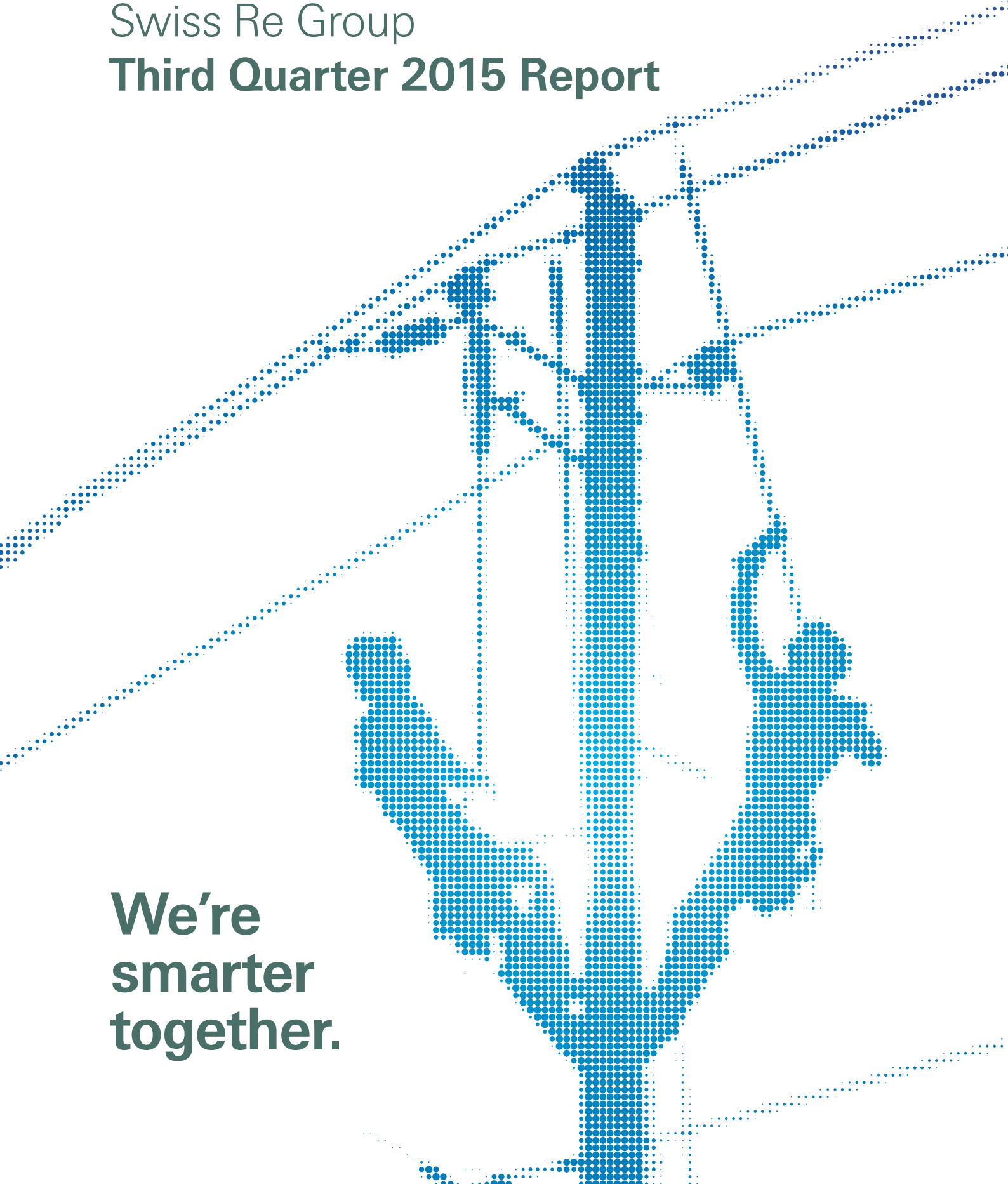


Swiss Re Group
Third Quarter 2015 Report

**We're
smarter
together.**



Key Information

Financial highlights

For the nine months ended 30 September

USD millions, unless otherwise stated	2014	2015	Change in %
Group			
Net income attributable to common shareholders	3 255	3 659	12
Premiums earned and fee income	23 423	22 555	-4
Earnings per share in CHF	8.52	10.19	20
Common shareholders' equity (31.12.2014/30.09.2015)	34 828	32 624	-6
Return on equity ¹ in %	13.3	14.5	
Return on investments in %	3.7	3.8	
Number of employees ² (31.12.2014/30.09.2015)	12 224	12 659	4
Property & Casualty Reinsurance			
Net income attributable to common shareholders	2 385	2 274	-5
Premiums earned	11 678	11 378	-3
Combined ratio in %	82.7	84.8	
Return on equity ¹ in %	25.1	23.3	
Life & Health Reinsurance			
Net income attributable to common shareholders	272	763	181
Premiums earned and fee income	8 440	8 091	-4
Operating margin in %	8.8	10.7	
Return on equity ¹ in %	5.9	17.0	
Corporate Solutions			
Net income attributable to common shareholders	249	324	30
Premiums earned	2 574	2 521	-2
Combined ratio in %	92.9	91.9	
Return on equity ¹ in %	12.2	18.7	
Admin Re[®]			
Net income attributable to common shareholders	219	270	23
Premiums earned and fee income	731	565	-23
Gross cash generation ³	615	265	-57
Return on equity ¹ in %	4.9	6.1	

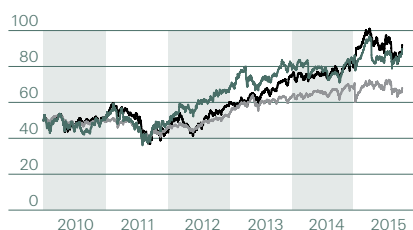
¹ Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.

² Regular staff.

³ Gross cash generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Admin Re[®]'s capital management policy.

Share information

Share price (CHF)



— Swiss Re
— Swiss Market Index
— STOXX Europe 600 Insurance Index

Financial strength ratings

As of 23 October 2015	Standard & Poor's	Moody's	A.M. Best
Rating	AA-	Aa3	A+
Outlook	Stable	Stable	Stable
Last update	28 November 2014	10 December 2013	6 November 2014

Share information

As of 23 October 2015	
Share price in CHF	89.80
Market capitalisation in CHF millions	30 727

Share performance

	1 January 2010 – 23 October 2015 in % (p.a.)	Year to 23 October 2015
Swiss Re	10.6	5.1
Swiss Market Index	5.5	3.8
STOXX Europe 600 Insurance Index	11.1	14.9

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Swiss Re Ltd

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

Letter to shareholders

Very strong results for the first nine months of 2015

3.7

Group net income (USD billions)
For the first nine months of 2015

Dear shareholders,

We are pleased to share our very strong results for the first nine months of 2015. Our net income was USD 3.7 billion, or 12% higher than in the same period of 2014. The return on equity for the nine-month period, on an annualised basis, was 14.5%. We also achieved a strong 3.8% Group return on investments (annualised) despite turbulent markets.

We were impacted by the August explosion in Tianjin. Our sympathies go out to all those affected, especially to the families of those whose lives were lost. We are optimistic that the event will lead to better risk assessment in the Chinese petrochemical industry — an effort to which Swiss Re can offer specific expertise and technology.

Property & Casualty Reinsurance accounts for nearly two-thirds of our reported net income. Strong underwriting reflecting the good quality of our portfolio, a benign natural catastrophe environment and — most importantly — a solid client franchise are the foundation of this strong performance. Deep and long-standing relationships are a Swiss Re strength across all our businesses and activities.

Net income for Life & Health Reinsurance bounced back strongly compared to the 2014 period, thanks to a strong operating performance. The segment also remains well on track to meet the 10%–12% return on

equity target we set for it this year. Adjusting for the terms we set for this target, return on equity was an annualised 12.6% (or 17% without those adjustments). The Life & Health segment is clearly on the right track.

Corporate Solutions also delivered a good performance for the nine months, with net income of USD 324 million. Despite tough market conditions in corporate insurance, the Business Unit continues to invest in growth while simultaneously delivering continued stable performance, with the combined ratio nearly unchanged at 91.9% for the nine-month period.

Admin Re[®] announced in September that it agreed to acquire Guardian Financial Services and its 900 000 policies for GBP 1.6 billion. This is a great achievement for both Admin Re[®] and for our Group. For Admin Re[®], the acquisition represents a clear demonstration of progress toward its goal of becoming a leading closed life book consolidator in the UK. It's also an achievement for our Group, as we are finding opportunities to successfully deploy excess capital on terms that we believe will deliver good returns.

We can also send excess capital back to you directly, and that's exactly what we plan to do through the share buy-back programme, expected to launch in mid-November after receiving formal regulatory approval. We look forward to sharing a full report with you as part of our 2015 results.



Walter B. Kielholz
Chairman of the Board of Directors



Michel M. Liès
Group CEO

Increasing resilience

These are turbulent times and we're dealing with significant uncertainty surrounding everything from equity markets to climate change. For our company, the best approach is to focus on the things we can control. That begins with underwriting but includes other core functions such as investments, where we apply a disciplined asset-liability matching approach. It also means investing in research and generating new understandings of the risks we face.

It is at least equally important to share the knowledge we already possess. Events like the earthquake in Nepal earlier this year are all the more tragic because so much of the damage is preventable, including loss of life — but for one reason or another the standards of resilience vary greatly around the world. Much of the innovation taking place at Swiss Re is aimed at bringing all of society up to the highest sustainable standard. In that spirit we were pleased to announce our recent memorandum of cooperation with China's Heilongjiang Province. This cooperation will provide insurance where it hadn't existed before. It will protect farmers against weather-related

impacts and prefecture budgets against natural disaster shocks. We're conscious to look at it as a pilot and a model of how public-private partnerships can work in many parts of the world. Such work is recognised by RobecoSAM and the Dow Jones Sustainability Indices, which again named us the insurance sector leader in sustainability for 2015. We're grateful and pleased by the recognition. We were also pleased to have Standard & Poor's join us in raising awareness by publishing a report on the importance of natural catastrophe preparedness for sovereign debt sustainability ratings, and for pointing to re/insurance as a means to enhance that preparedness. We couldn't agree with them more.

We thank Swiss Re's employees for making these results possible and for keeping us on track to meet our 2011–2015 financial targets. Their hard work and dedication to enhancing society's resilience is both an inspiration and a source of sustainability for Swiss Re going forward.

To continue developing and capturing our growth opportunities, and following the announcement of

the planned acquisition of Guardian Financial Services, we are also pleased to announce that we will combine all areas that manage life insurance books, including Admin Re®, in a Business Unit that will be called Swiss Re Life Capital, effective 1 January 2016. Thierry Léger, who has been with Swiss Re for 18 years, has agreed to become its CEO, a role that will sit at the Group Executive Committee in line with its importance to the Group.

As part of our continued aim to further diversify and renew the composition of our Board of Directors, we will propose Sir Paul Tucker as a new member for election at the Annual General Meeting on 22 April 2016. His 33-year long career with the Bank of England is an impressive testimony to his knowledge of financial markets and in particular in the area of financial stability — bringing invaluable experience and knowledge to our Board.

We look forward to sharing an update on our strategy and targets, including more on Swiss Re Life Capital, at the December Investors' Day. In the meantime, we thank you for your continued support.

Zurich, 29 October 2015

Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

Key events

30 July 2015

Swiss Re reports half-year net income of USD 2.3 billion on solid underwriting and a strong investment result

Swiss Re reported an 11% rise in net income to USD 2.3 billion for the first half of 2015, compared to USD 2.0 billion a year before. All business segments contributed positively to this result, with Property & Casualty Reinsurance delivering net income of USD 1.3 billion for the period. Life & Health Reinsurance posted USD 495 million net income for the first six months of 2015 and annualised ROE of 16.6%. Corporate Solutions reported a net income of USD 239 million. Admin Re[®] net income increased to USD 249 million and gross cash generation was USD 139 million. Despite a continued challenging low-yield environment, Swiss Re delivered a favourable return on investments of 4.0%.

10 September 2015

Swiss Re remains top in its industry in sustainability, according to 2015 Dow Jones Sustainability Indices

Swiss Re remained the insurance industry sector leader in the Dow Jones Sustainability Indices (DJSI) for the second consecutive year and the ninth time since 2004. The company was particularly recognised for its work with several partners from the public and the private sector to research and develop solutions that address the risk needs of urban and rural communities. In addition, DJSI highlighted that the number of transactions screened for sustainability risks has doubled.

14 September 2015

The protection gap and new technologies will generate long-term growth opportunities; price levels expected to stabilise

The current market environment is marked by low interest rates and the ongoing expansion of alternative capital. Volatility in High Growth Markets and the ongoing industry consolidation present additional challenges as well as opportunities. Looking ahead, new technologies are likely to disrupt the re/insurance industry and are expected to have an impact on all parts of the insurance value chain. This will be visible from underwriting to product delivery and how consumers will buy insurance in the future, says Swiss Re at the annual Rendez-vous in Monte Carlo.

23 September 2015

Admin Re[®] agrees to buy Guardian Financial Services for GBP 1.6 billion, extending its position as a leading closed life book consolidator in the UK

Swiss Re's business unit Admin Re[®] has agreed to acquire Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven for GBP 1.6 billion. The acquisition will extend Admin Re[®]'s position as a leading closed life book consolidator in the UK, with over four million policies in force. As a result of the acquisition, Admin Re[®] will further diversify its current business and increase its assets and reserves. Closing of the acquisition is subject to regulatory approval and could be completed in early 2016.

07 October 2015

The USD 1.3 trillion disaster protection gap: innovative insurance tools exist to support governments to be better prepared




Floods, earthquakes, hurricanes and droughts continue to ravage countries and destroy lives and economies. The gap between insured and total losses – the protection gap – is widening, while many disaster-prone countries lack financial preparedness. Governments are uniquely exposed to these risks. Innovative insurance tools and solutions can help bridge this gap, but it's crucial to arrange them before catastrophe strikes, according to a new Swiss Re publication launched at the World Bank/IMF annual meetings in Lima.

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Business Units at a glance

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions. Our clients include insurance companies, corporations, the public sector and policyholders.

THE SWISS RE GROUP

Business Unit		Net premiums earned and fee income (USD millions)	Net income (USD millions)
Reinsurance Reinsurance is Swiss Re's largest business in terms of income and the foundation of our strength, providing about 85% of gross premiums and fee income through two segments – Property & Casualty and Life & Health. Reinsurance aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.  Read more: page 10	Property & Casualty	2015 9M 11 378 Q3 4 108	2015 9M 2 274 Q3 1 013
		2014 9M 11 678 Q3 4 305	2014 9M 2 385 Q3 842
	Life & Health	2015 9M 8 091 Q3 2 771	2015 9M 763 Q3 268
		2014 9M 8 440 Q3 2 873	2014 9M 272 Q3 160
Corporate Solutions Corporate Solutions serves mid-sized and large corporations, with product offerings ranging from traditional property and casualty insurance to highly customised solutions. Corporate Solutions serves customers from more than 50 offices worldwide and is a growth engine of the Swiss Re Group.  Read more: page 13		2015 9M 2 521 Q3 796	2015 9M 324 Q3 85
		2014 9M 2 574 Q3 903	2014 9M 249 Q3 103
Admin Re® Admin Re® provides risk and capital management solutions by which Swiss Re acquires closed books of in-force life and health insurance business, entire lines of business, or the entire capital stock of life insurance companies. Admin Re® solutions help clients free up capital to redeploy to new business opportunities while reducing administrative burdens.  Read more: page 15		2015 9M 565 Q3 174	2015 9M 270 Q3 21
		2014 9M 731 Q3 231	2014 9M 219 Q3 54
Total (after consolidation)		2015 9M 22 555 Q3 7 849	2015 9M 3 659 Q3 1 399
		2014 9M 23 423 Q3 8 312	2014 9M 3 255 Q3 1 227

Return on equity YTD (1 Jan–30 Sept)	Return on equity Q3 (1 July–30 Sept)	Operating performance YTD (1 Jan–30 Sept)	Operating performance Q3 (1 July–30 Sept)
23.3% (2014: 25.1%)	34.4% (2014: 28.0%)	84.8% (2014: 82.7%) Combined ratio	78.0% (2014: 76.7%) Combined ratio
17.0% (2014: 5.9%)	18.5% (2014: 9.6%)	10.7% (2014: 8.8%) Operating margin	11.3% (2014: 9.2%) Operating margin
18.7% (2014: 12.2%)	15.0% (2014: 15.4%)	91.9% (2014: 92.9%) Combined ratio	90.7% (2014: 90.5%) Combined ratio
6.1% (2014: 4.9%)	1.5% (2014: 3.5%)	265m (2014: USD 615m) Gross cash generation	126m (2014: USD 142m) Gross cash generation
14.5% (2014: 13.3%)	17.3% (2014: 14.8%)	3.7bn (2014: USD 3.3bn) Group net income	1.4bn (2014: USD 1.2bn) Group net income

Group results

Swiss Re added another quarter of very strong earnings based on disciplined underwriting and supported by benign natural catastrophe experience. Net income was USD 3.7 billion for the first nine months of 2015, up from USD 3.3 billion for the same period in 2014. The result translates into earnings per share for the 2015 period of CHF 10.19 or USD 10.69, compared to CHF 8.52 (USD 9.51) for the first nine months of 2014.

Net income for Reinsurance was USD 3.0 billion, against USD 2.7 billion for the nine months ended 30 September 2014.

Property & Casualty accounted for USD 2.3 billion reflecting continued good underwriting performance, supported by the absence of major natural catastrophes and favourable prior-year development.

Life & Health delivered net income of USD 763 million, compared to USD 272 million for the same period in 2014. The increase primarily reflected a strong operating result, lower interest charges and net realised gains.

Corporate Solutions contributed net income of USD 324 million, compared to USD 249 million for the prior-year period. The result was driven by continued good business performance across most lines of business and net realised gains from insurance in derivative form.

Admin Re[®] reported net income of USD 270 million, compared to USD 219 million for the prior-year period. The increase reflected higher realised gains from sales of government bonds as part of the preparation for Solvency II and tax credits following the finalisation of the UK year-end statutory results.

Common shareholders' equity, excluding non-controlling interests

and the impact of contingent capital instruments, decreased to USD 32.6 billion as of 30 September 2015 from USD 34.8 billion at the end of December 2014. The decrease was due to a payment to shareholders of USD 2.6 billion for the 2014 regular and special dividends, lower unrealised gains on fixed income securities and unfavourable foreign currency translation impacts, partially offset by higher net income. Annualised return on equity was 14.5% for the first nine months of 2015, compared to 13.3% for the same period last year.

Book value per common share decreased to CHF 93.13 or USD 95.34 at the end of September 2015, compared to CHF 101.12 or USD 101.78 at the end of December 2014. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group totalled USD 22.6 billion over the first nine months of 2015, a decrease of 4% compared to the prior-year period, reflecting unfavourable foreign exchange developments. At constant exchange rates premiums and fees increased by 4%, driven by growth in selected markets and lines of business across the Group.

Premiums earned by Property & Casualty Reinsurance in the first nine months were USD 11.4 billion, a slight decrease compared to the same period last year. At constant exchange rates premiums earned increased by 4%, driven by growth in US casualty business, higher earnings in EMEA from contracts written in prior years and reduced external retrocessions, partly offset by the expiration of large quota shares in China. The Property & Casu-

alty Reinsurance combined ratio was 84.8%, compared to 82.7% for the first nine months of 2014. The current period benefited from a benign natural catastrophe experience and positive prior-year development, partially offset by an estimated higher burden from large man-made losses, notably the explosion in Tianjin, China.

Life & Health Reinsurance premiums earned and fee income were USD 8.1 billion. The operating margin improved to 10.7% for the nine months ended 30 September 2015, compared to 8.8% in the prior-year period. At constant exchange rates premiums earned and fees increased by 5%, benefiting from new longevity deals in the UK and large transactions in Asia. The higher operating margin stems from the improvement in operating income in both life and health segments, along with lower premiums and fee income.

Corporate Solutions premiums earned were USD 2.5 billion, a decrease of 2% compared to the prior-year period. At constant exchange rates premiums earned increased by 2%. The Corporate Solutions combined ratio for the first nine months of 2015 was 91.9%, compared to 92.9% for the same period in 2014, reflecting favourable prior-year development, mainly in casualty lines, partially offset by a higher number of small man-made losses. Both periods benefited from the absence of major natural catastrophe losses.

Admin Re[®] generated gross cash of USD 265 million for the first nine months of 2015, down from USD 615 million for the prior-year period. The 2014 amount included a release of USD 225 million in surplus reserves held against the risk of credit default and a one-time benefit of USD 234 million following the finalisation of the 2013 year-end UK statutory valuation.

Income statement

USD millions, for the nine months ended 30 September

	2014	2015	Change in %
Revenues			
Premiums earned	23 044	22 229	-4
Fee income from policyholders	379	326	-14
Net investment income – non-participating	3 121	2 700	-13
Net realised investment gains/losses – non-participating	548	1 186	116
Net investment result – unit-linked and with-profit	880	-477	-
Other revenues	17	34	100
Total revenues	27 989	25 998	-7
Expenses			
Claims and claim adjustment expenses	-7 896	-7 310	-7
Life and health benefits	-7 750	-6 713	-13
Return credited to policyholders	-1 037	160	-
Acquisition costs	-4 377	-4 780	9
Administrative expenses	-2 196	-2 192	-
Other expenses	-44	-175	298
Interest expenses	-564	-438	-22
Total expenses	-23 864	-21 448	-10
Income before income tax expense	4 125	4 550	10
Income tax expense	-817	-834	2
Net income before attribution of non-controlling interests	3 308	3 716	12
Income attributable to non-controlling interests	-1	-6	-
Net income after attribution of non-controlling interests	3 307	3 710	12
Interest on contingent capital instruments	-52	-51	-2
Net income attributable to common shareholders	3 255	3 659	12

Investment result and expenses

The return on investments was 3.8% in the first nine months of 2015, compared to 3.7% for the same period of 2014. The Group's non-participating net investment income was USD 2.7 billion, compared to USD 3.1 billion for the same period in 2014. The decrease mainly related to net asset outflows and lower market value gains on equity accounted investments. The Group's fixed income running yield for the nine months period was 3.0% in 2015, compared to 3.4% in 2014.

The Group reported non-participating net realised gains of USD 1.2 billion for the first nine months of 2015, compared to USD 548 million for the same period in 2014. The increase was primarily driven by gains on interest rate derivatives in the current period,

compared to losses in the prior year as well as gains on insurance-related activities in the current period. Acquisition costs for the Group increased to USD 4.8 billion for the first nine months of 2015, up from USD 4.4 billion for the prior-year period, reflecting the impact of the recapture of retrocessions and a higher share of proportional business.

Other expenses amounted to USD 2.4 billion for the first nine months of 2015, an increase of 6% compared to the same period last year. Excluding the release of a premium tax provision in Asia in the third quarter of 2014, other expenses decreased slightly.

Interest expenses were USD 438 million, down from USD 564 million for the prior-year period, mainly due to the

unwinding of an asset funding structure supporting a longevity transaction in Life & Health Reinsurance in the fourth quarter of 2014.

The Group reported a tax expense of USD 834 million on a pre-tax income of USD 4.6 billion for the period ended 30 September 2015, compared to a tax expense of USD 817 million on a pre-tax income of USD 4.1 billion for the same period in 2014. The effective tax rate in the current and prior-year periods were 18.3% and 19.8%, respectively. The current period tax rate includes tax charges on profits earned in higher tax jurisdictions, offset by benefits from valuation allowance releases, tax-exempt income, prior-year provision adjustments, and the effective settlement of tax audits in certain jurisdictions.

Reinsurance

The Reinsurance Business Unit, which comprises the segments Property & Casualty Reinsurance and Life & Health Reinsurance, reported a net income of USD 3.0 billion in the first nine months of 2015. Summaries of each segment's performance are below.

Property & Casualty Reinsurance

Net income was USD 2.3 billion for the nine months ended 30 September 2015, compared to USD 2.4 billion in 2014.

The current nine-month result reflected good underwriting results supported by benign natural catastrophe experience and favourable prior-year development. The overall result was impacted by a large man-made loss burden, notably the explosion in Tianjin, China, estimated to affect the property and marine business lines by USD 235 million.

Net premiums earned

Net premiums earned were USD 11.4 billion for the first nine months of 2015, compared to USD 11.7 billion for the same period of 2014 mainly driven by foreign exchange rate changes. At constant exchange rates, premiums earned increased by USD 478 million, driven by increased premiums in the US casualty books, higher earnings from contracts written in prior years in the EMEA region and reduced external retrocessions, partly offset by the expiration of large quota shares in China.

Combined ratio

The combined ratio for the first nine months of 2015 was 84.8%, compared to 82.7% in the same period of 2014. The impact from natural catastrophes in the first three quarters of 2015 was 9.0 percentage points below the expected level of 9.9 points. Favourable prior-year development improved the combined ratio by 5.2 percentage points compared to 3.5 percentage points for 2014.

These positive effects were offset by an increased man-made loss burden, and the continued impact of an overall shift towards more proportional business, where acquisition costs are typically higher.

Administrative expense ratio

The administrative expense ratio increased to 7.9% in the first nine months of 2015 compared to 7.0% for the same period in 2014. The increase was driven by the impact of a release of a premium tax provision in Asia in the third quarter of 2014 and lower premiums year on year.

Lines of business

The property combined ratio was 72.9% for the first nine months of 2015 compared to 67.6% for the same period of 2014.

The casualty combined ratio was 97.7% for the first nine months of 2015 compared to 106.2% for the same period of 2014. This was mainly due to positive prior-year development across all lines, especially in EMEA.

The specialty combined ratio for the first nine months of 2015 increased to 80.2% compared to 62.5% for the same period of 2014.

Investment result

The return on investments was 3.8% in the first nine months of 2015 compared to 3.6% in the same period of 2014, while the investment result decreased by USD 24 million reflecting a lower average invested asset base in the current period.

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

Shareholders' equity

Common shareholders' equity was USD 12.2 billion as of 30 September 2015 from USD 13.9 billion as of 31 December 2014, primarily driven by a dividend payment of USD 2.7 billion in the second quarter, unrealised losses, the impact of foreign exchange movements and adjustments for pension benefits. This was partly offset by the net income for the period. The annualised return on equity for the first nine months of 2015 was 23.3% compared to 25.1% in the same period of 2014. The decrease was mainly due to the higher equity base in 2015, offsetting the effect of higher net income.

Outlook

Property catastrophe rates continue to experience pressure due to low loss occurrence and abundant capital, but the decrease is expected to slow down. For special lines (except marine), continued exposure growth is expected with significant differences in pricing developments by markets and lines of business. Casualty markets remain relatively stable overall. Motor rates are increasing in some countries, mainly the US, while liability remains stable.

We continue to execute our differentiation strategy while focusing on the bottom line in a softening reinsurance market. Our strategy is successful and well acknowledged by our clients.

Life & Health Reinsurance

Net income for the nine months ended 30 September 2015 was USD 763 million compared to USD 272 million for the same period in 2014, reflecting a strong operating result, lower interest charges and net realised gains. Net income in 2014 was impacted by net realised losses mainly due to an interest rate hedge. The annualised return on equity for the nine months was 17.0%. After adjusting for realised gains and one-off model adjustments, and using the equity capital of USD 5.5 billion announced as the basis for our 2015 target at the June 2013 Investors' Day, return on equity was 12.6%.

Net premiums earned and fee income

Premiums earned and fee income for the nine months ended 30 September 2015 decreased to USD 8.1 billion, compared to USD 8.4 billion for the same period in 2014. At constant exchange rates, premiums earned and fee income were 5% higher in the 2015 period. The 2015 figure benefited from new longevity deals in the UK and large transactions in Asia.

Operating margin

The operating margin for the first nine months of 2015 was 10.7% compared to 8.8% in the same period last year. The higher margin stems from the improvement in life and health operating income along with lower premiums and fee income.

Administrative expense ratio

The administrative expense ratio was 7.0% for the nine months compared to 6.9% in the same period of 2014 mainly driven by exchange rate movements.

Lines of business

Operating income for the life business increased to USD 513 million for the nine months of 2015 compared to USD 482 million in the same period of 2014. The current year results benefited from management actions taken in prior years in relation to the US pre-2004 yearly renewable term business, favourable Variable Annuities results, and a less unfavourable pre-2004 US post-level term business result in the current period. Mortality experience was less favourable in the current year, while investment income was lower following the unwinding of an asset funding structure supporting a longevity transaction.

Operating income for the health business increased to USD 473 million for the first nine months of 2015 compared to USD 367 million for the same period last year. Operating income for health in the first nine months of 2014 included an unfavourable update to disabled life reserves (DLR) for termination rate experience in the US.

Investment result

The return on investments was 3.6% in the nine months of 2015 compared to 3.3% in the same period of 2014, reflecting an increase in the investment result of USD 36 million. Net investment income decreased by USD 133 million to USD 824 million for the first nine months of 2015, mainly due to the impact of net asset outflows and the absence of extraordinary paydowns on securitised products in the current period. Net realised gains were USD 114 million for the nine months of 2015 compared to losses of USD 55 million for the prior period, as the previous period included losses from an interest rate hedge.

The fixed-income running yield was 3.5% in the reporting period.

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

Shareholders' equity

Common shareholders' equity stands at USD 5.8 billion as of 30 September 2015, compared to USD 6.7 billion as of 30 September 2014, and USD 6.2 billion as of 31 December 2014. Annualised return on equity for 2015 of 17.0% was supported by a lower equity base due to unrealised losses, the impact of exchange rate movements and a dividend payment of USD 250 million.

Outlook

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

We will continue to pursue growth opportunities in high growth markets. We are responding to the expanding need for health protection driven by ageing societies and we are pursuing large transaction opportunities, including longevity deals. We are also improving our capabilities to help close the protection gap.

Corporate Solutions

Corporate Solutions continued to execute its growth plan with several initiatives.

In September, Corporate Solutions announced a transaction to take over the aviation business of Assetinsure Pty Ltd (Assetinsure). Corporate Solutions currently owns the majority interest of Assetinsure's aviation portfolio and Assetinsure has managed the business as Managing General Agent and minority owner since 2010. Following the close of the transaction, Corporate Solutions will own the entire share of the company's general aviation and aerospace portfolio in Australia, New Zealand and select Pacific Islands. The transaction includes the addition of a Brisbane office to Corporate Solutions' network of offices, complementing its existing Australian presence in Sydney and Melbourne.

Corporate Solutions also opened an office in Madrid to reinforce its presence in the Iberian Peninsula, and one in Osaka, Japan's second largest broking hub. The Osaka office complements the existing office in Tokyo.

Performance

Net income was USD 324 million in the first nine months of 2015, an increase of 30.1% compared to USD 249 million in the same period of 2014. The 2015 result was driven by continued profitable business performance across most lines of business and net realised gains from insurance in derivative form.

Net premiums earned

Net premiums were USD 2.5 billion for the first nine months of 2015, a decrease of 2% compared to the same period of 2014, primarily driven by foreign exchange rate movements. At constant exchange rates, net premiums increased by 2%, however the pace of growth continued to slow due to the challenging market, most notably in property in North America and Latin America. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, decreased 8%, or 5% at constant exchange rates, to USD 2.7 billion in the first nine months of 2015 compared to USD 2.9 billion in the same period of 2014, which included a large multi-year transaction.

Combined ratio

The combined ratio improved by 1.0 percentage point to 91.9% in the first nine months of 2015 compared to 92.9% in the same period of 2014.

Lines of business

The property combined ratio for the first nine months of 2015 improved by 11.7 percentage points to 71.3%, reflecting continued profitable business performance in most regions and lower man-made losses compared to the same period of 2014. Both periods benefited from the absence of major natural catastrophe losses.

The casualty combined ratio improved by 6.2 percentage points to 104.7% in the first nine months of 2015, mainly due to successful business growth and favourable prior-year development on liability business in North America, partially offset by two large man-made losses.

The credit combined ratio increased to 98.0% in the first nine months of 2015 compared to 71.9% in the same period of 2014, driven by large surety losses in Latin America and Asia.

In other specialty lines, the combined ratio deteriorated by 9.2 percentage points to 106.5% in the first nine months of 2015, mainly due to large aviation and satellite losses, and the Tianjin explosion in the third quarter of 2015.

Investment result

The return on investments was 3.2% for the first nine months of 2015, compared to 2.9% in the same period of 2014.

Net investment income increased by USD 25 million to USD 108 million in the first nine months of 2015, in part due to business growth and an ensuing increase in the investment portfolio. Net realised gains were USD 95 million compared to USD 81 million in the first nine months of 2014. Net realised gains in the current period were driven by gains from the sale of listed equities.

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

Corporate Solutions offers insurance protection against weather perils and other risks, which are accounted for as derivatives. The insurance in derivative form reported net realised gains of USD 67 million in the first nine months of 2015 compared to USD 27 million in the same period of 2014. The 2014 period was impacted by the unusually cold winter in the US and the warm winter in Europe.

Shareholders' equity

Common shareholders' equity remained stable at USD 2.3 billion since the end of 2014, with a USD 200 million dividend paid to the parent company, offset by net income in the first nine months. The annualised return on equity was 18.7% in the first nine months of 2015, compared to 12.2% in the same period of 2014.

Outlook

Prices for commercial insurance are under significant pressure, with some segments operating at unsustainable rate levels. Corporate Solutions has maintained its commitment to underwriting discipline and believes that it is well positioned to successfully navigate an increasingly challenging market thanks to its value proposition, strong balance sheet and selective underwriting approach.

Admin Re®

Admin Re® reported net income of USD 270 million in the first nine months of 2015 compared to USD 219 million in the same period of 2014. The increase was driven by higher realised gains from sales of government bonds as part of the preparation for Solvency II and tax credits following the finalisation of the UK year-end statutory results.

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

Gross cash generation

Admin Re® generated gross cash of USD 265 million in the first nine months of 2015, compared to USD 615 million in the same period of 2014. The third quarter of 2015 included an amount of USD 80 million following the finalisation of the half-year UK statutory valuation. This compared to USD 92 million in the prior-year period. In addition, 2014 included USD 142 million following the finalisation of the 2013 year-end UK statutory valuation and a release of USD 225 million in surplus reserves held against the risk of credit default. A dividend of USD 401 million was paid to the Group in June 2015.

Investment result

The return on investments was 4.8% in the first nine months of 2015 compared to 5.0% in the same period of 2014, driven by reduced net investment income in the current period.

Net investment income decreased by USD 183 million to USD 506 million in the first nine months of 2015, mainly from net asset outflows related to the sale of Aurora and the impact of foreign exchange rate movements.

Net realised gains increased by USD 41 million to USD 214 million in the first nine months of 2015 primarily driven by additional realised gains from sales related to the preparation for Solvency II.

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

Expenses

Expenses were USD 250 million in the first nine months of 2015 compared to USD 274 million in the corresponding period of 2014. The decrease was mainly due to movements in the GBP to USD exchange rate.

Shareholders' equity

Common shareholders' equity decreased by USD 1.0 billion to USD 5.4 billion since 31 December 2014. The decrease was mainly attributable to a decrease in unrealised gains driven by increasing interest rates in the UK and the US as well as dividend payments to the parent company. These were partially offset by net income earned in 2015.

The annualised return on equity was 6.1% for the nine month period, compared to 4.9% for the prior year period, with the increase due to higher net income in 2015.

Outlook

Admin Re® continues to pursue selective growth opportunities in the UK. All transactions must meet Group investment criteria and hurdle rates. Overall Admin Re® aims to improve efficiency, to achieve capital and tax synergies and to actively manage its asset portfolios and blocks of business. Through these actions Admin Re® aims to generate approximately USD 700 million in cash from the existing business, and a further USD 1 billion from the Guardian business, from 2016 through 2018.

Income statement

USD millions		Three months ended 30 September		Nine months ended 30 September	
	Note	2014	2015	2014	2015
Revenues					
Premiums earned	3	8 184	7 763	23 044	22 229
Fee income from policyholders	3	128	86	379	326
Net investment income – non-participating business	6	1 002	912	3 121	2 700
Net realised investment gains/losses – non-participating business ¹	6	104	299	548	1 186
Net investment result – unit-linked and with-profit business	6	233	-1 150	880	-477
Other revenues		11	0	17	34
Total revenues		9 662	7 910	27 989	25 998
Expenses					
Claims and claim adjustment expenses	3	-2 778	-2 415	-7 896	-7 310
Life and health benefits	3	-2 589	-2 330	-7 750	-6 713
Return credited to policyholders		-274	1 029	-1 037	160
Acquisition costs	3	-1 563	-1 589	-4 377	-4 780
Other expenses		-634	-764	-2 240	-2 367
Interest expenses		-185	-141	-564	-438
Total expenses		-8 023	-6 210	-23 864	-21 448
Income before income tax expense		1 639	1 700	4 125	4 550
Income tax expense		-395	-284	-817	-834
Net income before attribution of non-controlling interests		1 244	1 416	3 308	3 716
Income/loss attributable to non-controlling interests		0	0	-1	-6
Net income after attribution of non-controlling interests		1 244	1 416	3 307	3 710
Interest on contingent capital instruments		-17	-17	-52	-51
Net income attributable to common shareholders		1 227	1 399	3 255	3 659
Earnings per share in USD					
Basic	11	3.59	4.09	9.51	10.69
Diluted	11	3.29	3.73	8.73	9.77
Earnings per share in CHF²					
Basic	11	3.21	3.90	8.52	10.19
Diluted	11	2.95	3.55	7.83	9.31

¹ Total impairments for the three months ended 30 September were USD 18 million in 2014 and USD 16 million in 2015, of which USD 18 million and USD 16 million, respectively, were recognised in earnings. Total impairments for the nine months ended 30 September were USD 31 million in 2014 and USD 27 million in 2015, of which USD 31 million and USD 27 million, respectively, were recognised in earnings.

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

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

Statement of comprehensive income

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Net income before attribution of non-controlling interests	1 244	1 416	3 308	3 716
Other comprehensive income, net of tax:				
Change in unrealised investment gains/losses	356	-425	2 083	-2 009
Change in other-than-temporary impairment			4	1
Change in foreign currency translation	-533	-276	-353	-911
Change in adjustment for pension benefits	41	-286	45	-249
Total comprehensive income before attribution of non-controlling interests	1 108	429	5 087	548
Interest on contingent capital instruments	-17	-17	-52	-51
Comprehensive income attributable to non-controlling interests			-1	-6
Total comprehensive income attributable to common shareholders	1 091	412	5 034	491

Reclassification out of accumulated other comprehensive income

For the three months ended 30 September

2014 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 July	3 349	-2	-3 717	-530	-900
Change during the period	740		-389	45	396
Amounts reclassified out of accumulated other comprehensive income	-262			8	-254
Tax	-122		-144	-12	-278
Balance as of period end	3 705	-2	-4 250	-489	-1 036

2015 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 July	3 834	-2	-5 310	-788	-2 266
Change during the period	-300		-258	-380	-938
Amounts reclassified out of accumulated other comprehensive income	-128			19	-109
Tax	3		-18	75	60
Balance as of period end	3 409	-2	-5 586	-1 074	-3 253

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

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

³ Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

Group financial statements (unaudited)

For the nine months ended 30 September

2014 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	1 622	-6	-3 897	-534	-2 815
Change during the period	3 829	6	-193	36	3 678
Amounts reclassified out of accumulated other comprehensive income	-971			29	-942
Tax	-775	-2	-160	-20	-957
Balance as of period end	3 705	-2	-4 250	-489	-1 036

2015 USD millions	Unrealised investment gains/losses ¹	Other-than- temporary impairment ¹	Foreign currency translation ^{1,2}	Adjustment from pension benefits ³	Accumulated other comprehensive income
Balance as of 1 January	5 418	-3	-4 675	-825	-85
Change during the period	-1 384	2	-822	-369	-2 573
Amounts reclassified out of accumulated other comprehensive income	-1 368			56	-1 312
Tax	743	-1	-89	64	717
Balance as of period end	3 409	-2	-5 586	-1 074	-3 253

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

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

³ Reclassification adjustment included in net income is presented in the "Other expenses" line.

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

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Balance sheet

Assets

USD millions	Note	31.12.2014	30.09.2015
Investments	6, 7, 8		
Fixed income securities:			
Available-for-sale, at fair value (including 12 677 in 2014 and 13 292 in 2015 subject to securities lending and repurchase agreements) (amortised cost: 2014: 77 867; 2015: 77 573)		84 450	81 864
Trading (including 645 in 2014 and 1 770 in 2015 subject to securities lending and repurchase agreements)		2 219	3 093
Equity securities:			
Available-for-sale, at fair value (including 311 in 2014 and 499 in 2015 subject to securities lending and repurchase agreements) (cost: 2014: 3 133; 2015: 4 506)		4 024	4 839
Trading		65	67
Policy loans, mortgages and other loans		3 205	3 136
Investment real estate		888	1 407
Short-term investments, at fair value (including 3 217 in 2014 and 2 179 in 2015 subject to securities lending and repurchase agreements)		14 127	7 856
Other invested assets		9 684	10 266
Investments for unit-linked and with-profit business (including fixed income securities trading: 3 680 in 2014 and 3 972 in 2015, equity securities trading: 20 045 in 2014 and 22 676 in 2015)		25 325	28 126
Total investments		143 987	140 654
Cash and cash equivalents (including 65 in 2014 and 160 in 2015 subject to securities lending)		7 471	6 303
Accrued investment income		1 049	879
Premiums and other receivables		12 265	13 215
Reinsurance recoverable on unpaid claims and policy benefits		6 950	6 746
Funds held by ceding companies		11 222	10 119
Deferred acquisition costs	5	4 840	5 484
Acquired present value of future profits	5	3 297	3 074
Goodwill		4 025	3 903
Income taxes recoverable		212	259
Deferred tax assets		6 118	6 145
Other assets		3 025	3 546
Total assets		204 461	200 327

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

Liabilities and equity

USD millions	Note	31.12.2014	30.09.2015
Liabilities			
Unpaid claims and claim adjustment expenses		57 954	56 122
Liabilities for life and health policy benefits	7	33 605	30 874
Policyholder account balances		29 242	31 458
Unearned premiums		10 576	11 931
Funds held under reinsurance treaties		3 385	2 934
Reinsurance balances payable		2 115	1 988
Income taxes payable		909	695
Deferred and other non-current tax liabilities		9 445	8 703
Short-term debt	10	1 701	1 862
Accrued expenses and other liabilities		6 873	8 779
Long-term debt	10	12 615	11 162
Total liabilities		168 420	166 508
Equity			
Contingent capital instruments		1 102	1 102
Common shares, CHF 0.10 par value			
2014: 370 706 931; 2015: 370 706 931 shares authorised and issued ¹		35	35
Additional paid-in capital		1 806	467
Treasury shares, net of tax		-1 185	-1 213
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 418	3 409
Other-than-temporary impairment, net of tax		-3	-2
Foreign currency translation, net of tax		-4 675	-5 586
Adjustment for pension and other post-retirement benefits, net of tax		-825	-1 074
Total accumulated other comprehensive income		-85	-3 253
Retained earnings		34 257	36 588
Shareholders' equity		35 930	33 726
Non-controlling interests		111	93
Total equity		36 041	33 819
Total liabilities and equity		204 461	200 327

¹ Please refer to Note 11 "Earnings per share" for details on the number of shares authorised and issued.

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

Statement of shareholders' equity

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

USD millions	2014	2015
Contingent capital instruments		
Balance as of 1 January	1 102	1 102
Issued		
Balance as of period end	1 102	1 102
Common shares		
Balance as of 1 January	35	35
Issue of common shares		
Balance as of period end	35	35
Additional paid-in capital		
Balance as of 1 January	4 963	1 806
Share-based compensation	-34	3
Realised gains/losses on treasury shares	6	-62
Dividends on common shares ¹	-3 129	-1 280
Balance as of period end	1 806	467
Treasury shares, net of tax		
Balance as of 1 January	-1 099	-1 185
Purchase of treasury shares	-223	-135
Issuance of treasury shares, including share-based compensation to employees	137	107
Balance as of period end	-1 185	-1 213
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	1 622	5 418
Changes during the period	3 796	-2 009
Balance as of period end	5 418	3 409
Other-than-temporary impairment, net of tax		
Balance as of 1 January	-6	-3
Changes during the period	3	1
Balance as of period end	-3	-2
Foreign currency translation, net of tax		
Balance as of 1 January	-3 897	-4 675
Changes during the period	-778	-911
Balance as of period end	-4 675	-5 586
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	-534	-825
Changes during the period	-291	-249
Balance as of period end	-825	-1 074
Retained earnings		
Balance as of 1 January	30 766	34 257
Net income after attribution of non-controlling interests	3 569	3 710
Interest on contingent capital instruments, net of tax	-69	-51
Purchase of non-controlling interests	-9	
Dividends on common shares ¹		-1 328
Balance as of period end	34 257	36 588
Shareholders' equity	35 930	33 726
Non-controlling interests		
Balance as of 1 January	25	111
Changes during the period	86	-24
Income attributable to non-controlling interests		6
Balance as of period end	111	93
Total equity	36 041	33 819

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

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

Statement of cash flow

For the nine months ended 30 September

USD millions	2014	2015
Cash flows from operating activities		
Net income attributable to common shareholders	3 255	3 659
Add net income attributable to non-controlling interests	1	6
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	293	452
Net realised investment gains/losses	-704	-107
Income from equity-accounted investees, net of dividends received	-42	55
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	-1 301	-2 883
Funds held by ceding companies and under reinsurance treaties	429	210
Reinsurance recoverable on unpaid claims and policy benefits	998	557
Other assets and liabilities, net	-399	-70
Income taxes payable/recoverable	403	-151
Trading positions, net ¹	840	1 474
Net cash provided/used by operating activities	3 773	3 202
Cash flows from investing activities		
Fixed income securities:		
Sales	45 726	36 420
Maturities	2 945	3 641
Purchases	-57 264	-45 835
Net purchases/sales/maturities of short-term investments	3 976	5 455
Equity securities:		
Sales	6 168	1 311
Purchases	-2 266	-2 473
Securities purchased/sold under agreement to resell/repurchase, net ¹	1 941	-822
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	-166	404
Net purchases/sales/maturities of other investments ¹	-1 474	1 503
Net cash provided/used by investing activities	-414	-396
Cash flows from financing activities		
Issuance/repayment of long-term debt	1 516	211
Issuance/repayment of short-term debt	-2 424	-1 165
Purchase/sale of treasury shares	-204	-130
Dividends paid to shareholders	-3 129	-2 608
Net cash provided/used by financing activities	-4 241	-3 692
Total net cash provided/used	-882	-886
Effect of foreign currency translation	-112	-282
Change in cash and cash equivalents	-994	-1 168
Cash and cash equivalents as of 1 January	8 072	7 471
Cash and cash equivalents as of 30 September	7 078	6 303

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

Interest paid was USD 695 million and USD 516 million for the nine months ended 30 September 2014 and 2015, respectively.

Tax paid was USD 396 million and USD 973 million for the nine months ended 30 September 2014 and 2015, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations

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

Basis of presentation

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

Use of estimates in the preparation of financial statements

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

Valuation of financial assets

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

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgment over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 30 September 2015, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Subsequent events

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

Recent accounting guidance

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

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

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

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", an update to topic 860, "Transfers and Servicing". ASU 2014-11 requires entities to account for repurchase-to-maturity transactions as secured borrowings rather than as sales with forward repurchase agreements and eliminates previously issued accounting guidance on linked repurchase financing transactions. The ASU includes new disclosure requirements for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These requirements of ASU 2014-11 were adopted on 1 January 2015 and the adoption did not have an effect on the Group's financial statements. In addition, for transactions accounted for as secured borrowings, including repurchase agreements and securities lending transactions, the ASU requires entities to provide disclosures that disaggregate the related gross obligation by class of collateral pledged, disclose the remaining contractual maturity of the agreements and to provide information on the potential risks of these arrangements and related collateral pledged. In line with the specific effective date provided in the ASU, the Group adopted the new disclosure requirements for the interim period ending 30 June 2015 and applicable portions of the new disclosure requirements are provided in Note 6.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period", an update to topic 718, "Compensation – Stock Compensation". ASU 2014-12 states that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period is a performance condition, and therefore, the target is not reflected in the estimation

of the award's grant date fair value. Compensation cost for such an award would be recognised over the required service period if it is probable that the performance condition will be achieved. The Group adopted ASU 2014-12 on 1 January 2015. The adoption did not have an effect on the Group's financial statements.

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

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

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2 Information on business segments

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

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

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

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance

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

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

Corporate Solutions

Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from 50 offices worldwide.

Admin Re[®]

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

Group items

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

Consolidation

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

a) Business segments – income statement

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	4 305	2 858	903	118			8 184
Fee income from policyholders		15		113			128
Net investment income – non-participating	276	367	23	307	22	7	1 002
Net realised investment gains/losses – non-participating	-69	43	46	62	22		104
Net investment result – unit-linked and with-profit		49		184			233
Other revenues	16		1	1	87	-94	11
Total revenues	4 528	3 332	973	785	131	-87	9 662
Expenses							
Claims and claim adjustment expenses	-2 264		-513		-1		-2 778
Life and health benefits		-2 214		-375			-2 589
Return credited to policyholders		-59		-215			-274
Acquisition costs	-897	-501	-128	-37			-1 563
Other expenses	-143	-221	-176	-100	-79	85	-634
Interest expenses	-64	-113	-2	-5	-3	2	-185
Total expenses	-3 368	-3 108	-819	-732	-83	87	-8 023
Income before income tax expense	1 160	224	154	53	48	0	1 639
Income tax expense/benefit	-313	-52	-51	1	20		-395
Net income before attribution of non-controlling interests	847	172	103	54	68	0	1 244
Income/loss attributable to non-controlling interests							0
Net income after attribution of non-controlling interests	847	172	103	54	68	0	1 244
Interest on contingent capital instruments	-5	-12					-17
Net income attributable to common shareholders	842	160	103	54	68	0	1 227
Claims ratio in %	52.5		56.8				53.3
Expense ratio in %	24.2		33.7				25.8
Combined ratio in %	76.7		90.5				79.1
Management expense ratio in %		6.8					
Operating margin in %		9.2					

Business segments – income statement

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	4 108	2 761	796	98			7 763
Fee income from policyholders		10		76			86
Net investment income – non-participating	299	334	34	243	3	-1	912
Net realised investment gains/losses – non-participating	98	150	14	35	2		299
Net investment result – unit-linked and with-profit		-65		-1 085			-1 150
Other revenues	4	3	1		78	-86	0
Total revenues	4 509	3 193	845	-633	83	-87	7 910
Expenses							
Claims and claim adjustment expenses	-1 993		-423		1		-2 415
Life and health benefits		-2 160		-170			-2 330
Return credited to policyholders		62		967			1 029
Acquisition costs	-920	-483	-121	-65			-1 589
Other expenses	-290	-207	-178	-72	-97	80	-764
Interest expenses	-65	-67	-6	-5	-5	7	-141
Total expenses	-3 268	-2 855	-728	655	-101	87	-6 210
Income/loss before income tax expense	1 241	338	117	22	-18	0	1 700
Income tax expense/benefit	-223	-57	-33	-1	30		-284
Net income before attribution of non-controlling interests	1 018	281	84	21	12	0	1 416
Income/loss attributable to non-controlling interests	-1		1				0
Net income after attribution of non-controlling interests	1 017	281	85	21	12	0	1 416
Interest on contingent capital instruments	-4	-13					-17
Net income attributable to common shareholders	1 013	268	85	21	12	0	1 399
Claims ratio in %	48.5		53.1				49.2
Expense ratio in %	29.5		37.6				30.8
Combined ratio in %	78.0		90.7				80.0
Management expense ratio in %		6.7					
Operating margin in %		11.3					

Business segments – income statement

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	11 678	8 399	2 574	393			23 044
Fee income from policyholders		41		338			379
Net investment income – non-participating	814	1 196	67	956	80	8	3 121
Net realised investment gains/losses – non-participating	325	–68	121	143	27		548
Net investment result – unit-linked and with-profit		53		827			880
Other revenues	39	1	2	1	256	–282	17
Total revenues	12 856	9 622	2 764	2 658	363	–274	27 989
Expenses							
Claims and claim adjustment expenses	–6 335		–1 542		–19		–7 896
Life and health benefits		–6 715		–1 035			–7 750
Return credited to policyholders		–77		–960			–1 037
Acquisition costs	–2 502	–1 420	–341	–114			–4 377
Other expenses	–816	–666	–508	–274	–229	253	–2 240
Interest expenses	–190	–356	–2	–21	–16	21	–564
Total expenses	–9 843	–9 234	–2 393	–2 404	–264	274	–23 864
Income before income tax expense	3 013	388	371	254	99	0	4 125
Income tax expense/benefit	–612	–79	–122	–35	31		–817
Net income before attribution of non-controlling interests	2 401	309	249	219	130	0	3 308
Income/loss attributable to non-controlling interests	–1						–1
Net income after attribution of non-controlling interests	2 400	309	249	219	130	0	3 307
Interest on contingent capital instruments	–15	–37					–52
Net income attributable to common shareholders	2 385	272	249	219	130	0	3 255
Claims ratio in %	54.3		59.9				55.3
Expense ratio in %	28.4		33.0				29.2
Combined ratio in %	82.7		92.9				84.5
Management expense ratio in %		6.9					
Operating margin in %		8.8					

Business segments – income statement

For the nine months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Revenues							
Premiums earned	11 378	8 054	2 521	276			22 229
Fee income from policyholders		37		289			326
Net investment income – non-participating	850	1 019	96	716	16	3	2 700
Net realised investment gains/losses – non-participating	428	364	161	219	14		1 186
Net investment result – unit-linked and with-profit		-24		-453			-477
Other revenues	44	3	8		239	-260	34
Total revenues	12 700	9 453	2 786	1 047	269	-257	25 998
Expenses							
Claims and claim adjustment expenses	-5 889		-1 420		-1		-7 310
Life and health benefits		-6 152		-561			-6 713
Return credited to policyholders		9		151			160
Acquisition costs	-2 867	-1 468	-349	-96			-4 780
Other expenses	-894	-635	-547	-250	-282	241	-2 367
Interest expenses	-198	-211	-18	-12	-15	16	-438
Total expenses	-9 848	-8 457	-2 334	-768	-298	257	-21 448
Income/loss before income tax expense	2 852	996	452	279	-29	0	4 550
Income tax expense/benefit	-563	-196	-123	-9	57		-834
Net income before attribution of non-controlling interests	2 289	800	329	270	28	0	3 716
Income/loss attributable to non-controlling interests	-1		-5				-6
Net income after attribution of non-controlling interests	2 288	800	324	270	28	0	3 710
Interest on contingent capital instruments	-14	-37					-51
Net income attributable to common shareholders	2 274	763	324	270	28	0	3 659
Claims ratio in %	51.7		56.4				52.6
Expense ratio in %	33.1		35.5				33.5
Combined ratio in %	84.8		91.9				86.1
Management expense ratio in %		7.0					
Operating margin in %		10.7					

Notes to the Group financial statements (unaudited)

Business segments – balance sheet

As of 31 December

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

Business segments – balance sheet

As of 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Fixed income securities	32 811	29 825	6 084	16 218	19		84 957
Equity securities	2 338	899	956		713		4 906
Other investments	10 811	2 243	174	1 556	7 629	-7 604	14 809
Short-term investments	4 304	1 018	1 008	665	861		7 856
Investments for unit-linked and with-profit business		790		27 336			28 126
Cash and cash equivalents	3 705	293	653	1 587	65		6 303
Deferred acquisition costs	2 109	3 026	348	1			5 484
Acquired present value of future profits		1 187		1 887			3 074
Reinsurance recoverable	3 008	1 600	7 102	934		-5 898	6 746
Other re/insurance assets	10 942	8 006	2 392	3 484	3	-1 493	23 334
Goodwill	1 891	1 904	108				3 903
Other	10 344	5 991	1 022	1 376	514	-8 418	10 829
Total assets	82 263	56 782	19 847	55 044	9 804	-23 413	200 327
Liabilities							
Unpaid claims and claim adjustment expenses	40 135	9 535	11 147	1 067		-5 762	56 122
Liabilities for life and health policy benefits		15 693	257	14 930		-6	30 874
Policyholder account balances		1 347		30 242		-131	31 458
Other re/insurance liabilities	11 443	2 399	4 380	437	3	-1 809	16 853
Short-term debt	1 007	4 611			529	-4 285	1 862
Long-term debt	4 122	7 302	496	830		-1 588	11 162
Other	12 993	9 323	1 212	2 182	2 296	-9 829	18 177
Total liabilities	69 700	50 210	17 492	49 688	2 828	-23 410	166 508
Shareholders' equity	12 540	6 572	2 285	5 356	6 976	-3	33 726
Non-controlling interests	23		70				93
Total equity	12 563	6 572	2 355	5 356	6 976	-3	33 819
Total liabilities and equity	82 263	56 782	19 847	55 044	9 804	-23 413	200 327

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

For the three months ended 30 September

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

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

Property & Casualty Reinsurance business segment – by line of business

For the nine months ended 30 September

2014 USD millions	Property	Casualty	Specialty	Total
Premiums earned	5 095	4 796	1 787	11 678
Expenses				
Claims and claim adjustment expenses	-2 210	-3 474	-651	-6 335
Acquisition costs	-779	-1 351	-372	-2 502
Other expenses	-454	-268	-94	-816
Total expenses before interest expenses	-3 443	-5 093	-1 117	-9 653
Underwriting result	1 652	-297	670	2 025
Net investment income				814
Net realised investment gains/losses				325
Other revenues				39
Interest expenses				-190
Income before income tax expenses				3 013
Claims ratio in %	43.4	72.4	36.4	54.3
Expense ratio in %	24.2	33.8	26.1	28.4
Combined ratio in %	67.6	106.2	62.5	82.7

2015 USD millions	Property	Casualty	Specialty	Total
Premiums earned	4 638	4 939	1 801	11 378
Expenses				
Claims and claim adjustment expenses	-1 989	-3 025	-875	-5 889
Acquisition costs	-889	-1 522	-456	-2 867
Other expenses	-503	-277	-114	-894
Total expenses before interest expenses	-3 381	-4 824	-1 445	-9 650
Underwriting result	1 257	115	356	1 728
Net investment income				850
Net realised investment gains/losses				428
Other revenues				44
Interest expenses				-198
Income before income tax expenses				2 852
Claims ratio in %	42.9	61.3	48.6	51.7
Expense ratio in %	30.0	36.4	31.6	33.1
Combined ratio in %	72.9	97.7	80.2	84.8

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

For the three months ended 30 September

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

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

Life & Health Reinsurance business segment – by line of business

For the three months ended 30 September

2015				
USD millions		Life	Health	Total
Revenues				
Premiums earned		1 799	962	2 761
Fee income from policyholders		10		10
Net investment income – non-participating		216	118	334
Net investment income – unit-linked and with-profit		20		20
Net realised investment gains/losses – unit-linked and with-profit		-85		-85
Net realised investment gains/losses – insurance-related derivatives		67	42	109
Other revenues		3		3
Total revenues before non-participating realised gains/losses		2 030	1 122	3 152
Expenses				
Life and health benefits		-1 423	-737	-2 160
Return credited to policyholders		62		62
Acquisition costs		-326	-157	-483
Other expenses		-146	-61	-207
Total expenses before interest expenses		-1 833	-955	-2 788
Operating income		197	167	364
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives				41
Interest expenses				-67
Income before income tax expenses				338
Management expense ratio in %		7.2	5.6	6.7
Operating margin ¹ in %		9.4	14.9	11.3

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

Life & Health Reinsurance business segment – by line of business

For the nine months ended 30 September

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

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

Life & Health Reinsurance business segment – by line of business

For the nine months ended 30 September

2015			
USD millions	Life	Health	Total
Revenues			
Premiums earned	5 251	2 803	8 054
Fee income from policyholders	37		37
Net investment income – non-participating	662	357	1 019
Net investment income – unit-linked and with-profit	28		28
Net realised investment gains/losses – unit-linked and with-profit	–52		–52
Net realised investment gains/losses – insurance-related derivatives	100	43	143
Other revenues	3		3
Total revenues before non-participating realised gains/losses	6 029	3 203	9 232
Expenses			
Life and health benefits	–4 139	–2 013	–6 152
Return credited to policyholders	9		9
Acquisition costs	–934	–534	–1 468
Other expenses	–452	–183	–635
Total expenses before interest expenses	–5 516	–2 730	–8 246
Operating income	513	473	986
Net realised investment gains/losses – non-participating and excluding insurance-related derivatives			221
Interest expenses			–211
Income before income tax expenses			996
Management expense ratio in %	7.6	5.8	7.0
Operating margin ¹ in %	8.5	14.8	10.7

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

3 Insurance information

Premiums earned and fees assessed against policyholders

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		189	725	156		1 070
Reinsurance	4 510	2 903	212	41		7 666
Intra-group transactions (assumed and ceded)	-8	69	8	-69		0
Premiums earned before retrocession to external parties						
	4 502	3 161	945	128		8 736
Retrocession to external parties	-197	-303	-42	-10		-552
Net premiums earned	4 305	2 858	903	118	0	8 184

Fee income from policyholders, thereof:

Direct				91		91
Reinsurance		16		22		38
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		16		113		129
Retrocession to external parties		-1				-1
Net fee income	0	15	0	113	0	128

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		188	665	126		979
Reinsurance	4 192	2 856	212	36		7 296
Intra-group transactions (assumed and ceded)	35	58	-35	-58		0
Premiums earned before retrocession to external parties						
	4 227	3 102	842	104		8 275
Retrocession to external parties	-119	-341	-46	-6		-512
Net premiums earned	4 108	2 761	796	98	0	7 763
Fee income from policyholders, thereof:						
Direct				58		58
Reinsurance		11		18		29
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		11		76		87
Retrocession to external parties		-1				-1
Net fee income	0	10	0	76	0	86

Premiums earned and fees assessed against policyholders

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		574	2 066	509		3 149
Reinsurance	12 209	8 541	486	125		21 361
Intra-group transactions (assumed and ceded)	-141	208	141	-208		0
Premiums earned before retrocession to external parties						
	12 068	9 323	2 693	426		24 510
Retrocession to external parties	-390	-924	-119	-33		-1 466
Net premiums earned	11 678	8 399	2 574	393	0	23 044
Fee income from policyholders, thereof:						
Direct				271		271
Reinsurance		42		67		109
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		42		338		380
Retrocession to external parties		-1				-1
Net fee income	0	41	0	338	0	379

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Premiums earned, thereof:						
Direct		553	2 046	377		2 976
Reinsurance	11 542	8 357	650	105		20 654
Intra-group transactions (assumed and ceded)	44	182	-44	-182		0
Premiums earned before retrocession to external parties						
	11 586	9 092	2 652	300		23 630
Retrocession to external parties	-208	-1 038	-131	-24		-1 401
Net premiums earned	11 378	8 054	2 521	276	0	22 229
Fee income from policyholders, thereof:						
Direct				225		225
Reinsurance		38		64		102
Intra-group transactions (assumed and ceded)						0
Gross fee income before retrocession to external parties						
		38		289		327
Retrocession to external parties		-1				-1
Net fee income	0	37	0	289	0	326

Notes to the Group financial statements (unaudited)

Claims and claim adjustment expenses

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-2 259	-2 229	-609	-530		-5 627
Intra-group transactions (assumed and ceded)	-156	-60	156	60		0
Claims before retrocession to external parties						
Retrocession to external parties	209	319	93	11		632
Net claims paid	-2 206	-1 970	-360	-459	0	-4 995
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	-19	-190	119	86	-1	-5
Intra-group transactions (assumed and ceded)	221	-3	-221	3		0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties						
Retrocession to external parties	-260	-51	-51	-5		-367
Net unpaid claims and claim adjustment expenses; life and health benefits	-58	-244	-153	84	-1	-372
Claims and claim adjustment expenses; life and health benefits	-2 264	-2 214	-513	-375	-1	-5 367

Acquisition costs

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-940	-547	-127	-37		-1 651
Intra-group transactions (assumed and ceded)	7		-7			0
Acquisition costs before retrocession to external parties						
Retrocession to external parties	36	46	6	-37		88
Net acquisition costs	-897	-501	-128	-37	0	-1 563

Claims and claim adjustment expenses

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-2 356	-2 377	-682	-461		-5 876
Intra-group transactions (assumed and ceded)	-147	-52	147	52		0
Claims before retrocession to external parties	-2 503	-2 429	-535	-409		-5 876
Retrocession to external parties	138	317	91	14		560
Net claims paid	-2 365	-2 112	-444	-395	0	-5 316
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	308	12	193	213	1	727
Intra-group transactions (assumed and ceded)	176	-18	-176	18		0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	484	-6	17	231	1	727
Retrocession to external parties	-112	-42	4	-6		-156
Net unpaid claims and claim adjustment expenses; life and health benefits	372	-48	21	225	1	571
Claims and claim adjustment expenses; life and health benefits	-1 993	-2 160	-423	-170	1	-4 745

Acquisition costs

For the three months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-949	-545	-128	-66		-1 688
Intra-group transactions (assumed and ceded)	1	-1	-1	1		0
Acquisition costs before retrocession to external parties	-948	-546	-129	-65		-1 688
Retrocession to external parties	28	63	8			99
Net acquisition costs	-920	-483	-121	-65	0	-1 589

Notes to the Group financial statements (unaudited)

Claims and claim adjustment expenses

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-7 690	-6 822	-1 546	-1 600	-6	-17 664
Intra-group transactions (assumed and ceded)	-319	-183	319	183		0
Claims before retrocession to external parties						
Retrocession to external parties	813	902	273	48		2 036
Net claims paid	-7 196	-6 103	-954	-1 369	-6	-15 628
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	1 358	-588	-139	359	-13	977
Intra-group transactions (assumed and ceded)	303	11	-303	-11		0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties						
Retrocession to external parties	-800	-35	-146	-14		-995
Net unpaid claims and claim adjustment expenses; life and health benefits	861	-612	-588	334	-13	-18
Claims and claim adjustment expenses; life and health benefits	-6 335	-6 715	-1 542	-1 035	-19	-15 646

Acquisition costs

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-2 612	-1 561	-338	-116		-4 627
Intra-group transactions (assumed and ceded)	23	-1	-23	1		0
Acquisition costs before retrocession to external parties						
Retrocession to external parties	87	142	20	1		250
Net acquisition costs	-2 502	-1 420	-341	-114	0	-4 377

Claims and claim adjustment expenses

For the nine months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	-6 831	-7 163	-1 727	-1 365	-39	-17 125
Intra-group transactions (assumed and ceded)	-212	-159	212	159		0
Claims before retrocession to external parties	-7 043	-7 322	-1 515	-1 206	-39	-17 125
Retrocession to external parties	447	902	204	37		1 590
Net claims paid	-6 596	-6 420	-1 311	-1 169	-39	-15 535
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	813	303	269	625	38	2 048
Intra-group transactions (assumed and ceded)	339	4	-339	-4		0
Unpaid claims and claim adjustment expenses; life and health benefits before retrocession to external parties	1 152	307	-70	621	38	2 048
Retrocession to external parties	-445	-39	-39	-13		-536
Net unpaid claims and claim adjustment expenses; life and health benefits	707	268	-109	608	38	1 512
Claims and claim adjustment expenses; life and health benefits	-5 889	-6 152	-1 420	-561	-1	-14 023

Acquisition costs

For the nine months ended 30 September

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Acquisition costs, thereof:						
Gross acquisition costs with external parties	-2 915	-1 653	-373	-99		-5 040
Intra-group transactions (assumed and ceded)	-4	-2	4	2		0
Acquisition costs before retrocession to external parties	-2 919	-1 655	-369	-97		-5 040
Retrocession to external parties	52	187	20	1		260
Net acquisition costs	-2 867	-1 468	-349	-96	0	-4 780

Reinsurance receivables

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

USD millions	2014	2015
Premium receivables invoiced	1 355	2 224
Receivables invoiced from ceded re/insurance business	341	419
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	779	149
Recognised allowance	-86	-81

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. In the nine months ended 30 September 2014 and 2015, the relative percentage of participating insurance of the life and health policy benefits was 8%. The amount of policyholder dividend expense for the three months ended 30 September 2014 and 2015 was USD 19 million and USD 38 million, respectively. For the nine months ended 30 September 2014 and 2015, the policyholder dividend expense amounted to USD 73 million and USD 96 million, respectively.

4 Premiums written

For the three months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		137	790	156			1 083
Reinsurance	3 578	2 841	320	41			6 780
Intra-group transactions (assumed)	109	70	119			-298	0
Gross premiums written	3 687	3 048	1 229	197		-298	7 863
Intra-group transactions (ceded)	-119		-109	-70		298	0
Gross premiums written before retrocession to external parties	3 568	3 048	1 120	127			7 863
Retrocession to external parties	-16	-301	-28	-10			-355
Net premiums written	3 552	2 747	1 092	117	0	0	7 508

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		119	785	126			1 030
Reinsurance	3 711	2 809	229	36			6 785
Intra-group transactions (assumed)	39	59	42			-140	0
Gross premiums written	3 750	2 987	1 056	162		-140	7 815
Intra-group transactions (ceded)	-42		-39	-59		140	0
Gross premiums written before retrocession to external parties	3 708	2 987	1 017	103			7 815
Retrocession to external parties	-22	-338	-34	-6			-400
Net premiums written	3 686	2 649	983	97	0	0	7 415

Notes to the Group financial statements (unaudited)

For the nine months ended 30 September

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		602	2 115	519			3 236
Reinsurance	13 718	8 581	664	125			23 088
Intra-group transactions (assumed)	297	209	254			-760	0
Gross premiums written	14 015	9 392	3 033	644		-760	26 324
Intra-group transactions (ceded)	-254		-297	-209		760	0
Gross premiums written before retrocession to external parties							
	13 761	9 392	2 736	435			26 324
Retrocession to external parties	-171	-920	-90	-33			-1 214
Net premiums written	13 590	8 472	2 646	402	0	0	25 110

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Gross premiums written, thereof:							
Direct		590	2 043	375			3 008
Reinsurance	13 169	8 373	606	105			22 253
Intra-group transactions (assumed)	231	182	125			-538	0
Gross premiums written	13 400	9 145	2 774	480		-538	25 261
Intra-group transactions (ceded)	-125		-231	-182		538	0
Gross premiums written before retrocession to external parties							
	13 275	9 145	2 543	298			25 261
Retrocession to external parties	-172	-1 033	-118	-24			-1 347
Net premiums written	13 103	8 112	2 425	274	0	0	23 914

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

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

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

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Total
Opening balance as of 1 January 2015	1 756	2 723	360	1	4 840
Deferred	3 219	967	334		4 520
Effect of acquisitions/disposals and retrocessions	7	3			10
Amortisation	-2 832	-519	-350		-3 701
Effect of foreign currency translation	-41	-148	4		-185
Closing balance as of 30 September 2015	2 109	3 026	348	1	5 484

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

As of 31 December 2014 and 30 September 2015, the PVFP was as follows:

USD millions	2014			2015		
	Life & Health Reinsurance	Admin Re®	Total	Life & Health Reinsurance	Admin Re®	Total
Opening balance	1 451	2 086	3 537	1 294	2 003	3 297
Effect of acquisitions/disposals and retrocessions		165	165		2	2
Amortisation	-156	-261	-417	-109	-148	-257
Interest accrued on unamortised PVFP	44	103	147	28	63	91
Effect of foreign currency translation	-45	-90	-135	-26	-41	-67
Effect of change in unrealised gains/losses			0		8	8
Closing balance	1 294	2 003	3 297	1 187	1 887	3 074

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

6 Investments

Investment income

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

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Fixed income securities	698	632	2 104	1 908
Equity securities	21	30	85	80
Policy loans, mortgages and other loans	33	32	99	95
Investment real estate	37	42	109	115
Short-term investments	28	16	84	61
Other current investments	41	39	105	102
Share in earnings of equity-accounted investees	68	29	260	135
Cash and cash equivalents	9	7	30	26
Net result from deposit-accounted contracts	31	56	104	105
Deposits with ceding companies	130	136	432	350
Gross investment income	1 096	1 019	3 412	2 977
Investment expenses	-88	-99	-266	-261
Interest charged for funds held	-6	-8	-25	-16
Net investment income – non-participating	1 002	912	3 121	2 700

Dividends received from investments accounted for using the equity method were USD 45 million and USD 57 million for the three months ended 30 September 2014 and 2015, respectively, as well as USD 218 million and USD 190 million for the nine months ended 30 September 2014 and 2015, respectively.

Realised gains and losses

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

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Fixed income securities available-for-sale:				
Gross realised gains	220	215	648	741
Gross realised losses	-33	-87	-210	-246
Equity securities available-for-sale:				
Gross realised gains	178	49	627	290
Gross realised losses	-12	-20	-49	-44
Other-than-temporary impairments	-18	-16	-31	-27
Net realised investment gains/losses on trading securities	2	21	15	62
Change in net unrealised investment gains/losses on trading securities	20	7	61	17
Net realised/unrealised gains/losses on other investments	-147	-25	-346	89
Net realised/unrealised gains/losses on insurance-related activities	-7	107	-3	192
Foreign exchange gains/losses	-99	48	-164	112
Net realised investment gains/losses – non-participating	104	299	548	1 186

Investment result – unit-linked and with-profit business

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

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

USD millions	Three months ended 30 September				Nine months ended 30 September			
	2014		2015		2014		2015	
	Unit-linked	With-profit	Unit-linked	With-profit	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	27	27	21	19	86	73	63	60
Investment income – equity securities	148	7	139	8	508	26	421	23
Investment income – other	10	6	8	2	18	13	24	11
Total investment income – unit-linked and with-profit business	185	40	168	29	612	112	508	94
Realised gains/losses – fixed income securities	35	44	12	17	71	90	-35	-35
Realised gains/losses – equity securities	-64	-8	-1 323	-69	5	-6	-982	-57
Realised gains/losses – other	1		11	5	10	-14	20	10
Total realised gains/losses – unit-linked and with-profit business	-28	36	-1 300	-47	86	70	-997	-82
Total net investment result – unit-linked and with-profit business	157	76	-1 132	-18	698	182	-489	12

Impairment on fixed income securities related to credit losses

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

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

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

USD millions	2014	2015
Balance as of 1 January	228	137
Credit losses for which an other-than-temporary impairment was not previously recognised		4
Reductions for securities sold during the period	-61	-18
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery		6
Impact of increase in cash flows expected to be collected	-19	-7
Impact of foreign exchange movements	4	-3
Balance as of 30 September	152	119

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2014 and 30 September 2015 were as follows:

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

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 864	719	-48		13 535
US Agency securitised products	2 802	42	-16		2 828
States of the United States and political subdivisions of the states	1 201	52	-13		1 240
United Kingdom	7 714	1 052	-12		8 754
Canada	3 962	507	-38		4 431
Germany	3 186	303	-22		3 467
France	2 203	274	-11		2 466
Other	7 583	287	-142		7 728
Total	41 515	3 236	-302		44 449
Corporate debt securities	30 849	1 614	-410	-1	32 052
Mortgage- and asset-backed securities	5 209	177	-22	-1	5 363
Fixed income securities available-for-sale	77 573	5 027	-734	-2	81 864
Equity securities available-for-sale	4 506	588	-255		4 839

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

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December 2014 and 30 September 2015 were as follows:

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

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December 2014 and 30 September 2015 were as follows:

USD millions	2014		2015	
	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	1 870	1 810	2 238	1 734
Equity securities trading	19 054	991	21 774	902
Investment real estate	736	429	719	379
Other invested assets	435		380	
Total investments for unit-linked and with-profit business	22 095	3 230	25 111	3 015

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2014 and 30 September 2015, USD 11 579 million and USD 12 702 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	2014		2015	
	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 749	4 757	4 311	4 340
Due after one year through five years	17 920	18 459	20 947	21 337
Due after five years through ten years	17 300	18 329	16 679	17 383
Due after ten years	32 334	37 137	30 658	33 675
Mortgage- and asset-backed securities with no fixed maturity	5 564	5 768	4 978	5 129
Total fixed income securities available-for-sale	77 867	84 450	77 573	81 864

Assets pledged

As of 30 September 2015, investments with a carrying value of USD 7 236 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 9 390 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2014 and 30 September 2015, securities of USD 16 915 million and USD 17 900 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 951 million and USD 1 934 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 30 September 2015, a real estate portfolio with a carrying value of USD 229 million serves as collateral for short-term senior operational debt of USD 256 million.

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

As of 31 December 2014 and 30 September 2015, the fair value of the equity securities, the government and corporate debt securities received as collateral was USD 3 907 million and USD 5 748 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2014 and 30 September 2015 was USD 494 million and USD 1 492 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December 2014 and 30 September 2015 was as follows:

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

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

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	3 444	-2 667	777	-127	650
Reverse repurchase agreements	5 571	-2 159	3 412	-3 412	0
Securities borrowing	16		16	-16	0
Total	9 031	-4 826	4 205	-3 555	650

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	-2 798	2 073	-725	106	-619
Repurchase agreements	-2 717	1 634	-1 083	1 083	0
Securities lending	-1 376	525	-851	777	-74
Total	-6 891	4 232	-2 659	1 966	-693

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

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

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

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

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

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2014 and 30 September 2015. As of 31 December 2014 and 30 September 2015, USD 52 million and USD 231 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 16 million and USD 24 million, respectively, to declines in value for more than 12 months.

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

2015 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	2 217	48			2 217	48
US Agency securitised products	932	13	279	3	1 211	16
States of the United States and political subdivisions of the states	319	12	4	1	323	13
United Kingdom	835	11	51	1	886	12
Canada	1 124	20	88	18	1 212	38
Germany	687	17	81	5	768	22
France	240	7	23	4	263	11
Other	2 388	112	168	30	2 556	142
Total	8 742	240	694	62	9 436	302
Corporate debt securities	9 725	370	313	41	10 038	411
Mortgage- and asset-backed securities	1 192	17	216	6	1 408	23
Total	19 659	627	1 223	109	20 882	736

Mortgages, loans and real estate

As of 31 December 2014 and 30 September 2015, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2014	2015
Policy loans	252	93
Mortgage loans	1 888	1 988
Other loans	1 065	1 055
Investment real estate	888	1 407

The fair value of the real estate as of 31 December 2014 and 30 September 2015 was USD 2 482 million and USD 3 121 million, respectively. The carrying value of policy loans, mortgages and other loans approximates fair value.

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

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

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7 Fair value disclosures

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

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

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

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (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); and (iv) inputs derived from, or corroborated by, observable market data.

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

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

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

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

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

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For the nine months ended 30 September 2015, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

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

Valuation techniques

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

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

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

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

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

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Substantially all these investments are classified as level 3 due to the lack of observable prices and significant judgment required in valuation. Valuation of direct private equity investments requires significant management judgment due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in the private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions).

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

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

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

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

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

Governance around level 3 fair valuation

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2014 and 30 September 2015, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

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

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

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

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting ¹	Total
Assets					
Fixed income securities held for proprietary investment purposes	13 782	70 768	407		84 957
Debt securities issued by US government and government agencies	13 782	1 822			15 604
US Agency securitised products		2 842			2 842
Debt securities issued by non-US governments and government agencies		28 903			28 903
Corporate debt securities		31 703	395		32 098
Mortgage- and asset-backed securities		5 498	12		5 510
Fixed income securities backing unit-linked and with-profit business		3 972			3 972
Equity securities held for proprietary investment purposes	4 871		35		4 906
Equity securities backing unit-linked and with-profit business	22 666	10			22 676
Short-term investments held for proprietary investment purposes	3 464	4 392			7 856
Short-term investments backing unit-linked and with-profit business		54			54
Derivative financial instruments	18	2 919	507	-2 667	777
Interest rate contracts	3	1 894			1 897
Foreign exchange contracts		313			313
Equity contracts	12	704	375		1 091
Credit contracts		2	1		3
Other contracts	3	6	131		140
Other invested assets	690	149	1 740		2 579
Funds held by ceding companies ²		242			242
Total assets at fair value	45 491	82 506	2 689	-2 667	128 019
Liabilities					
Derivative financial instruments	-24	-2 171	-603	2 073	-725
Interest rate contracts	-3	-1 413			-1 416
Foreign exchange contracts		-162			-162
Equity contracts	-21	-591	-43		-655
Credit contracts			-14		-14
Other contracts		-5	-546		-551
Liabilities for life and health policy benefits			-179		-179
Accrued expenses and other liabilities	-935	-1 614			-2 549
Total liabilities at fair value	-959	-3 785	-782	2 073	-3 453

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

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

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

As of 31 December 2014 and 30 September 2015, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs was as follows:

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

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

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	401	39	521	1 812	2 773	-757	-187	-944
Realised/unrealised gains/losses:								
Included in net income	4		46	2	52	112	8	120
Included in other comprehensive income	-8	-4		28	16			0
Purchases	7		27	144	178			0
Issuances					0	-50		-50
Sales	-40		-21	-302	-363	15		15
Settlements	-23		-74		-97	78		78
Transfers into level 3 ¹	67		8	70	145	-1		-1
Transfers out of level 3 ¹					0			0
Impact of foreign exchange movements	-1			-14	-15			0
Closing balance as of 30 September	407	35	507	1 740	2 689	-603	-179	-782

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

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

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

USD millions	2014	2015
Gains/losses included in net income for the period	353	172
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	241	-8

Quantitative information about level 3 fair value measurements

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

USD millions	2014 Fair value	2015 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	388	395			
Private placement corporate debt	317	274	Corporate Spread Matrix	Illiquidity premium	15 bps–186 bps (52 bps)
Private placement credit tenant leases	71	51	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (131 bps)
Infrastructure loan		67	Discounted Cash Flow Model	Valuation spread	171 bps (n.a.)
Derivative equity contracts	396	375			
OTC equity option referencing correlated equity indices	396	375	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Liabilities					
Derivative equity contracts	–130	–43			
OTC equity option referencing correlated equity indices	–46	–43	Proprietary Option Model	Correlation	–50%–100% (25%) ¹
Other derivative contracts and liabilities for life and health policy benefits	–803	–725			
Variable annuity and fair valued GMDB contracts	–639	–655	Discounted Cash Flow Model	Risk margin	4% (n.a.)
				Volatility	4%–42%
				Lapse	0.5%–33%
				Mortality adjustment	–10%–0%
				Withdrawal rate	0%–90%

¹ Represents average input value for the reporting period.

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

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

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

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

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December 2014 and 30 September 2015, respectively, were as follows:

USD millions	2014 Fair value	2015 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	710	763	162	non-redeemable	n.a.
Hedge funds	344	140		redeemable ¹	45–95 days ²
Private equity direct	109	126		non-redeemable	n.a.
Real estate funds	203	212	59	non-redeemable	n.a.
Total	1 366	1 241	221		

¹ The redemption frequency varies by position.

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

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

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

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

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

Fair value option

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

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

Other invested assets

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

Funds held by ceding companies

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

Liabilities for life and health policy benefits

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

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

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2014 and 30 September 2015 were as follows:

USD millions	2014	2015
Assets		
Other invested assets	9 684	10 266
of which at fair value pursuant to the fair value option	444	498
Funds held by ceding companies	11 222	10 119
of which at fair value pursuant to the fair value option ¹	273	242
Liabilities		
Liabilities for life and health policy benefits	-33 605	-30 874
of which at fair value pursuant to the fair value option	-187	-179

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

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

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the nine months ended 30 September were as follows:

USD millions	2014	2015
Other invested assets	27	-26
Funds held by ceding companies ¹	1	4
Liabilities for life and health policy benefits	-10	6
Total	18	-16

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

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

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

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December 2014 and 30 September 2015 were as follows:

2014 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		252	252
Mortgage loans		1 888	1 888
Other loans		1 065	1 065
Investment real estate		2 482	2 482
Total assets	0	5 687	5 687
Liabilities			
Debt	-9 934	-6 291	-16 225
Total liabilities	-9 934	-6 291	-16 225
2015			
USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		93	93
Mortgage loans		1 988	1 988
Other loans		1 055	1 055
Investment real estate		3 121	3 121
Total assets	0	6 257	6 257
Liabilities			
Debt	-8 720	-5 919	-14 639
Total liabilities	-8 720	-5 919	-14 639

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

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

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

8 Derivative financial instruments

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

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

Fair values and notional amounts of derivative financial instruments

As of 31 December 2014 and 30 September 2015, the fair values and notional amounts of the derivatives outstanding were as follows:

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

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	94 514	1 897	-1 416	481
Foreign exchange contracts	14 984	302	-158	144
Equity contracts	18 509	1 091	-655	436
Credit contracts	231	3	-14	-11
Other contracts	18 411	140	-551	-411
Total	146 649	3 433	-2 794	639
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 105	11	-4	7
Total	2 105	11	-4	7
Total derivative financial instruments	148 754	3 444	-2 798	646
Amount offset				
Where a right of set-off exists		-1 625	1 625	
Due to cash collateral		-1 042	448	
Total net amount of derivative financial instruments		777	-725	52

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2014 and 30 September 2015.

Non-hedging activities

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

USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	2014	2015	2014	2015
Derivatives not designated as hedging instruments				
Interest rate contracts	-133	42	-225	45
Foreign exchange contracts	43	167	-72	409
Equity contracts	-21	74	-133	-79
Credit contracts	4	3	2	
Other contracts	61	-35	163	188
Total gain/loss recognised in income	-46	251	-265	563

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 September 2015, the following hedging relationships were outstanding:

Fair value hedges

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

2014 USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	108	-107	98	-95
Total gain/loss recognised in income	108	-107	98	-95

2015 USD millions	For the three months ended 30 September		For the nine months ended 30 September	
	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	12	-12	95	-95
Total gain/loss recognised in income	12	-12	95	-95

Hedges of the net investment in foreign operations

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

For the year ended 31 December 2014 and the nine months ended 30 September 2015, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 894 million and a gain of USD 1 371 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2014 and 30 September 2015 was approximately USD 1 817 million and USD 1 819 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 112 million and USD 63 million as of 31 December 2014 and 30 September 2015, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 6 million and nil as of 31 December 2014 and 30 September 2015, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 63 million additional collateral would have had to be posted as of 30 September 2015. The total equals the amount needed to settle the instruments immediately as of 30 September 2015.

9 Acquisitions and disposals

Disposals

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

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

Acquisitions

The Group has agreed to acquire Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. Closing of the acquisition is subject to regulatory approval and is expected to be completed in early 2016. The third quarter 2015 Group financial statements and related notes presented in this report are not impacted.

10 Debt and contingent capital instruments

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

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

USD millions	2014	2015
Senior financial debt	654	
Senior operational debt	1 047	785
Subordinated financial debt		1 077
Short-term debt – financial and operational debt	1 701	1 862
Senior financial debt	3 513	3 741
Senior operational debt	713	468
Subordinated financial debt	5 486	4 150
Subordinated operational debt	2 903	2 803
Long-term debt – financial and operational debt	12 615	11 162
Total carrying value	14 316	13 024
Total fair value	16 225	14 639

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Operational leverage and financial intermediation are subject to asset and liability matching, resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. Certain debt positions are limited- or non-recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2014 and 30 September 2015, debt related to operational leverage and financial intermediation amounted to USD 4.7 billion (thereof USD 3.4 billion limited- or non-recourse) and USD 4.1 billion (thereof USD 3.1 billion limited- or non-recourse), respectively.

Interest expense on long-term debt and contingent capital instruments

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

USD millions	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Senior financial debt	39	30	91	89
Senior operational debt	4	2	12	8
Subordinated financial debt	76	48	223	187
Subordinated operational debt	65	35	193	103
Total	184	115	519	387

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

Long-term debt issued in 2015

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

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

11 Earnings per share

Earnings per share for the periods ended 30 September were as follows:

USD millions (except share data)	Three months ended 30 September		Nine months ended 30 September	
	2014	2015	2014	2015
Basic earnings per share				
Net income	1 244	1 416	3 308	3 716
Non-controlling interests			-1	-6
Interest on contingent capital instruments ¹	-17	-17	-52	-51
Net income attributable to common shareholders	1 227	1 399	3 255	3 659
Weighted average common shares outstanding	342 165 768	342 191 302	342 234 176	342 264 464
Net income per share in USD	3.59	4.09	9.51	10.69
Net income per share in CHF²	3.21	3.90	8.52	10.19
Effect of dilutive securities				
Change in income available to common shares due to contingent capital instruments ¹	17	17	52	51
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192	35 745 192	35 745 192
Change in average number of shares due to employee options	656 052	1 639 735	744 837	1 862 359
Diluted earnings per share				
Net income assuming debt conversion and exercise of options	1 244	1 416	3 307	3 710
Weighted average common shares outstanding	378 567 012	379 576 228	378 724 205	379 872 015
Net income per share in USD	3.29	3.73	8.73	9.77
Net income per share in CHF²	2.95	3.55	7.83	9.31

¹ Please refer to Note 10 "Debt and contingent capital instruments".

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

Dividends are declared in Swiss francs. During the year ended 31 December 2014 and the period ended 30 September 2015, the Group paid a dividend per share of CHF 3.85 and CHF 4.25, respectively, as well as an additional special dividend of CHF 4.15 and CHF 3.00, respectively. All dividends were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions.

12 Variable interest entities

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

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

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

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

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

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

Insurance-linked and credit-linked securitisations

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

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

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

Life and health funding vehicles

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

Swaps in trusts

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

Debt financing vehicles

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

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

Investment vehicles

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

Other

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

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

Consolidated VIEs

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

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

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2014 and 30 September 2015:

USD millions	2014	2015
Fixed income securities available-for-sale	69	60
Policy loans, mortgages and other loans	84	
Other invested assets	1 451	1 741
Total assets	1 604	1 801
Accrued expenses and other liabilities	167	62
Total liabilities	167	62

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December 2014 and 30 September 2015:

USD millions	2014				2015			
	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities	Total assets	Total liabilities	Maximum exposure to loss ¹	Difference between exposure and liabilities
Insurance-linked/credit-linked securitisations	70		68	68	60		59	59
Life and health funding vehicles			1 683	1 683	3	1	1 773	1 772
Swaps in trusts	35	82	– ²	–	123	61	– ²	–
Debt financing	378		28	28	367		27	27
Investment vehicles	845		845	845	1 050		1 051	1 051
Other	276	85	1 076	991	198		198	198
Total	1 604	167	–²	–	1 801	62	–²	–

¹ Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.

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

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

13 Benefit plans

Net periodic benefit cost

Pension and post-retirement cost for the nine months ended 30 September 2014 and 2015 were USD 87 million and USD 94 million, respectively.

Employer's contributions for 2015

For the nine months ended 30 September 2015, the Group contributed USD 152 million to its defined benefit pension plans and USD 12 million to other post-retirement plans, compared to USD 162 million and USD 13 million, respectively, in the same period of 2014.

The expected 2015 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2015 for the latest information, amount to USD 182 million and USD 16 million, respectively.

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Cautionary note on forward-looking statements

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

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

Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re’s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as

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- new information becomes available;
- the frequency, severity and development of insured claim events;
 - acts of terrorism and acts of war;
 - mortality, morbidity and longevity experience;
 - policy renewal and lapse rates;
 - extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
 - current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
 - legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
 - changes in accounting standards;
 - significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
 - changing levels of competition; and
 - operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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

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

Note on risk factors

General impact of adverse market conditions

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

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

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

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

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment and are subject to group supervision. Swiss Re's subsidiaries are subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. New legislation as well as changes to existing legislation have been proposed and/or recently adopted in a number of jurisdictions that are expected to alter, in a variety of ways, the manner in which the financial services industry is regulated. Although it is difficult to predict which proposals will become law and when and how new legislation ultimately will be implemented by regulators (including in respect of the extraterritorial effect of reforms), it is likely that significant aspects of existing regulatory regimes governing financial services will change. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, increased regulatory capital requirements, enhanced governmental authority to take control over operations of financial institutions, restrictions on the conduct of certain lines of business, changes in the way financial institutions account for

transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions.

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

Other changes are focused principally on banking institutions, but some could have direct applicability to insurance or reinsurance operations and others could have a general impact on the regulatory landscape for financial institutions, which might indirectly impact capital requirements and/or required reserve levels or have other direct or indirect effects on the Group. Changes are particularly likely to impact financial institutions designated as "systemically important," a designation which is expected to result in enhanced regulatory supervision and heightened capital, liquidity and diversification requirements under evolving reforms.

There is an emerging focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution (SIFI) under the framework for systemically important financial institutions developed by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council (the FSOC) in the United States. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, published a methodology for identifying global systemically important insurers ("G-SIIs") and on a framework for supervision of internationally active insurance groups. Initial designation of insurers as G-SIIs took place in July 2013, and initial designation of reinsurers as G-SIIs has been postponed pending further development of the methodology due by November 2015, to be applied in 2016. If and when reinsurers are included in the list of G-SIIs, the Group could be so designated. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the Basic Capital Requirement for G-SIIs and the Insurance Capital Standard for Internationally Active Insurance Groups ("IAIGs")). In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

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

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

Market risk

Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

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

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks – including possible

mismatch – that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

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

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

The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory

requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

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

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

Risks relating to credit rating downgrades

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

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

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

Legal and regulatory risks

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

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

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards, which can lead to higher industry losses for earthquake cover based on higher replacement values); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate could have a material adverse effect on the Group. Any of the foregoing, as well as other concerns in respect of the Group's business, could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's

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

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

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

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

Risks related to the Swiss Re corporate structure

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

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