary sustainability standards;
- matters negatively affecting the reputation of the Group, its board of directors or its management, including matters relating to ESG or sustainability, such as allegations of greenwashing, lack of diversity and similar allegations;

- 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, pandemics, including COVID-19, and certain large man-made losses, as well as claims resulting from the ongoing war in Ukraine and social inflation litigation, 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 intensity and frequency of which may also increase as a result of social inflation;
- 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, including the contemplated adoption of IFRS;
- 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 Reinsurance Company Ltd 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. The Group is part of the broader Swiss Re group (collectively, "Swiss Re"), the holding company for which is Swiss Re Ltd. References to the Group give effect to the legal entity realignment of Swiss Re.

### **Military conflict in Ukraine and its wider impact**

The ongoing military conflict in Ukraine, sanctions, and other potential impacts on the global economic environment and currencies, including historically high inflation rates, may cause demand for the Group's products to be volatile, particularly in Russia and Europe, cause abrupt changes in the Group's customers' buying patterns, interrupt the Group's ability to supply products to this region or to fulfil contractual obligations or limit customers' access to financial resources and ability to satisfy obligations to the Group. In the event geopolitical tensions fail to abate or deteriorate further, additional governmental sanctions may be enacted adversely impacting the global economy and supply chain, banking and monetary systems, markets or customers for Swiss Re's products, which could adversely affect Swiss Re's results of operations.

### **Coronavirus**

The global spread of the 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 substantial economic rebound in 2021, economic growth has slowed considerably in 2022 and the Group expects inflationary recessions in the US and the Eurozone to occur within the next 18 months. The global economy remains highly exposed to developments around the coronavirus, including: new strains of the virus which risk becoming vaccine-resistant or for which vaccines provide less protection against severe illness, drop in vaccine-acceptance rate (including for multiple doses) making herd immunity increasingly difficult to reach, slow vaccination rollout in a number of emerging market economies and localised outbreaks and their impact on individual 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 2021 and 2022 than expected (although the life market was more adversely affected than the non-life market). However, the global insurance industry remains exposed to adverse claims with regards to additional health care costs and higher mortality.

In Property & Casualty, 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 (this was particularly true for 2020, whereas in 2021 and 2022 Property & Casualty business was not materially impacted by COVID-19). In Life & Health Reinsurance, the COVID-19 crisis had the greatest impact on mortality exposures. The majority of losses in 2021 and Q1 2022 were largely driven by excess mortality, and reported losses to date continue to reflect high levels of incurred but not reported ("IBNR") claims.

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. 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, including historically high inflation rates. 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 a material adverse effect on the Group's investment and 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. Swiss Re, as well as its Swiss-regulated entities, is subject to the Swiss Solvency Test and, through its legal entities and branches organised in the European Economic Area ("EEA"), 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 November 2022, the determination to discontinue G-SII designations altogether will only be made in the fourth quarter of 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.

### **Sustainability and environmental, social and governance ("ESG") activities and disclosures**

Investors, shareholders, business partners, customers and other third parties, including regulators and public authorities, are increasingly focused on ESG, sustainability and corporate social responsibility ("CSR") endeavours and reporting. The Group's Sustainability Strategy, of which climate change is an essential element, focuses on three key principles: (i) risk transfer: embedding sustainability in a number of activities throughout the re/insurance value chain; (ii) risk insights: leading sustainability-linked solutions and quantifying sustainability performance, including the impact Swiss Re has on society and the environment; and (iii) risk partnerships: working with clients and partners to create innovative solutions that make insurance work for their particular businesses. In addition, Swiss Re addresses sustainability risks through its ESG Risk Framework which includes policies and guidelines that apply to a number of activities throughout the re/insurance value chain.

While Swiss Re's sustainability strategy, policies, guidelines, and practices, and the level of transparency with which the Group is approaching them are foundational to Swiss Re's business, they expose the Group to several risks, including:

- that Swiss Re may fail or be unable to fully achieve one or more of its CSR, ESG and/or sustainability goals due to a range of factors within or beyond its control;
- that Swiss Re may adjust or modify CSR, ESG and/or sustainability goals, which have been unilaterally set and are voluntary in nature, in light of new information, adjusted projections, or a change in business strategy, any of which could negatively impact Swiss Re's brand, reputation, and business;
- that achieving its sustainability goals may require Swiss Re to expend significant resources, which could divert the attention of management and key personnel, affect profitability, harm Swiss Re competitively, or otherwise limit its ability to make investments into growth;
- that disclosures related to CSR, ESG and/or sustainability may result in heightened scrutiny from shareholders, business partners or other third parties, including regulators and public authorities, of the Group's CSR, ESG and/or sustainability performance, activities, and decisions;
- that a failure to or perception of a failure to disclose metrics and set goals that are rigorous enough or in an acceptable format, including in relation to how Swiss Re manages its claims and asset management, a failure to or perception of a failure to appropriately manage the selection of goals, a failure to or perception of a failure to make appropriate disclosures, perception of a failure to prioritise the "correct" ESG goals, or an unfavourable ESG-related rating by a third party could negatively impact the Swiss Re brand, reputation, and business and subject the company to enforcement actions or climate litigation;
- that the CSR, ESG and/or sustainability recommendations, standards, norms, metrics or regulatory requirements, which are constantly evolving, change in a manner that impacts the Group negatively or requires Swiss Re to change the content or manner of its disclosures, and its shareholders, business partners or third parties, including regulators and public authorities, view such change(s) negatively, Swiss Re is unable to adequately explain such changes, or is required to expend significant resources to

update disclosures, any of which could negatively impact its brand, reputation, and business; and

- that Swiss Re's brand, reputation, and business could be negatively impacted if any of its disclosures, reporting to third-party ESG standards, or reporting against its goals, are inaccurate or misleading, perceived to be inaccurate or misleading, or alleged to be inaccurate or misleading (including allegations of greenwashing).

If Swiss Re does not adapt to or comply with the evolving investor, shareholder, business partner or third party, including regulators and public authorities, expectations and CSR, ESG and/or sustainability recommendations, standards, norms, metrics or regulatory requirements or is perceived to have not responded appropriately to CSR, ESG and/or sustainability recommendations, standards, norms, metrics or regulatory requirements Swiss Re may suffer from reputational damage, which could result in its financial condition, results of operations, business and prospects being materially and adversely affected.

#### **Financial and capital 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, a higher interest rate environment is beneficial to the insurance and reinsurance industries, supporting earnings capacity via higher investment income. Additionally, an increase in interest rates results in an increase in Group's Swiss Solvency Test ratio, while reducing US GAAP shareholders' equity. 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, payment of 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 intragroup 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, restructuring, regulatory intervention, 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 than government bonds.

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 the 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, data protection and privacy or CSR, ESG and/or sustainability issues. 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.

### Risk of unexpected and unintended issues related to claims and coverage, including social inflation

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may continue to emerge. Such issues have adversely affected, and may in the future adversely affect, the Group's business by either requiring it to extend coverage beyond its underwriting intent or by increasing the number or size of claims against the Group. For example, the trend of social inflation has increased liability claims against the Group in recent years. There has been an increase in severity of awards and settlements affecting excess and umbrella layers, particular in the US, as well as an increase in commercial automotive and general liability claims. The Group has continued to proactively strengthen its reserves and has considered the latest information and outlook related to such claims, including in relation to economic and social inflation when making its reserve decisions. The Group believes that it has adequate reserves to address the uncertainty related to conditions such as social inflation. In addition, the Group closely monitors the intersection between social inflation, economic inflation and loss trend and adjusts its pricing accordingly. The Group continued to manage its exposure to large corporate risks due to ongoing volatility related to social inflation in 2021 and materially reduced its exposure. Despite the Group's various measures to address these issues, there remains uncertainty on how these unintended issues related

to claims and coverage may impact the Group's business. If the Group's reserving and pricing is not adequate to cover these issues, there could be an additional adverse effect for the Group's business, financial condition or results of operations.

**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 diseases, pandemics, epidemics and humanitarian crises) 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); cyclical nature 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 catastrophic events, 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.

## Financial statements

Notes to the Group financial statements (unaudited)

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.

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