

# Financial Review 2021



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This 2021 Financial Review of the Swiss Re Group contains updates on our business and results and preliminary unaudited financial information for 2021. The updates on our business and results will be included in our 2021 Annual Report, together with our audited financial statements for 2021 and other disclosures we are required to include or historically have included in an annual report. This Financial Review is not intended to be a substitute for the full 2021 Annual Report, which will be published on the Swiss Re website on 17 March 2022.

# Financial highlights

## Financial highlights

For the years ended 31 December

USD millions, unless otherwise stated	2020	2021	Change in %
<b>Group</b>			
Net income/loss attributable to common shareholders	-878	1 437	-
Gross premiums written	42 951	46 658	9
Premiums earned and fee income	40 770	42 726	5
Earnings per share in CHF	-2.97	4.52	-
Shareholders' equity	27 135	23 568	-13
Return on equity in % <sup>1</sup>	-3.1	5.7	
Return on investments in %	3.5	3.2	
Net operating margin in % <sup>2</sup>	-1.1	5.1	
Number of employees <sup>3</sup>	13 189	13 985	6
<b>Property &amp; Casualty Reinsurance</b>			
Net income/loss attributable to common shareholders	-247	2 097	-
Gross premiums written	21 512	23 246	8
Premiums earned	20 832	21 926	5
Combined ratio in %	109.0	97.1	
Net operating margin in % <sup>2</sup>	0.1	11.6	
Return on equity in % <sup>1</sup>	-2.8	22.5	
<b>Life &amp; Health Reinsurance</b>			
Net income/loss attributable to common shareholders	71	-523	-
Gross premiums written	15 067	16 071	7
Premiums earned and fee income	13 883	14 868	7
Net operating margin in % <sup>2</sup>	2.9	-2.1	
Return on equity in % <sup>1</sup>	0.9	-8.6	
<b>Corporate Solutions<sup>4</sup></b>			
Net income/loss attributable to common shareholders	-467	578	-
Gross premiums written	6 185	7 492	21
Premiums earned	5 019	5 343	6
Combined ratio in %	115.5	90.6	
Net operating margin in % <sup>2</sup>	-10.7	13.5	
Return on equity in % <sup>1</sup>	-19.7	22.3	

<sup>1</sup> Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.

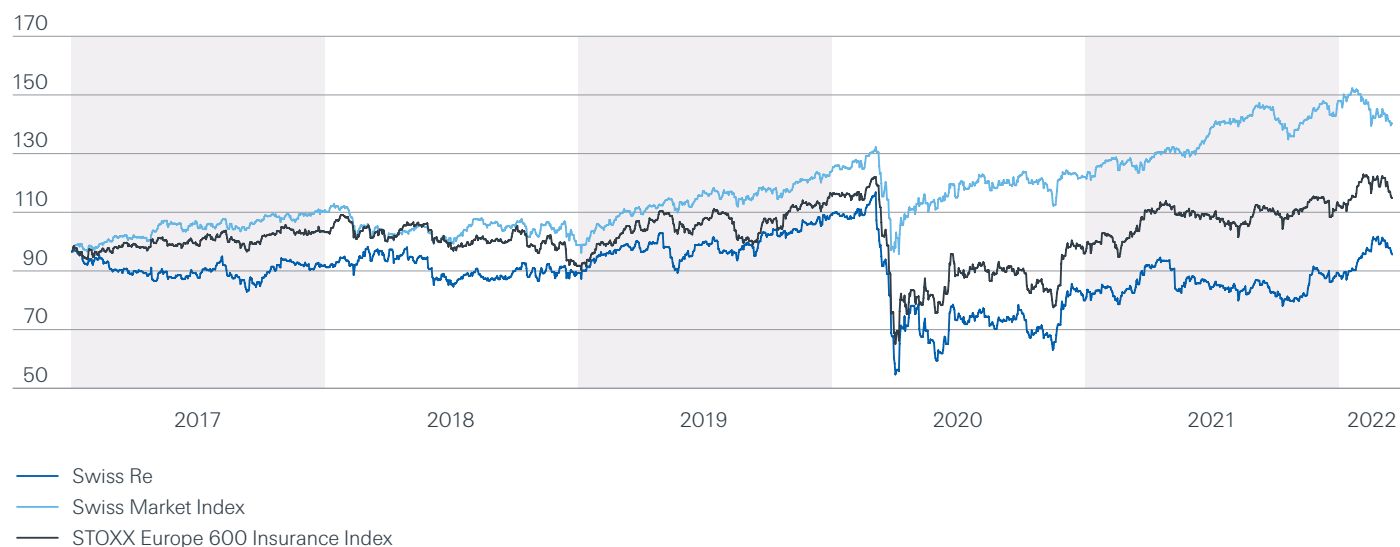
<sup>2</sup> Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

<sup>3</sup> Regular staff.

<sup>4</sup> For Corporate Solutions, 2020 has been revised to reflect the results of elipsLife, which as of 1 January 2021 is reported as part of Corporate Solutions following the disbandment of the Life Capital Business Unit at the end of 2020.

# Share information

## Share price (CHF)



## Share information

As of 23 February 2022

Share price in CHF	95.58
Market capitalisation in CHF millions	30 346

## Share performance

Share performance in %	1 January 2017–23 February 2022 (p.a.)	2021
Swiss Re	-0.2	8.3
Swiss Market Index	7.5	20.3
STOXX Europe 600 Insurance Index	3.4	15.4

## Financial strength ratings

As of 23 February 2022	Standard & Poor's	Moody's	A.M. Best
Rating	AA-	Aa3	A+
Outlook	Negative	Stable	Stable
Last update	23 November 2021	9 July 2021	22 July 2021

# Swiss Re at a glance

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

**1.4bn**  
Group net income (USD)  
(2020: USD -878m)

**5.7%**  
Return on equity  
(2020: -3.1%)

**AA-**  
Standard & Poor's

## Reinsurance

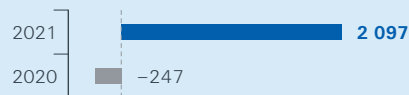
Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

### Property & Casualty

Net premiums earned (USD billions)



Net income/loss (USD millions)



**97.1%**

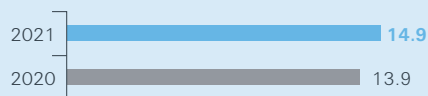
Combined ratio  
(2020: 109.0%)

**22.5%**

Return on equity  
(2020: -2.8%)

### Life & Health

Net premiums earned and fee income (USD billions)



Net income/loss (USD millions)



**-8.6%**

Return on equity  
(2020: 0.9%)

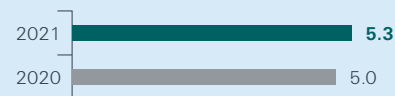
**10.0%**

Net operating margin  
ex-COVID (2020: 9.4%)

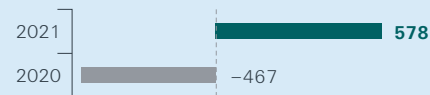
## Corporate Solutions

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

Net premiums earned (USD billions)



Net income/loss (USD millions)



**90.6%**

Combined ratio  
(2020: 115.5%)

**22.3%**

Return on equity  
(2020: -19.7%)

**Net premiums earned and fee income by region**

**42.7bn**

Group (USD)  
(2020: USD 40.8bn)



**49%**

Americas:  
USD 21.0bn  
(2020: USD 19.5bn)

**32%**

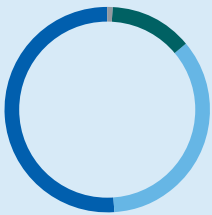
EMEA:  
USD 13.5bn  
(2020: USD 12.9bn)

**19%**

Asia-Pacific:  
USD 8.2bn  
(2020: USD 8.4bn)

**Group**  
(consolidated)

Net premiums earned and fee income by business unit (Total USD 42.7 bn)



- 51% P&C Reinsurance
- 13% Corporate Solutions
- 35% L&H Reinsurance
- 1% Group items (including iptiQ)

**5.7%**

Return on equity  
(2020: -3.1%)

**5.1%**

Net operating margin  
(2020: -1.1%)

**Group financial targets**

Multi-year targets  
Swiss Re Group

**14%**

US GAAP Group return on equity in 2024<sup>1</sup>

**10%**

Economic net worth per share growth p.a.<sup>2</sup>

Full-year targets 2022

**10%**

US GAAP Group return on equity in 2022<sup>3</sup>

**<94%**

P&C Re normalised<sup>4</sup> combined ratio

**~300**

L&H Re net income (USD million)<sup>5</sup>

**<95%**

Corporate Solutions reported combined ratio

**Key sustainability ratings**

**AAA**

MSCI ESG rating  
(as of July 2021)

**90/100**

2021 S&P Global Corporate Sustainability Assessment (DJSI)

**B-**

Prime status  
ISS ESG

<sup>1</sup> As of 2024, Swiss Re Group will report under IFRS. Current modelling indicates that the equivalent IFRS target will be higher than 14%.

<sup>2</sup> Calculated as: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adj. per share).

<sup>3</sup> Group ROE target for 2022 includes current expectations of COVID-19 losses.

<sup>4</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

<sup>5</sup> Target includes current expectations of COVID-19 losses.

# Summary of financial statements

## Income statement

USD millions	2020	2021	Change in %
<b>Revenues</b>			
Gross premiums written	42 951	46 658	9
Net premiums written	39 827	43 220	9
Change in unearned premiums	494	-753	-
<b>Premiums earned</b>	<b>40 321</b>	<b>42 467</b>	<b>5</b>
Fee income from policyholders	449	259	-42
Net investment income – non-participating business	2 988	3 373	13
Net realised investment gains/losses – non-participating business	1 730	537	-69
Net investment result – unit-linked and with-profit business	-2 187	63	-
Other revenues	37	40	8
<b>Total revenues</b>	<b>43 338</b>	<b>46 739</b>	<b>8</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	-19 838	-17 181	-13
Life and health benefits	-13 929	-14 992	8
Return credited to policyholders	1 760	-431	-
Acquisition costs	-8 236	-8 228	-
Operating expenses	-3 597	-3 505	-3
<b>Total expenses before interest expenses</b>	<b>-43 840</b>	<b>-44 337</b>	<b>1</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>-502</b>	<b>2 402</b>	<b>-</b>
Interest expenses	-588	-571	-3
<b>Income/loss before income tax expense/benefit</b>	<b>-1 090</b>	<b>1 831</b>	<b>-</b>
Income tax expense/benefit	266	-394	-
<b>Net income/loss before attribution of non-controlling interests</b>	<b>-824</b>	<b>1 437</b>	<b>-</b>
Income/loss attributable to non-controlling interests	-54	-	-
<b>Net income/loss attributable to common shareholders</b>	<b>-878</b>	<b>1 437</b>	<b>-</b>

## Changes in equity

USD millions	2020	2021	Change in %
Total shareholders' equity as of 1 January	29 251	27 135	-7
Net income/loss attributable to common shareholders	-878	1 437	-
Dividends	-1 765	-1 855	5
Change in unrealised gains/losses on securities, net of tax	608	-2 956	-
Change in foreign currency translation, net of tax	39	-461	-
Purchase/sale of treasury shares and share based payments	-174	9	-
Adjustment for pension and other post-retirement benefits, net	42	259	-
Other changes in equity	12	-	-
<b>Total shareholders' equity as of 31 December</b>	<b>27 135</b>	<b>23 568</b>	<b>-13</b>
Non-controlling interests	123	110	-11
<b>Total equity as of 31 December</b>	<b>27 258</b>	<b>23 678</b>	<b>-13</b>



## Summary balance sheet

USD millions	2020	2021	Change in %
<b>Assets</b>			
Fixed income securities	83 018	86 985	5
Equity securities	4 899	3 978	-19
Other investments	16 231	16 693	3
Short-term investments	16 082	8 462	-47
Investments for unit-linked and with-profit business	463	468	1
Cash and cash equivalents	5 470	5 051	-8
Deferred acquisition costs	8 230	8 142	-1
Acquired present value of future profits	928	836	-10
Reinsurance recoverable	5 892	6 482	10
Other reinsurance assets	26 660	29 407	10
Goodwill	4 021	3 970	-1
Other	10 728	11 093	3
<b>Total assets</b>	<b>182 622</b>	<b>181 567</b>	<b>-1</b>
<b>Liabilities and equity</b>			
Unpaid claims and claim adjustment expenses	81 258	84 096	3
Liabilities for life and health policy benefits	22 456	22 196	-1
Policyholder account balances	5 192	5 147	-1
Other reinsurance liabilities	19 552	21 761	11
Short-term debt	153	862	-
Long-term debt	11 584	10 323	-11
Other	15 169	13 504	-11
<b>Total liabilities</b>	<b>155 364</b>	<b>157 889</b>	<b>2</b>
<b>Shareholders' equity</b>	<b>27 135</b>	<b>23 568</b>	<b>-13</b>
Non-controlling interests	123	110	-11
<b>Total equity</b>	<b>27 258</b>	<b>23 678</b>	<b>-13</b>
<b>Total liabilities and equity</b>	<b>182 622</b>	<b>181 567</b>	<b>-1</b>

# Group results

Swiss Re reported net income of USD 1.4 billion for 2021, driven by strong performance of its property and casualty businesses.

## Strategy and priorities

2021 marked an important turning point for Swiss Re. Despite major COVID-19 impacts and a high occurrence of large natural catastrophe events throughout the year, the Group rebounded to a USD 1.4 billion profit.

All businesses worked hard to strengthen business performance, with a rigorous focus on portfolio quality and underwriting excellence. Swiss Re's 2021 results are a testament to these efforts.

Swiss Re's property and casualty businesses both excelled in 2021, substantially increasing profitability and meeting their respective normalised<sup>1</sup> combined ratio targets.

Property & Casualty Reinsurance (P&C Re) achieved a normalised combined ratio of 94.7% in 2021, in line with its target of less than 95% for the full year. At the same time, Corporate Solutions' normalised combined ratio was 95.0%, well below the full-year target of less than 97%.

The property and casualty businesses continue to benefit from favourable pricing trends. This was once again exemplified in the January 2022 renewals, where P&C Re achieved a price increase<sup>2</sup> of 4% in this renewal round. This fully offset more conservative loss assumptions, which reflect a prudent view on inflation and other changes in exposure.

Life & Health Reinsurance (L&H Re) incurred substantially higher COVID-19-related claims and reserves of almost USD 2 billion in 2021. Despite the persistent impact of COVID-19, L&H Re continued to strengthen its underlying business.

Excluding COVID-19 losses, L&H Re further improved its underlying net income, which increased by 26% year on year to USD 1.1 billion.

iptiQ has successfully grown and continues to develop a global team focused on supporting existing and new partners. The pandemic is accelerating the shift towards digital insurance channels and embedded insurance, resulting in a strong pipeline of new opportunities for iptiQ. In addition, iptiQ is well-positioned to take advantage of the increasing sophistication and digitalisation of the retail insurance value chain.

Supported by the increased underlying earnings power of the business, favourable market outlook and continued cost discipline, Swiss Re published new ambitious financial targets for the Group. Swiss Re targets to increase its US GAAP Group return on equity (ROE) to 10%<sup>3</sup> in 2022 and to 14%<sup>4</sup> in 2024, as it focuses on driving profitable growth across all businesses. In addition, Swiss Re maintains its economic net worth (ENW) per share growth target of 10% per annum.

For 2022, Swiss Re expects the performance of its property and casualty businesses to continue to improve, reaping the benefits of the Group's sustained focus on portfolio quality in combination with increasing prices. P&C Re targets a normalised combined ratio of less than 94% for 2022, while Corporate Solutions aims for a reported combined ratio of less than 95%.

L&H Re continues to offer attractive business development opportunities, although it is likely to remain impacted by the COVID-19 pandemic in 2022. Taking this into account, L&H Re targets a net income of approximately USD 300 million for the year.

## Performance

Swiss Re reported a net income of USD 1.4 billion in 2021, considerably rebounding from a net loss of USD 878 million in 2020. This result was achieved as the Group absorbed large natural catastrophe losses of USD 2.4 billion across its businesses as well as total COVID-19-related claims of USD 2.0 billion. The vast majority of the COVID-19 losses originated in the L&H Re business, while impacts on the property and casualty businesses were minimal. Excluding the impacts of COVID-19, Swiss Re's net income was USD 3.0 billion, which is an increase of 39%.

The net operating margin<sup>5</sup> for the year 2021 was 5.1%, compared with -1.1% for 2020.

COVID-19 losses decreased to USD 2.0 billion in 2021 from USD 3.9 billion in 2020. The vast majority of the COVID-19 losses were attributable to the L&H Re business, while the impact on the property and casualty businesses was minimal in 2021.

In 2021, P&C Re reported a net income of USD 2.1 billion, compared with a net loss of USD 247 million in 2020. The 2021 result reflects the improved quality of the portfolio and rate increases, as well as favourable investment results.

The business absorbed large natural catastrophe losses of USD 2.1 billion in 2021, mainly relating to Hurricane Ida and the floods in Europe in the third quarter, as well as the US winter storm Uri in the first quarter. The net operating margin was 11.6%, compared with 0.1% in the prior year.

<sup>1</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

<sup>2</sup> Price change defined as change in premiums net of commissions/claims; price change assumes constant portfolio mix.

<sup>3</sup> Group ROE target for 2022 includes current expectations of COVID-19 losses.

<sup>4</sup> As of 2024, Swiss Re Group will report under IFRS. Current modelling indicates that the equivalent IFRS target will be higher than 14%.

<sup>5</sup> Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result - unit-linked and with-profit business".

L&H Re reported a net loss of USD 523 million, down from a net income of USD 71 million in 2020, as the business incurred substantially higher COVID-19-related claims and reserves of almost USD 2 billion. These losses were primarily driven by the heightened COVID-19-related mortality rates in the US and reflected the spike in infection rates at the beginning of the year as well as during the third and fourth quarters.

Excluding COVID-19, L&H Re improved its net income to USD 1.1 billion for 2021. This reflects a significant increase from USD 855 million (excluding COVID-19) for 2020, primarily driven by the good underwriting performance across all regions, favourable investment results and positive one-off effects from in-force management actions.

L&H Re's net operating margin, excluding the pre-tax impact of COVID-19 losses, was 10.0% in 2021, compared with 9.4% in 2020. The result was supported by a strong investment result with a return on investments (ROI) of 3.2%. The net operating margin was -2.1% in 2021 and 2.9% in 2020.

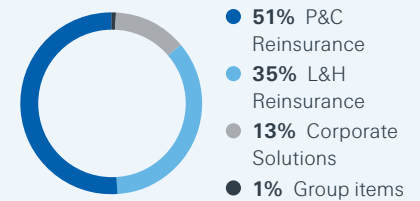
Corporate Solutions reported net income of USD 578 million in 2021, compared with a net loss of USD 467 million in 2020, as the Business Unit continued to benefit from the implemented strategic actions. Large natural catastrophe losses amounted to USD 345 million, mainly relating to US winter storm Uri, Hurricane Ida and the central US tornadoes in December 2021 as well as large man-made losses of USD 249 million.

Shareholders' equity for the Group, excluding non-controlling interests, decreased to USD 23.6 billion as of 31 December 2021, compared with USD 27.1 billion at the end of December 2020. This reflected unrealised losses on fixed income securities of USD 3.0 billion and a payment to shareholders of USD 1.9 billion for the 2020 regular dividend, partially offset by the net income for 2021. Group ROE was 5.7% for 2021, compared with -3.1% for the prior year. Excluding the impacts of COVID-19, ROE was 11.6%.

Earnings per share for 2021 were USD 4.97 or CHF 4.52, up from USD -3.04 or CHF -2.97 for 2020. Book value per share stood at USD 81.56 or CHF 74.30 at the end of 2021, compared with USD 93.90 or CHF 83.00 at the end of 2020. Book value per share is based on shareholders' equity and excludes non-controlling interests.

**Net premiums and fees earned by business segment, 2021**

Total: USD 42.7 billion



# 3.4

**Net investment income  
in USD billion, 2021**

(2020: USD 3.0 billion)

# 3.2%

**Group return on  
investments, 2021**

(2020: 3.5%)

## Business performance

Swiss Re continued to grow all its businesses, increasing net premiums earned and fee income for the Group by 4.8% compared with the previous year to USD 42.7 billion in 2021. At constant foreign exchange rates, premiums and fees increased by 2.3%.

Gross premiums written increased by 8.6% to USD 46.7 billion in 2021, mainly reflecting price improvements, large transactions and favourable foreign exchange developments.

P&C Re's net premiums earned grew by 5.3% to USD 21.9 billion, supported by continued price improvements, disciplined underwriting as well as favourable foreign exchange developments. At constant exchange rates, premiums earned increased by 3.3%. The P&C Re combined ratio improved to 97.1% in 2021 from 109.0% in the prior year, mainly driven by significantly lower COVID-19 losses.

L&H Re's net premiums earned and fee income increased by 7.1% to USD 14.9 billion at improved margins in 2021, up from USD 13.9 billion in the prior year. This was supported by large transactions and favourable foreign exchange developments. At constant exchange rates, premiums earned and fee income increased by 3.7%.

Corporate Solutions' net premiums earned increased to USD 5.3 billion from USD 5.0 billion in the prior year. This was driven by further rate increases in the context of the continued focus on underwriting quality, selective new business growth as well as an improved customer and broker distribution franchise. Favourable foreign exchange developments further helped offset the impact of the previous portfolio pruning actions. Corporate Solutions achieved risk-adjusted price increases of 12%<sup>6</sup> for the year. At constant exchange rates, net premiums earned increased by 4.4% year on year.

The Corporate Solutions combined ratio significantly improved to 90.6% in 2021 from 115.5% in 2020, reflecting disciplined underwriting, strict expense management, continued rate increases and COVID-19-related reserve releases in 2021.

iptiQ continued to show significant growth, with gross premiums written for 2021 of USD 723 million. This represents a 95% increase compared with 2020. All markets developed positively and contributed to this growth, in particular the EMEA property and casualty business since its successful launch in 2020.

In addition to growing revenues, iptiQ recorded USD 53 million of adjusted gross income<sup>7</sup> for 2021. This represents an increase of 39% compared with the previous year.

iptiQ had over 1.6 million in-force policies at the end of 2021. Compared with 2020, this represents an increase of 144%. iptiQ's net loss of USD 247 million continues to reflect investments into building the iptiQ businesses and impacts from COVID-19 of USD 13 million for the year.

Currently, iptiQ writes property and casualty business in Europe and has life and health operations covering Europe, the US and Australia. Globally, iptiQ works with 51 distribution partners, representing a net increase of 11 compared with end of year 2020.

<sup>6</sup> Risk-adjusted price increases for Corporate Solutions in 2021 exclude elipsLife.

<sup>7</sup> This excludes COVID-19 and natural catastrophe-related losses of USD 15 million. Calculated as 'Income/loss before interest and income tax expense adjusted for operating expenses, other overheads and investment gains/losses; gross of reinsurance.

### Investment result and expenses

The Group's non-participating investment portfolio decreased from USD 125.7 billion at the end of 2020 to USD 121.2 billion in 2021, reflecting the impact of rising interest rates.

The ROI was 3.2% for 2021, compared with 3.5% for 2020. The strong investment result, though lower than in the prior year, was driven by recurring income and significant equity valuation gains. The Group continues to manage its investment portfolio with a focus on delivering sustainable income.

The Group's non-participating net investment income was USD 3.4 billion in 2021, compared with USD 3.0 billion in 2020. The increase was mainly driven by private equity valuations and listed equity dividends. The Group's recurring income yield was 2.2% in 2021, compared with 2.4% in 2020, reflecting turnover into lower yields.

The Group reported non-participating net realised gains of USD 0.5 billion in 2021, compared with USD 1.7 billion in 2020. The decrease is mainly due to reduced gains from sales of fixed income securities.

Acquisition costs for the Group were stable and amounted to USD 8.2 billion in 2021.

Operating expenses were USD 3.5 billion in 2021, compared with USD 3.6 billion in 2020. Interest expenses were USD 571 million in 2021, slightly down from USD 588 million in 2020.

The Group reported a tax charge of USD 394 million on a pre-tax income of USD 1.8 billion for 2021, compared to a tax benefit of USD 266 million on a pre-tax loss of USD 1.1 billion for 2020. This translates into an effective tax rate in the current and prior-year reporting periods of 21.5% and 24.4%, respectively. The tax rate in 2021 was driven by profits earned in higher tax jurisdictions and tax charges from non-deductible expenses, partially offset by tax benefits from the release of valuation allowance on deferred tax assets and foreign currency translation differences between statutory and US GAAP accounts.

# Reinsurance

Property & Casualty Reinsurance (P&C Re) reported a strong profit, reflecting enhanced portfolio quality. Life & Health Reinsurance (L&H Re) improved underlying profitability and absorbed significant COVID-19 impacts.

## Overview

In 2021, the Reinsurance business improved its financial performance while supporting clients and working to make the world more resilient.

P&C Re achieved its normalised<sup>1</sup> combined ratio target of less than 95% for the year and delivered a strong net income of USD 2.1 billion, absorbing USD 2.1 billion in natural catastrophe losses. In L&H Re, the impacts of COVID-19 resulted in a reported net loss of USD 523 million for 2021. Excluding COVID-19, the business improved its underlying net profit to USD 1.1 billion from USD 855 million in 2020, resulting in an underlying return on equity (ROE) of 15.7%.

Across both life and non-life, Reinsurance supported clients in solving strategic issues through a record number of tailored capital management transactions. At the same time, the solutions offering, which includes innovative technology and data-based tools and analytics, continues to expand in response to increased client needs. For example, there was significant growth of the US flood offering – closing a large protection gap. Magnum, one of the flagship L&H automated underwriting solutions, achieved unprecedented expansion in 2021 and grew its number of clients by a record 21% year on year.

## Making the world more resilient

In 2021, the Reinsurance business supported over 3 500 clients with over USD 26 billion of claims payments.

The main concern for L&H Re clients was excess mortality caused by the further spread of COVID-19, especially the Delta variant. For COVID-19 alone, L&H Re booked USD 2.0 billion in claims and reserves.

Across its business, over 237 million family members, loved ones and caregivers could count on L&H Re to provide them with protection, financial support and security.

On the P&C side, Reinsurance supported its clients, absorbing large natural catastrophe losses of USD 2.1 billion, driven by increased frequency and severity of secondary perils caused by climate change – such as floods, droughts, and wildfires – especially in Europe and North America.

## Looking forward: A strategy that works

Reinsurance continues to live its purpose of making the world more resilient and remains committed to its strategy of partnering with clients across the three proven pillars: core, transactions, and solutions. Reinsurance will drive innovation in risk knowledge and create greater opportunities for efficiency across these strong foundations.

In the core business, clients seek more income and capital protection from traditional reinsurance products as they grow their own businesses.

L&H Re will continue to serve its clients with capacity and risk transfer in attractive areas such as longevity and mortality, where increased awareness of higher risks is driving demand. For example, the pandemic is elevating the need for mortality products, while rising life expectancies globally require more solutions for financial protection after retirement.

On the P&C side, a large part of the Reinsurance capacity focuses on natural catastrophes, where higher frequency and severity of losses are causing primary insurance companies to seek more protection. Reinsurance also supports clients' needs in casualty and specialty lines.

<sup>1</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

Swiss Re's natural catastrophe business is robust and the premium income over the last decade has been strong enough to cover claims and absorb volatility for our clients while providing attractive long-term returns for our shareholders. Moving forward, Swiss Re will continue to carefully factor in climate change and other macro risk drivers in its sound pricing models. Reinsurance's clients can also draw upon the Group's deep risk knowledge and data-driven underwriting approach to better understand existing and emerging risks.

The Business Unit has dedicated transaction teams who provide customised reinsurance structures. These tailored transactions help clients when they seek strong growth, target an acquisition or undergo a transition in their portfolio or strategy.

In addition, Reinsurance continues to invest in its innovative solutions offering based on advancements in technology and analytical tools. The suite of digital and technology-based platforms helps clients grow, improve profitability in underwriting and operate more efficiently. For example, it has enabled clients with near real-time wildfire and flood monitoring, climate scenarios or post-event damage assessment. In the automotive space, solutions leverage telematics and behavioural economics for autonomous and electric vehicles, advanced commercial auto and shared mobility.

### Summary

Swiss Re's Reinsurance Business Unit is well-positioned to deploy its capital at attractive returns and to continue its successful financial performance. It remains committed to its outstanding partnerships with clients and stakeholders and a proven strategy of core, transactions and solutions. The ambition is to close protection gaps and make the world more resilient. This involves helping clients making relevant, affordable insurance protection available to a growing number of customers.

Reinsurance will drive innovation in risk knowledge and create greater opportunities for efficiency for its clients while remaining committed to sustainability across its operations, investment portfolio and underwriting.

# Property & Casualty Reinsurance

Property & Casualty Reinsurance (P&C Re) reported a net income for 2021 of USD 2.1 billion, a significant rebound from a net loss of USD 247 million in 2020.

This turnaround was supported by portfolio actions that led to a more resilient and balanced book. Rate increases, positive prior-year development as well as strong investment results contributed further. COVID-19-related losses amounted to USD 106 million, significantly below 2020 levels due to dedicated portfolio actions.

Large natural catastrophe losses amounted to USD 2.1 billion for 2021, including Hurricane Ida and the floods in Europe, as well as the US winter storm Uri. P&C Re's large natural catastrophe losses remained below the premiums earned for this class of business. Large man-made losses amounted to USD 291 million for 2021. Prior-year development was favourable as natural catastrophe reserve releases were larger than the proactive reserving actions on casualty claims inflation. This contrasts to the 2020 results, which were impacted by a lower natural catastrophe loss burden but significant unfavourable prior-year developments in casualty.

The investment portfolio performance resulted in a strong return on investments (ROI) of 3.3% for 2021, supported by favourable private equity valuations, market value gains on equity and gains from sale of real estate.

## Premiums

Net premiums earned grew by 5.3% to USD 21.9 billion, benefitting from continued price improvements, disciplined underwriting as well as favourable foreign exchange developments. Gross premiums written increased by 8.1% to USD 23.2 billion in 2021.

## Property & Casualty Reinsurance results

USD millions	2020	2021	Change in %
<b>Revenues</b>			
Gross premiums written	21 512	23 246	8
Net premiums written	20 636	22 381	8
Change in unearned premiums	196	-455	
<b>Premiums earned</b>	<b>20 832</b>	<b>21 926</b>	<b>5</b>
Net investment income	1 178	1 613	37
Net realised investment gains/losses	683	542	-21
Other revenues	26	20	-23
<b>Total revenues</b>	<b>22 719</b>	<b>24 101</b>	<b>6</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	-16 403	-14 773	-10
Acquisition costs	-5 104	-5 359	5
Operating expenses	-1 200	-1 162	-3
<b>Total expenses before interest expenses</b>	<b>-22 707</b>	<b>-21 294</b>	<b>-6</b>
<b>Income before interest and income tax expense</b>			
	12	<b>2 807</b>	-
Interest expenses	-321	-296	-8
<b>Income/loss before income tax expense</b>	<b>-309</b>	<b>2 511</b>	-
Income tax expense/benefit	62	-413	-
<b>Net income/loss before attribution of non-controlling interests</b>	<b>-247</b>	<b>2 098</b>	
Income/loss attributable to non-controlling interests		-1	
<b>Net income/loss attributable to common shareholders</b>	<b>-247</b>	<b>2 097</b>	-
Claims ratio in %	78.7	67.4	
Expense ratio in %	30.3	29.7	
Combined ratio in %	109.0	97.1	

## Combined ratio

The P&C Re combined ratio improved markedly to 97.1% for 2021 from 109.0% in 2020. Increased margins and significantly lower COVID-19-related losses were the main cause for the turnaround. On a normalised<sup>1</sup> basis, P&C Re achieved a combined ratio of 94.7%, in line with the full-year target of less than 95% for the full year.

## Administrative expense ratio<sup>2</sup>

The administrative expense ratio decreased to 5.3% in 2021, compared with 5.8% in 2020. This improvement resulted from growing the business at a constant expense basis.

## Lines of business

The property combined ratio improved significantly to 92.2% in 2021, compared with 109.4% a year earlier. Portfolio management actions reduced frequency loss exposure in a year of heavy loss activity, while prior-year reserve releases added to the positive result. Large losses were mainly due to Hurricane Ida and the European floods as well as US winter storm Uri.

The casualty combined ratio was 104.7% in 2021, compared with 111.8% in 2020. Prior-year development significantly improved as a result of the dedicated focus on reserve level adequacy. 2020's result included COVID-19-related losses of 3.2 percentage points and an adverse prior-year experience.

<sup>1</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

<sup>2</sup> Operating expenses divided by premiums earned.



The specialty combined ratio improved to 86.1% in 2021, compared with 98.7% in 2020, supported by favourable claims experience in marine and engineering.

**Investment result**

The ROI was 3.3% for 2021 compared with 3.0% in 2020, with an increase in the investment result of USD 294 million.

Net investment income increased by USD 394 million to USD 1 437 million for 2021 compared with the prior year, driven mainly by private equity valuations.

Net realised gains were USD 549 million for 2021 compared with USD 649 million for the prior year. The decrease was mainly due to fewer realised gains on sales within the fixed income portfolio, partially offset by market value gains on equity securities.

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

**Shareholders' equity**

Shareholders' equity increased to USD 9.5 billion as of 31 December 2021, compared with USD 9.2 billion as of 31 December 2020. The net income contributed to the increase in shareholders' equity and is more than compensating the lower unrealised gains.

**Outlook**

The casualty reinsurance portfolio focuses on profitability and selective growth across all regions, while navigating a marketplace with increasing ceding commissions, a dynamic inflation environment and decreasing cessions in some markets. Margin is improving across the casualty portfolio, fuelled by disciplined risk taking, rate increases and prudent terms and conditions.

Growth from transactions and solutions continues to provide a solid pipeline of new opportunities which meet Reinsurance's return requirements.

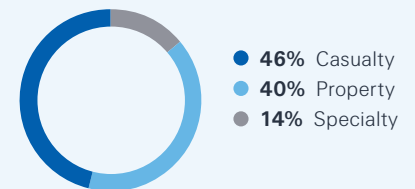
For property lines, loss-hit regions are seeing significant price increases, which are somewhat offset by increased loss models, yet still present good opportunities for growth in the areas that Swiss Re targets. In loss-free areas, price increases have been more modest, yet sufficient to absorb increased inflation expectations and generate attractive new business. Swiss Re remains disciplined in avoiding business with poor structures and contract wordings.

Specialty lines, especially cyber, engineering and credit & surety, show positive momentum and Swiss Re continues to capitalise on its leading franchise in these lines with selected growth.

Thanks to the successful January renewals and the continued positive market momentum, P&C Re now targets a normalised combined ratio of less than 94% for 2022.

**Premiums earned by line of business, 2021**

Total: USD 21.9 billion



# Life & Health Reinsurance

## Life & Health Reinsurance

L&H Re reported a net loss of USD 523 million for the full year 2021, including a substantial impact from COVID-19-related losses which amounted to USD 2.0 billion. These losses were primarily driven by the heightened COVID-19-related mortality rates in the US and reflected the spike in infection rates at the beginning of the year as well as during the third and fourth quarters.

Excluding the after-tax impact of COVID-19-related losses, net income increased to USD 1.1 billion in 2021, compared with USD 855 million in the previous year. This reflects the good underwriting performance across all regions, favourable investment results and positive one-off effects from in-force management actions.

The return on equity (ROE) was -8.6%, reflecting the after-tax impact of COVID-19-related losses. Excluding this, the ROE was 15.7%, well above 10.4% in 2020, due to a significantly higher underwriting performance for the year as well as a lower average equity base in 2021.

## Premiums

Net premiums earned and fee income increased by 7.1% to USD 14.9 billion at improved margins in 2021, compared with USD 13.9 billion in 2020. This was supported by large longevity transactions and favourable foreign exchange developments. Gross premiums written in 2021 increased by USD 1.0 billion, or 6.7%, to USD 16.1 billion in 2020.

## Net operating margin

The net operating margin, excluding the pre-tax impact of COVID-19-related losses, was 10.0% in 2021, compared with 9.4% in 2020.

## Management expense ratio

The management expense ratio was 5.4%, an increase from 5.2% in the prior year, primarily driven by a reallocation of internal costs and investments into strategic growth initiatives.

## Life & Health Reinsurance results

USD millions	2020	2021	Change in %
<b>Revenues</b>			
Gross premiums written	15 067	16 071	7
Net premiums written	13 657	14 584	7
Change in unearned premiums	68	104	53
<b>Premiums earned</b>	<b>13 725</b>	<b>14 688</b>	<b>7</b>
Fee income from policyholders	158	180	14
Net investment income – non-participating business	1 140	1 044	-8
Net realised investment gains/losses – non-participating business	445	302	-32
Net investment result – unit-linked and with-profit business	-32	63	-
Other revenues	4	3	-25
<b>Total revenues</b>	<b>15 440</b>	<b>16 280</b>	<b>5</b>
<b>Expenses</b>			
Life and health benefits	-12 204	-13 648	12
Return credited to policyholders	5	-94	-
Acquisition costs	-1 999	-2 014	1
Operating expenses	-786	-864	10
<b>Total expenses before interest expenses</b>	<b>-14 984</b>	<b>-16 620</b>	<b>11</b>
<b>Income/loss before interest and income tax expense</b>	<b>456</b>	<b>-340</b>	<b>-</b>
Interest expenses	-367	-286	-22
<b>Income/loss before income tax expense</b>	<b>89</b>	<b>-626</b>	<b>-</b>
Income tax expense	-18	103	-
<b>Net income/loss attributable to common shareholders</b>	<b>71</b>	<b>-523</b>	<b>-</b>
Management expense ratio in %	5.2	5.4	
Net operating margin in %	2.9	-2.1	

## Lines of business

Earnings before interest and income tax expenses (EBIT) for the life business decreased to USD -1.1 billion in 2021 from USD -168 million in 2020. The result included significant COVID-19-related losses of USD 2.0 billion, primarily driven by heightened mortality, particularly in the US. This compares to COVID-19-related losses of USD 0.9 billion reported in 2020. Excluding this impact, the underlying result benefitted from improved experience across all regions as well as from in-force management actions.

EBIT for the health business was USD 459 million in 2021, compared with USD 221 million in the prior year. The result benefitted from lower COVID-19 losses as well as from strong underwriting performance across regions.

### Investment result

The ROI was 3.2% for 2021, compared with 3.7% for 2020, with a decrease in the investment result of USD 227 million.

Net investment income of USD 972 million for 2021 was below the prior year, reflecting the impact of the low-yield environment on the fixed income portfolio. The recurring income yield was 2.8% for 2021, compared with 3.0% for 2020.

Net realised gains were USD 278 million for 2021, compared with USD 438 million in 2020. The prior year included significant gains from sales of fixed income, while the current year included higher equity market valuation gains and lower impairments.

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

### Shareholders' equity

Shareholders' equity decreased to USD 4.8 billion as of 31 December 2021, compared with USD 7.4 billion as of 31 December 2020, reflecting lower unrealised gains and dividend paid to the Group during the year.

ROE, excluding the after-tax impact of COVID-19-related losses, was 15.7%.

### Outlook

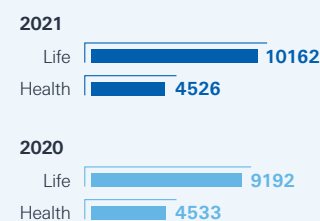
The pandemic has led to disruption in sales and claims activity for insurers. However, the expected increase in life and health treaty reinsurance new business is emerging, driven by increased customer awareness, with greater growth expected in emerging markets. Cession rates on normal core business are expected to remain broadly stable in major markets, while premiums are increasing as a response to COVID-19-related losses.

While interest rates are still low, recent increases benefit long-term business. L&H Re sees a continued strong focus from clients on capital, risk and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions. L&H Re also sees opportunities to respond to the expanding need for health protection, driven by ageing societies, and is applying its risk knowledge to help reduce the protection gap in all regions.

L&H Re continues to offer attractive business development opportunities, although it is likely to remain impacted by the COVID-19 pandemic in 2022. Taking this into account, L&H Re targets a net income of approximately USD 300 million for the year.

### Premiums earned by line of business, 2021

Total: USD 14.7 billion



# Corporate Solutions

Corporate Solutions reported strong net income and surpassed its normalised<sup>1</sup> combined ratio target for 2021.

## Strategy and priorities

Corporate Solutions reported strong net income of USD 578 million in 2021. This result was achieved as the Business Unit continued to benefit from the implemented strategic actions taken to transform the business back into a consistent earnings contributor to the Swiss Re Group, with disciplined underwriting, strict expense management and continued rate increases. Corporate Solutions successfully absorbed large natural catastrophe losses and man-made claims. The Business Unit achieved a normalised combined ratio of 95.0%, surpassing its goal of less than 97% for 2021.

In December 2021, Swiss Re agreed to sell elipsLife, while maintaining exposure to the attractive employee benefits risk pool through a long-term reinsurance partnership. The sale allows Corporate Solutions to focus on continuing the strong performance of its core commercial insurance business.

## Performance

Corporate Solutions reported a net income of USD 578 million for 2021, up from a COVID-19-driven net loss of USD 467 million for 2020. The significant net profit improvement of USD 1.0 billion follows the successful turnaround in 2020 and is supported by a strong prior-year development, in particular in property.

This significant improvement was achieved as the Business Unit continued to benefit from the implemented strategic actions. The business successfully absorbed large natural catastrophe losses of USD 345 million, mainly relating to Uri, Hurricane Ida and the tornadoes that affected the central US in early December, as well as large man-made losses of USD 249 million.

The net operating margin was 13.5%, compared with -10.7% for the prior year. Return on equity (ROE) was very strong at 22.3% for the year.

The investment performance also contributed to the result, with the investment result of USD 225 million, slightly below 2020 levels.

## Premiums

Gross premiums written increased by 21.1% to USD 7.5 billion in 2021, with business written across all geographies at more adequate price levels. Corporate Solutions achieved risk-adjusted price increases of 12%<sup>2</sup>, as well as higher volume on elipsLife business.

Net premiums earned were USD 5.3 billion in 2021, an increase of 6.5% year on year. This was driven by further rate increases in the context of the continued focus on underwriting quality, selective new business growth as well as an improved customer and broker distribution franchise. Favourable foreign exchange developments further helped offset the impact of the previous portfolio pruning actions.

## Combined ratio

Corporate Solutions' combined ratio improved to 90.6% in 2021 from 115.5% in 2020. This was the result of disciplined underwriting, strict expense management, continued rate increases and positive prior-year development.

The normalised combined ratio was 95.0%, surpassing the normalised combined ratio target of less than 97% for 2021. This reflects the ongoing benefits of disciplined underwriting, strict expense management and continued rate increases.

## Lines of business

The property combined ratio for 2021 improved to 80.9% from 128.8% in the prior year. The improvement was driven by favourable prior-year development and achieved rate increases, partially offset by large natural catastrophe losses and higher large man-made loss activity. The previous period was impacted by COVID-19 losses.

The casualty combined ratio decreased to 103.6% in 2021, compared with 108.1% in 2020. Both periods were impacted by large man-made losses, mainly from prior accident years. The improvement in the current period was driven by the benefits of the management actions taken in 2019 and 2020.

The specialty combined ratio for 2021 improved by 33.6 percentage points to 76.3%, reflecting profitable business performance and favourable prior-year development. The previous period was impacted by COVID-19-related losses mainly on the credit & surety portfolio.

elipsLife's combined ratio improved by 11.5 percentage points to 99.6% for 2021, driven by a successful renewal season and slightly favourable prior-year development.

<sup>1</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

<sup>2</sup> Risk-adjusted price increases for Corporate Solutions in 2021 exclude elipsLife.

### Investment result

The return on investment (ROI) was 2.0% for 2021, compared with 2.3% in 2020, with an investment result of USD 225 million, a decrease of USD 18 million compared with 2020.

Net investment income decreased by USD 34 million to USD 136 million for 2021 compared with 2020, mainly due to the impact of the low-yield environment on the fixed income and short-term investment portfolio.

Net realised gains were USD 89 million in 2021, compared with USD 73 million in 2020, reflecting market value gains on equity securities, partially offset by fewer realised gains on sales of fixed income securities.

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

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 20 million in 2021, compared with net realised losses of USD 8 million in 2020, reflecting a return to profitable business performance while the previous period was adversely impacted by mild winter temperatures in Europe.

### Shareholders' equity

Shareholders' equity increased to USD 2.8 billion at the end of 2021 due to the net income for the year, partly offset by the unrealised investment losses. The return on equity (ROE) was 22.3% in 2021, compared with -19.7% in 2020.

### Corporate Solutions results

USD millions	2020	2021	Change in %
<b>Revenues</b>			
Gross premiums written	6 185	7 492	21
Net premiums written	4 785	5 717	19
Change in unearned premiums	234	-374	-
<b>Premiums earned</b>	<b>5 019</b>	<b>5 343</b>	<b>6</b>
Net investment income	156	121	-22
Net realised investment gains/losses	56	115	105
Other revenues	5	12	-
<b>Total revenues</b>	<b>5 236</b>	<b>5 591</b>	<b>7</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	-3 433	-2 374	-31
Life and health benefits	-899	-924	3
Acquisition costs	-680	-690	1
Operating expenses	-783	-851	9
<b>Total expenses before interest expenses</b>	<b>-5 795</b>	<b>-4 839</b>	<b>-16</b>
<b>Income/loss before interest and income tax expense</b>	<b>-559</b>	<b>752</b>	<b>-</b>
Interest expenses	-32	-26	-19
<b>Income/loss before income tax expense</b>	<b>-591</b>	<b>726</b>	<b>-</b>
Income tax expense/benefit	130	-149	-
<b>Net income/loss before attribution of non-controlling interests</b>	<b>-461</b>	<b>577</b>	<b>-</b>
Income/loss attributable to non-controlling interests	-6	1	-
<b>Net income/loss attributable to common shareholders</b>	<b>-467</b>	<b>578</b>	<b>-</b>
Claims ratio in %	86.4	61.8	
Expense ratio in %	29.1	28.8	
Combined ratio in %	115.5	90.6	

### Outlook

Corporate Solutions will target a reported combined ratio of less than 95% in 2022.

Corporate Solutions' future path is centred around capturing profitable growth while leveraging distinctive competitive strengths with a focused portfolio strategy that will build resilience in all market cycles. This will be further supported by strategic investments to capture existing market opportunities and expand through innovative risk solutions, international programmes and data/digital solutions and services that help address customer pain points and industry inefficiencies.

The commercial insurance market experienced continued price gains in 2021, although at a reduced pace compared to 2020. Corporate Solutions expects rate increases to continue during 2022. As pricing deficiencies close and capital re-enters the market – which is already happening in some niche areas – rates may come under pressure. However, underlying loss trends, particularly around loss severity, should remain a source of upward pressure on rates.

COVID-19 created a large amount of uncertainty in underlying market profitability and, ultimately, premium trends.

# Swiss Re Institute

## Underwriting performance in 2021

The Group delivered strong underwriting results in 2021, driven by the excellent underlying performance of Swiss Re's businesses in a challenging environment.

Both Property and Casualty Reinsurance (P&C Re) and Corporate Solutions achieved their target normalised<sup>1</sup> combined ratios and, based on their strong technical underwriting results, made a significant contribution to Group net income. P&C Re achieved an excellent normalised combined ratio of 94.7%, meeting its target of less than 95% for the full year. Corporate Solutions reported a normalised combined ratio of 95.0%, surpassing its target of less than 97%.

Large natural catastrophe losses once again marked the year. Events such as Hurricane Ida in August, the floods and hailstorms in Europe in June and July, US winter storm Uri in February, as well as other natural catastrophes, resulted in global insured losses of more than USD 110 billion for the industry. For P&C Re and Corporate Solutions businesses, the impact from COVID-19 diminished significantly.

Despite these significant loss events for the industry, Swiss Re's premiums earned for this class of business have been significantly higher than the losses from natural catastrophes. This is the result of determined actions in Swiss Re's underwriting and steering the portfolio mix to a more attractive risk-return profile. Even though rates improved in 2021, a significant share of this business segment did not meet Swiss Re's return targets and Swiss Re has reduced underwritten exposure to Property aggregates for 2021 by more than USD 2 billion, resulting in a reduced exposure to 2021 natural catastrophe claims.

In casualty, Swiss Re has de-risked the casualty portfolio in North America, reducing treaty exposure to large corporate risk by over 60% since 2020 in view of continued social inflation trends and the worsening inflationary environment.

For specialty, Swiss Re has grown the attractive engineering and marine portfolios, while continuing to carefully manage exposure to credit & surety.

Life and Health Reinsurance (L&H Re) delivered a return on equity (ROE) of -8.6% and was again significantly impacted by continued excess COVID-19 mortality claims in the in-force book. While the US winter 2020/21 wave resulted in slightly higher overall excess mortality, the wave in the third and fourth quarters of 2021 featured higher excess mortality among the working age population and included large single claims.

Excluding COVID-19 losses, L&H Re's underlying business performance was strong both for the in-force and new business books. The segment achieved an ROE, excluding COVID-19 losses, of 15.7%. This was primarily driven by a good underwriting performance and careful capital deployment across all regions. Swiss Re further grew its mortality book and carefully managed the exposure to health, especially critical illness.

Swiss Re continues to adjust its risk appetite for more extreme mortality and disability risks and reflects the increased exposure in its pricing assumptions for new business.

iptiQ continued to successfully grow its business in L&H (US and EMEA) and in P&C in EMEA. iptiQ's gross income was impacted by excess mortality, including COVID-19 and, to a lesser extent, floods in Europe.

## Outlook 2022 and beyond

Key themes for the industry in 2022 are shaping around contract clarity, economic and social inflation, sustainability, climate change and cyber.

### Contract clarity

The COVID-19 crisis has once again highlighted the need to focus on insurance and reinsurance contracts. The more complex the risk scenarios are, the higher the need to have clear alignment between the parties on the content of their contracts. It is critical that wordings reflect the intent of underwriters and that these open discussions between the contracting parties happen before the inception of the contract. The goal is to reduce ambiguities and exposure to unwanted risks, especially those that are novel or present a heightened level of complexity.

### Economic and social inflation

The higher inflationary environment is the number one near-term macroeconomic risk for the insurance industry. Swiss Re expects the magnitude of the rise in economic inflation in 2022, particularly in advanced markets, to erode nominal growth of 6.5–7.5% in non-life premiums for the industry globally. Currently, Swiss Re's claim trends do not generally follow the headline inflation movements, which are also peaking. Nevertheless there is an observable rise in compensation in selected areas. Globally, the personal auto loss frequency has neared pre-pandemic levels as more people have been driving again, while severity has risen more quickly with the spike in costs for used cars, replacement parts and rentals – in particular in the US. The inflationary outlook is dependent on supply chains and excess demand normalising again after the withdrawal of the exceptional government stimulus measures put in place to combat the pandemic.

<sup>1</sup> Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development as well as the COVID-19 impact.

Elevated social inflation trends especially in the US are likely to continue. The COVID-19 crisis is likely to amplify rather than alleviate the societal factors in play, such as educational and health inequality that is leading to a hardening of the public sentiment and attitudes towards insurers' interpretation of coverage levels and limits. Re/insurance pricing adequacy and cautious limit deployment are essential for the industry to get ahead of higher claims activity.

### Sustainability and climate change

Swiss Re aims to achieve net zero in its underwriting by 2050. So far, the primary focus has been on a gradual reduction in underwriting coal, gas and oil business.

In 2021, Swiss Re went one important step further and became a founding member of the Net-Zero Insurance Alliance (NZIA), convened by the UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI). Swiss Re has taken the lead of the metrics workstream for insurance underwriting, supporting the development of an insurance industry standard for carbon accounting and target setting protocols, to meet the net-zero 2050 goal.

Despite the challenges, there will be opportunities. In the coming 30 years, massive global investments will be required to transition society to net zero. Swiss Re expects the total primary P&C Re insurance premiums from the renewable energy market to increase by 40–90% from 2020 to 2030. In the transition to net zero, insurance can make a significant contribution and be a real partner for industry and society.

After a benign period for the industry from 2012 to 2016, the underwriting years 2017 to 2021 mark a return to the normal pattern of annually growing natural catastrophe claims for the industry. Alongside climate

change, economic growth, urbanisation, and urban sprawl are key drivers for this expansion. Approximately 50% of this risk pool, or approximately USD 35 billion per annum, stems from secondary perils. Despite volatility, natural catastrophe risk as a growing risk pool remains attractive for Swiss Re.

In a rapidly changing risk landscape, cutting-edge risk views and disciplined underwriting remain key to structuring and selecting business that meets Swiss Re's profit hurdles. In 2021, climate change and urbanisation effects have been further embedded into Swiss Re's selected natural catastrophe risk models: for example, with the inclusion of pluvial flooding.

### Cyber

Accelerated digitalisation fostered by the pandemic also means greatly increased cyber risks for individuals, businesses and society at large. The unprecedented rise in ransomware over the past couple of years resulted in increased claims and deteriorating cyber claims ratios. The insurance market reacted decisively in 2021 by focusing on risk quality and portfolio management, as well as improving pricing and terms and conditions.

Swiss Re estimates the global cyber insurance market to stand at USD 8 billion. Much of the recent growth came through much-needed rate increases rather than rising exposure. The growth outlook for this risk pool is attractive, for the industry and Swiss Re. Nevertheless, Swiss Re accesses this market in a highly disciplined way and maintains an underweight market position.

Swiss Re is committed to building a sustainable and profitable cyber insurance market, offering solutions and sizeable capacity for well-managed and transparently ceded risks, while prudently managing accumulation.

### Profitable growth opportunities

The current re/insurance cycle offers many opportunities for Swiss Re to grow at profitable terms. In Reinsurance, there is increased demand from insurers to cover earnings volatility, for balance sheet protection and for optimising their insurance portfolio mix across P&C and L&H. Swiss Re expects growth in its core business and through selected attractive transactions. Corporate Solutions is expected to continue to benefit from the increasing risk awareness, a reinforced focus on terms and conditions and upwards pricing trends in most markets and segments.

Swiss Re expects continued rate hardening into 2022. Underwriting excellence and discipline are key success factors in these uncertain and volatile times. All Swiss Re's businesses are well-positioned to benefit from improving market conditions and it expects to grow the portfolio at profitable terms, keeping a conservative risk profile.

# Group Investments

## **Financial markets and investment strategy**

Financial markets in 2021 were shaped by the economic recovery, healthy corporate earnings, inflation and an accommodative monetary-fiscal policy mix, as well as the ongoing COVID-19 pandemic.

While equity markets continued to reach new record highs during the final quarters of the year, a combination of more persistent inflation, signalling of impending monetary policy tightening from central banks (notably from the Federal Reserve and the Bank of England) and the emergence of the Omicron COVID-19 variant led to increasing bouts of market volatility.

Swiss Re's investment performance was strong in 2021, benefitting from successful investment decisions on top of positive financial markets. The higher allocation to risk assets contributed to the strong result, with private market investments providing additional income. Episodes of elevated financial market volatility also allowed Swiss Re to actively manage the portfolio, which further enhanced the investment performance, as did the continued focus on ESG criteria on a risk-adjusted basis.

In terms of key market developments, US 10-year Treasury yields rose to an intra-year high above 1.7% in late March as the yield curve steepened amid rising inflation and a still cautious Federal Reserve. However, as the year progressed, the Treasury yield curve flattened due to the expectations of tighter monetary policy.

Investment grade corporate credit spreads tightened further and reached a new post-pandemic low in June; they have widened again somewhat since then, not least in light of the change in monetary policy stance. Swiss Re was well-positioned for this environment, maintaining a high-quality stance on the asset class and being conscious of the risk-return profile offered in light of historically high valuations reached in June.

Finally, equity markets capped off another stellar year with the S&P 500 (+27%) ending December near its record high as investors looked through surging Omicron caseloads to focus on the relatively lower hospitalisation rates. This led to significant market value gains in the equity portfolio, in both public and private exposure.



### Investment result

The investment result was driven by recurring income and significant equity valuation gains. The Group's non-participating investment portfolio decreased from USD 125.7 billion at the end of 2020 to USD 121.2 billion at the end of 2021, reflecting the impact of rising interest rates. The ROI was 3.2% for 2021, compared with 3.5% for 2020. The strong investment result, though lower than in the prior year, was driven by recurring income and significant equity valuation gains. The Group continues to manage its investment portfolio with a focus on delivering sustainable income.

The Group's non-participating net investment income was USD 3.4 billion in 2021, compared with USD 3.0 billion in 2020. The increase was mainly driven by private equity valuations and listed equity dividends. The Group's recurring income yield was 2.2% in 2021, compared with 2.4% in 2020, reflecting turnover into lower yields.

The Group reported non-participating net realised gains of USD 0.5 billion in 2021, compared with USD 1.7 billion in 2020. The decrease is mainly due to reduced gains from sales of fixed income securities.

### Outlook

Swiss Re expects global real economic growth to remain above trend at 4.1% in 2022, down from the record pace of 5.6% in 2021. Meanwhile, inflation is set to decline from its multi-decade high but will remain elevated, despite the expected tightening in monetary policy. This global picture suggests a more prudent outlook for financial markets with generally full asset valuations.

The investment portfolio remains broadly diversified across asset classes and underlying sectors in both public and private markets, with a high-quality tilt. Subject to market conditions, Swiss Re will continue to increase its allocation to private markets, which will further enhance overall portfolio diversification.

Swiss Re also intends to expand its exposure to thematic investing; this will allow it to capture shifting value pools in the economy and effectively allocate long-term capital to industry segments that are going through innovative disruption. In addition, Swiss Re will continue its strategic efforts to enable outperformance, including our leadership in ESG and roadmap to a net-zero investment portfolio, and the application and integration of new technology across the investment process.

Finally, bouts of market volatility should again provide opportunities to actively manage the investment portfolio and positioning throughout the year.

# 3.4

**Net investment income in USD billions, 2021**  
(2020: USD 3.0 billion)

# 3.2%

**Group return on investments 2021**  
(2020: 3.5%)

# 2.2%

**Group recurring income yield 2021**  
(2020: 2.4%)

# Income statement

## For the years ended 31 December

USD millions	Note	2020	2021
<b>Revenues</b>			
Gross premiums written	4	42 951	<b>46 658</b>
Net premiums written	4	39 827	<b>43 220</b>
Change in unearned premiums		494	<b>-753</b>
<b>Premiums earned</b>	3	40 321	<b>42 467</b>
Fee income from policyholders	3	449	<b>259</b>
Net investment income – non-participating business <sup>1</sup>	7	2 988	<b>3 373</b>
Net realised investment gains/losses – non-participating business <sup>2</sup>	7	1 730	<b>537</b>
Net investment result – unit-linked and with-profit business	7	-2 187	<b>63</b>
Other revenues		37	<b>40</b>
<b>Total revenues</b>		43 338	<b>46 739</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	3	-19 838	<b>-17 181</b>
Life and health benefits	3	-13 929	<b>-14 992</b>
Return credited to policyholders		1 760	<b>-431</b>
Acquisition costs	3	-8 236	<b>-8 228</b>
Operating expenses		-3 597	<b>-3 505</b>
<b>Total expenses before interest expenses</b>		-43 840	<b>-44 337</b>
<b>Income/loss before interest and income tax expense/benefit</b>		-502	<b>2 402</b>
Interest expenses		-588	<b>-571</b>
<b>Income/loss before income tax expense/benefit</b>		-1 090	<b>1 831</b>
Income tax expense/benefit		266	<b>-394</b>
<b>Net income/loss before attribution of non-controlling interests</b>		-824	<b>1 437</b>
Income/loss attributable to non-controlling interests		-54	
<b>Net income/loss attributable to common shareholders</b>		-878	<b>1 437</b>
<b>Earnings per share in USD</b>			
Basic	14	-3.04	<b>4.97</b>
Diluted	14	-3.04	<b>4.78</b>
<b>Earnings per share in CHF<sup>3</sup></b>			
Basic	14	-2.97	<b>4.52</b>
Diluted	14	-2.97	<b>4.35</b>

<sup>1</sup> Total impairments for the years ended 31 December of USD 5 million in 2020 and nil in 2021, respectively, were fully recognised in earnings.

<sup>2</sup> Total impairments for the years ended 31 December of USD 29 million in 2020 and of USD 10 million in 2021, respectively, were fully recognised in earnings.

<sup>3</sup> The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

# Statement of comprehensive income

## For the years ended 31 December

USD millions	2020	2021
Net income/loss before attribution of non-controlling interests	-824	1 437
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	2 741	-2 951
Change in other-than-temporary impairment		-5
Change in cash flow hedges	2	
Change in foreign currency translation	52	-461
Change in adjustment for pension benefits	-24	259
Change in credit risk of financial liabilities at fair value option	1	
Disposal of ReAssure	-2 080	
Other comprehensive income/loss attributable to non-controlling interests	127	-16
<b>Total comprehensive income/loss before attribution of non-controlling interests</b>	<b>-5</b>	<b>-1 737</b>
Comprehensive income/loss attributable to non-controlling interests	-181	16
<b>Total comprehensive income/loss attributable to common shareholders</b>	<b>-186</b>	<b>-1 721</b>

## Reclassification out of accumulated other comprehensive income

### For the years ended 31 December

2020 USD millions	Net unrealised investment gains/losses <sup>1</sup>	Other-than-temporary impairment <sup>1</sup>	Cash flow hedges <sup>1</sup>	Foreign currency translation <sup>1,2</sup>	Adjustment for pension benefits <sup>3</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 152	-1	-2	-5 794	-850	3	-1 492
Amounts reclassified on disposal of ReAssure	-2 133			-13	66		-2 080
Change during the period	5 634		17	-166	-166	1	5 320
Amounts reclassified out of accumulated other comprehensive income	-2 263		-15	18	137		-2 123
Tax	-630			200	5		-425
<b>Balance as of period end</b>	<b>5 760</b>	<b>-1</b>	<b>0</b>	<b>-5 755</b>	<b>-808</b>	<b>4</b>	<b>-800</b>

2021 USD millions	Net unrealised investment gains/losses <sup>1</sup>	Other-than-temporary impairment <sup>1</sup>	Cash flow hedges <sup>1</sup>	Foreign currency translation <sup>1,2</sup>	Adjustment for pension benefits <sup>3</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	5 760	-1	0	-5 755	-808	4	-800
Change during the period	-4 063	-6		-335	259		-4 145
Amounts reclassified out of accumulated other comprehensive income	367			-13	70		424
Tax	745	1		-113	-70		563
<b>Balance as of period end</b>	<b>2 809</b>	<b>-6</b>	<b>0</b>	<b>-6 216</b>	<b>-549</b>	<b>4</b>	<b>-3 958</b>

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

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

<sup>3</sup> Reclassification adjustment included in net income is presented in "Operating expenses".

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

# Balance sheet

## Assets As of 31 December

USD millions	Note	2020	2021
<b>Investments</b>	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 7 435 in 2020 and 13 662 in 2021 subject to securities lending and repurchase agreements) (amortised cost: 2020: 73 862; 2021: 82 230)		81 080	<b>85 685</b>
Trading (including 1 551 in 2020 and 824 in 2021 subject to securities lending and repurchase agreements)		1 938	<b>1 300</b>
Equity securities at fair value through earnings (including 59 in 2020 and 2 in 2021 subject to securities lending and repurchase agreements)		4 899	<b>3 978</b>
Policy loans, mortgages and other loans		3 315	<b>3 943</b>
Investment real estate		2 602	<b>2 871</b>
Short-term investments (including 3 969 in 2020 and 1 384 in 2021 subject to securities lending and repurchase agreements)		16 082	<b>8 462</b>
Other invested assets		10 314	<b>9 879</b>
Investments for unit-linked and with-profit business (including equity securities at fair value through earnings: 463 in 2020 and 468 in 2021)		463	<b>468</b>
<b>Total investments</b>		<b>120 693</b>	<b>116 586</b>
Cash and cash equivalents (including 773 in 2020 and 903 in 2021 subject to securities lending, and 3 in 2020 and 4 in 2021 backing unit-linked and with-profit contracts)		5 470	<b>5 051</b>
Accrued investment income		626	<b>638</b>
Premiums and other receivables		15 934	<b>16 875</b>
Reinsurance recoverable on unpaid claims and policy benefits		5 892	<b>6 482</b>
Funds held by ceding companies		10 726	<b>12 532</b>
Deferred acquisition costs	6	8 230	<b>8 142</b>
Acquired present value of future profits	6	928	<b>836</b>
Goodwill		4 021	<b>3 970</b>
Income taxes recoverable		337	<b>341</b>
Deferred tax assets		6 079	<b>6 131</b>
Other assets		3 686	<b>3 983</b>
<b>Total assets</b>		<b>182 622</b>	<b>181 567</b>

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

## Liabilities and Equity

### As of 31 December

USD millions	Note	2020	2021
<b>Liabilities</b>			
Unpaid claims and claim adjustment expenses	5	81 258	<b>84 096</b>
Liabilities for life and health policy benefits	8	22 456	<b>22 196</b>
Policyholder account balances		5 192	<b>5 147</b>
Unearned premiums		13 309	<b>14 134</b>
Funds held under reinsurance treaties		5 146	<b>6 553</b>
Reinsurance balances payable		1 097	<b>1 074</b>
Income taxes payable		336	<b>320</b>
Deferred and other non-current tax liabilities		6 740	<b>6 384</b>
Short-term debt	12	153	<b>862</b>
Accrued expenses and other liabilities	7	8 093	<b>6 800</b>
Long-term debt	12	11 584	<b>10 323</b>
<b>Total liabilities</b>		<b>155 364</b>	<b>157 889</b>
<b>Equity</b>			
Common shares, CHF 0.10 par value			
2020: 317 497 306; 2021: 317 497 306 shares authorised and issued		30	<b>30</b>
Additional paid-in capital		251	<b>266</b>
Treasury shares, net of tax		-1 396	<b>-1 402</b>
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		5 760	<b>2 809</b>
Other-than-temporary impairment, net of tax		-1	<b>-6</b>
Foreign currency translation, net of tax		-5 755	<b>-6 216</b>
Adjustment for pension and other post-retirement benefits, net of tax		-808	<b>-549</b>
Credit risk of financial liabilities at fair value option, net of tax		4	<b>4</b>
Total accumulated other comprehensive income		-800	<b>-3 958</b>
Retained earnings		29 050	<b>28 632</b>
<b>Shareholders' equity</b>		<b>27 135</b>	<b>23 568</b>
Non-controlling interests		123	<b>110</b>
<b>Total equity</b>		<b>27 258</b>	<b>23 678</b>
<b>Total liabilities and equity</b>		<b>182 622</b>	<b>181 567</b>

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

# Statement of shareholders' equity

## For the years ended 31 December

USD millions	2020	2021
<b>Common shares</b>		
Balance as of 1 January	31	30
Cancellation of shares bought back	-1	
Balance as of period end	30	30
<b>Additional paid-in capital</b>		
Balance as of 1 January	256	251
Transactions with non-controlling interests <sup>1</sup>	9	
Cancellation of shares bought back	-27	
Share-based compensation	-1	21
Realised gains/losses on treasury shares	14	-6
Balance as of period end	251	266
<b>Treasury shares, net of tax</b>		
Balance as of 1 January	-2 220	-1 396
Purchase of treasury shares	-228	-48
Cancellation of shares bought back	1 011	
Issuance of treasury shares, including share-based compensation to employees	41	42
Balance as of period end	-1 396	-1 402
<b>Net unrealised investment gains/losses, net of tax</b>		
Balance as of 1 January	5 152	5 760
Disposal of ReAssure <sup>1</sup>	-2 133	
Changes during the period	2 741	-2 951
Balance as of period end	5 760	2 809
<b>Other-than-temporary impairment, net of tax</b>		
Balance as of 1 January	-1	-1
Changes during the period		-5
Balance as of period end	-1	-6
<b>Cash flow hedges, net of tax</b>		
Balance as of 1 January	-2	0
Changes during the period	2	
Balance as of period end	0	0

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

USD millions	2020	2021
<b>Foreign currency translation, net of tax</b>		
Balance as of 1 January	-5 794	-5 755
Disposal of ReAssure <sup>1</sup>	-13	
Changes during the period	52	-461
Balance as of period end	-5 755	-6 216
<b>Adjustment for pension and other post-retirement benefits, net of tax</b>		
Balance as of 1 January	-850	-808
Disposal of ReAssure <sup>1</sup>	66	
Changes during the period	-24	259
Balance as of period end	-808	-549
<b>Credit risk of financial liabilities at fair value option, net of tax</b>		
Balance as of 1 January	3	4
Changes during the period	1	
Balance as of period end	4	4
<b>Retained earnings</b>		
Balance as of 1 January	32 676	29 050
Net income/loss after attribution of non-controlling interests	-878	1 437
Dividends on common shares	-1 765	-1 855
Cancellation of shares bought back	-983	
Balance as of period end	29 050	28 632
<b>Shareholders' equity</b>	27 135	23 568
<b>Non-controlling interests</b>		
Balance as of 1 January	1 786	123
Transactions with non-controlling interests <sup>1</sup>	4	3
Income/loss attributable to non-controlling interests	54	
Other comprehensive income attributable to non-controlling interests:		
Change in net unrealised investment gains/losses	179	-5
Change in foreign currency translation	-53	-11
Other	1	
Disposal of ReAssure <sup>1</sup>	-1 848	
Balance as of period end	123	110
<b>Total equity</b>	27 258	23 678

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

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

# Statement of cash flows

## For the years ended 31 December

USD millions	2020	2021
<b>Cash flows from operating activities</b>		
Net income/loss attributable to common shareholders	-878	1 437
Add income/loss attributable to non-controlling interests	54	
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	617	666
Net realised investment gains/losses	972	-578
Income from equity-accounted investees, net of dividends received	175	-570
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	4 736	4 251
Funds held by ceding companies and under reinsurance treaties	393	-400
Reinsurance recoverable on unpaid claims and policy benefits	214	-474
Other assets and liabilities, net	-281	-81
Income taxes payable/recoverable	-630	136
Derivative financial instruments and collateral, net	22	-283
<b>Net cash provided/used by operating activities</b>	<b>5 394</b>	<b>4 104</b>
<b>Cash flows from investing activities</b>		
Fixed income securities:		
Sales	50 302	34 414
Maturities	7 333	9 700
Purchases	-52 212	-53 581
Net purchases/sales/maturities of short-term investments	-9 681	7 305
Equity securities:		
Sales	1 782	2 387
Purchases	-1 749	-1 364
Securities purchased/sold under agreement to resell/repurchase, net	-1 587	493
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	-2 535	-42
Net purchases/sales/maturities of other investments	-1 262	-1 481
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	1 888	32
<b>Net cash provided/used by investing activities</b>	<b>-7 721</b>	<b>-2 137</b>
<b>Cash flows from financing activities</b>		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	215	9
Withdrawals	-1 630	-64
Issuance/repayment of long-term debt	1 071	-51
Issuance/repayment of short-term debt	-190	-102
Purchase/sale of treasury shares	-199	-37
Dividends paid to shareholders	-1 765	-1 855
<b>Net cash provided/used by financing activities</b>	<b>-2 498</b>	<b>-2 100</b>

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



USD millions	2020	2021
<b>Total net cash provided/used</b>	-4 825	<b>-133</b>
Effect of foreign currency translation	4	<b>-286</b>
<b>Change in cash and cash equivalents</b>	-4 821	<b>-419</b>
Cash and cash equivalents as of 1 January	7 562	<b>5 470</b>
Cash and cash equivalents as of 1 January classified as assets held for sale	2 729	
<b>Cash and cash equivalents as of 31 December</b>	5 470	<b>5 051</b>

Interest paid was USD 563 million and USD 559 million (thereof USD 7 million and USD 8 million for letter of credit fees) for 2020 and 2021, respectively. Tax paid was USD 364 million and USD 258 million for 2020 and 2021, respectively.

Non-cash investing activities for 2020 amounted to USD 1.1 billion. USD 1.4 billion reflects the receipt of shares in Phoenix as part of the sales consideration for ReAssure to Phoenix. This is reduced by USD 0.3 billion representing the transaction with MS&AD. Please refer to Note 10 "Disposals" for more details.

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

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

# Notes to the Group financial statements

## 1 Organisation and summary of significant accounting policies

### Nature of operations

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

### Basis of presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intra-group transactions and balances have been eliminated on consolidation. The accompanying condensed consolidated financial statements contain preliminary, unaudited financial information for the annual period ended 31 December 2021. The 2020 year-end balance sheet data presented were derived from audited financial statements. These condensed financial statements do not include all disclosures that US GAAP requires on an annual basis and therefore they should be read in conjunction with the Swiss Re Group’s audited consolidated financial statements for the year ended 31 December 2020. The Swiss Re Group’s audited consolidated financial statements for the year ended 31 December 2021 will be published on 17 March 2022.

On 22 July 2020, the Group completed the sale of ReAssure to Phoenix. Subsequently, the subject business was deconsolidated as of that date. Further details on the transaction are provided in Note 10 “Disposals”.

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

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

### Use of estimates in the preparation of financial statements

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

### Subsequent events

Subsequent events for the current reporting period have been evaluated up to 24 February 2022. This is the date on which the condensed unaudited financial statements are available to be issued.

### Adoption of new accounting standards

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

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

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

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

#### **Future adoption of new accounting standards**

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

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

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

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

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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 three core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance and Corporate Solutions. 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 within an entity which impacts two or more segments is allocated to the segments based on the applicable statutory tax rate on pre-tax income or loss with permanent tax differences specifically allocated to the applicable segments. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1). Cross-segmental dividends and gains and losses on certain one-off transfers and transactions between segments are accounted for through segmental shareholders' equity.

The Group operating segments are outlined below.

### Property & Casualty Reinsurance and Life & Health Reinsurance

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

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

### Corporate Solutions

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

### Life Capital

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

### Group items

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

### Consolidation

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

## a) Business segments – income statement

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
<b>Revenues</b>							
Gross premiums written	21 512	15 067	6 185	296	915	-1 024	42 951
Net premiums written	20 636	13 657	4 785	108	641		39 827
Change in unearned premiums	196	68	234	3	-7		494
<b>Premiums earned</b>	<b>20 832</b>	<b>13 725</b>	<b>5 019</b>	<b>111</b>	<b>634</b>		<b>40 321</b>
Fee income from policyholders		158		205	86		449
Net investment income – non-participating business	1 178	1 140	156	348	483	-317	2 988
Net realised investment gains/losses – non-participating business	683	445	56	110	436		1 730
Net investment result – unit-linked and with-profit business		-32		-2 155			-2 187
Other revenues	26	4	5		408	-406	37
<b>Total revenues</b>	<b>22 719</b>	<b>15 440</b>	<b>5 236</b>	<b>-1 381</b>	<b>2 047</b>	<b>-723</b>	<b>43 338</b>
<b>Expenses</b>							
Claims and claim adjustment expenses	-16 403		-3 433		-2		-19 838
Life and health benefits		-12 204	-899	-223	-603		-13 929
Return credited to policyholders		5		2 059	-304		1 760
Acquisition costs	-5 104	-1 999	-680	-275	-178		-8 236
Operating expenses	-1 200	-786	-783	-211	-1 023	406	-3 597
<b>Total expenses before interest expenses</b>	<b>-22 707</b>	<b>-14 984</b>	<b>-5 795</b>	<b>1 350</b>	<b>-2 110</b>	<b>406</b>	<b>-43 840</b>
<b>Income/loss before interest and income tax expense/benefit</b>							
	12	456	-559	-31	-63	-317	-502
Interest expenses	-321	-367	-32	-38	-147	317	-588
<b>Income/loss before income tax expense/benefit</b>	<b>-309</b>	<b>89</b>	<b>-591</b>	<b>-69</b>	<b>-210</b>	<b>0</b>	<b>-1 090</b>
Income tax expense/benefit	62	-18	130	13	79		266
<b>Net income/loss before attribution of non-controlling interests</b>	<b>-247</b>	<b>71</b>	<b>-461</b>	<b>-56</b>	<b>-131</b>	<b>0</b>	<b>-824</b>
Income/loss attributable to non-controlling interests			-6	-48			-54
<b>Net income/loss attributable to common shareholders</b>	<b>-247</b>	<b>71</b>	<b>-467</b>	<b>-104</b>	<b>-131</b>	<b>0</b>	<b>-878</b>
Claims ratio in %	78.7		86.4				80.3
Expense ratio in %	30.3		29.1				30.0
Combined ratio in %	109.0		115.5				110.3
Management expense ratio <sup>1</sup> in %		5.2					
Net operating margin <sup>2</sup> in %	0.1	2.9	-10.7	-4.0			-1.1

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

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

**Business segments – income statement**

For the year ended 31 December

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Revenues</b>						
Gross premiums written	23 246	16 071	7 492	795	-946	46 658
Net premiums written	22 381	14 584	5 717	538		43 220
Change in unearned premiums	-455	104	-374	-28		-753
<b>Premiums earned</b>	<b>21 926</b>	<b>14 688</b>	<b>5 343</b>	<b>510</b>		<b>42 467</b>
Fee income from policyholders		180		79		259
Net investment income – non-participating business	1 613	1 044	121	787	-192	3 373
Net realised investment gains/losses – non-participating business	542	302	115	-422		537
Net investment result – unit-linked and with-profit business		63				63
Other revenues	20	3	12	412	-407	40
<b>Total revenues</b>	<b>24 101</b>	<b>16 280</b>	<b>5 591</b>	<b>1 366</b>	<b>-599</b>	<b>46 739</b>
<b>Expenses</b>						
Claims and claim adjustment expenses	-14 773		-2 374	-38	4	-17 181
Life and health benefits		-13 648	-924	-416	-4	-14 992
Return credited to policyholders		-94		-337		-431
Acquisition costs	-5 359	-2 014	-690	-165		-8 228
Operating expenses	-1 162	-864	-851	-1 035	407	-3 505
<b>Total expenses before interest expenses</b>	<b>-21 294</b>	<b>-16 620</b>	<b>-4 839</b>	<b>-1 991</b>	<b>407</b>	<b>-44 337</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>2 807</b>	<b>-340</b>	<b>752</b>	<b>-625</b>	<b>-192</b>	<b>2 402</b>
Interest expenses	-296	-286	-26	-155	192	-571
<b>Income/loss before income tax expense/benefit</b>	<b>2 511</b>	<b>-626</b>	<b>726</b>	<b>-780</b>	<b>0</b>	<b>1 831</b>
Income tax expense/benefit	-413	103	-149	65		-394
<b>Net income/loss before attribution of non-controlling interests</b>	<b>2 098</b>	<b>-523</b>	<b>577</b>	<b>-715</b>	<b>0</b>	<b>1 437</b>
Income/loss attributable to non-controlling interests	-1		1			
<b>Net income/loss attributable to common shareholders</b>	<b>2 097</b>	<b>-523</b>	<b>578</b>	<b>-715</b>	<b>0</b>	<b>1 437</b>
Claims ratio in %	67.4		61.8			66.2
Expense ratio in %	29.7		28.8			29.6
Combined ratio in %	97.1		90.6			95.8
Management expense ratio <sup>1</sup> in %		5.4				
Net operating margin <sup>2</sup> in %	11.6	-2.1	13.5			5.1

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

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

**Business segments – balance sheet**

As of 31 December

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



**Business segments – balance sheet**

As of 31 December

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Group items	Consolidation	Total
<b>Assets</b>						
Fixed income securities	42 762	32 656	9 688	1 879		86 985
Equity securities	2 218	213	254	1 293		3 978
Other investments	19 482	3 658	162	5 326	-11 935	16 693
Short-term investments	4 335	2 294	1 476	357		8 462
Investments for unit-linked and with-profit business		468				468
Cash and cash equivalents	1 937	2 003	858	253		5 051
Deferred acquisition costs	2 538	4 717	480	407		8 142
Acquired present value of future profits		431		405		836
Reinsurance recoverable	2 004	2 289	6 907	114	-4 832	6 482
Other reinsurance assets	15 423	8 314	3 120	3 813	-1 263	29 407
Goodwill	1 903	1 855	182	30		3 970
Other	9 222	9 229	3 142	4 088	-14 588	11 093
<b>Total assets</b>	<b>101 824</b>	<b>68 127</b>	<b>26 269</b>	<b>17 965</b>	<b>-32 618</b>	<b>181 567</b>
<b>Liabilities</b>						
Unpaid claims and claim adjustment expenses	56 883	15 549	15 660	835	-4 831	84 096
Liabilities for life and health policy benefits		20 027	798	1 372	-1	22 196
Policyholder account balances		1 244		3 903		5 147
Other reinsurance liabilities	16 040	1 600	5 317	451	-1 647	21 761
Short-term debt	1 269	1 750			-2 157	862
Long-term debt	3 596	12 174	499	2 347	-8 293	10 323
Other	14 524	10 970	1 141	2 558	-15 689	13 504
<b>Total liabilities</b>	<b>92 312</b>	<b>63 314</b>	<b>23 415</b>	<b>11 466</b>	<b>-32 618</b>	<b>157 889</b>
<b>Shareholders' equity</b>						
	<b>9 505</b>	<b>4 813</b>	<b>2 751</b>	<b>6 499</b>	<b>0</b>	<b>23 568</b>
Non-controlling interests	7		103			110
<b>Total equity</b>	<b>9 512</b>	<b>4 813</b>	<b>2 854</b>	<b>6 499</b>	<b>0</b>	<b>23 678</b>
<b>Total liabilities and equity</b>	<b>101 824</b>	<b>68 127</b>	<b>26 269</b>	<b>17 965</b>	<b>-32 618</b>	<b>181 567</b>

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

For the year ended 31 December

2020 USD millions	Property	Casualty	Specialty	Unallocated	Total
<b>Revenues</b>					
Gross premiums written	9 001	9 445	3 066		21 512
Net premiums written	8 278	9 364	2 994		20 636
Change in unearned premiums	-28	245	-21		196
<b>Premiums earned</b>	<b>8 250</b>	<b>9 609</b>	<b>2 973</b>		<b>20 832</b>
Net investment income				1 178	1 178
Net realised investment gains/losses				683	683
Other revenues				26	26
<b>Total revenues</b>	<b>8 250</b>	<b>9 609</b>	<b>2 973</b>	<b>1 887</b>	<b>22 719</b>
<b>Expenses</b>					
Claims and claim adjustment expenses	-6 785	-7 570	-2 048		-16 403
Acquisition costs	-1 640	-2 732	-732		-5 104
Operating expenses	-604	-443	-153		-1 200
<b>Total expenses before interest expenses</b>	<b>-9 029</b>	<b>-10 745</b>	<b>-2 933</b>	<b>0</b>	<b>-22 707</b>
<b>Income/loss before interest and income tax expense</b>	<b>-779</b>	<b>-1 136</b>	<b>40</b>	<b>1 887</b>	<b>12</b>
Interest expenses				-321	-321
<b>Income/loss before income tax expense</b>	<b>-779</b>	<b>-1 136</b>	<b>40</b>	<b>1 566</b>	<b>-309</b>
Claims ratio in %	82.2	78.8	68.9		78.7
Expense ratio in %	27.2	33.0	29.8		30.3
Combined ratio in %	109.4	111.8	98.7		109.0

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

For the year ended 31 December

2021 USD millions	Property	Casualty	Specialty	Unallocated	Total
<b>Revenues</b>					
Gross premiums written	9 855	10 095	3 296		23 246
Net premiums written	9 102	10 038	3 241		22 381
Change in unearned premiums	-409	100	-146		-455
<b>Premiums earned</b>	<b>8 693</b>	<b>10 138</b>	<b>3 095</b>		<b>21 926</b>
Net investment income				1 613	1 613
Net realised investment gains/losses				542	542
Other revenues				20	20
<b>Total revenues</b>	<b>8 693</b>	<b>10 138</b>	<b>3 095</b>	<b>2 175</b>	<b>24 101</b>
<b>Expenses</b>					
Claims and claim adjustment expenses	-5 685	-7 372	-1 716		-14 773
Acquisition costs	-1 743	-2 862	-754		-5 359
Operating expenses	-589	-379	-194		-1 162
<b>Total expenses before interest expenses</b>	<b>-8 017</b>	<b>-10 613</b>	<b>-2 664</b>	<b>0</b>	<b>-21 294</b>
<b>Income/loss before interest and income tax expense</b>	<b>676</b>	<b>-475</b>	<b>431</b>	<b>2 175</b>	<b>2 807</b>
Interest expenses				-296	-296
<b>Income/loss before income tax expense</b>	<b>676</b>	<b>-475</b>	<b>431</b>	<b>1 879</b>	<b>2 511</b>
Claims ratio in %	65.4	72.7	55.5		67.4
Expense ratio in %	26.8	32.0	30.6		29.7
Combined ratio in %	92.2	104.7	86.1		97.1

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

For the year ended 31 December

2020 USD millions	Life	Health	Unallocated	Total
<b>Revenues</b>				
Gross premiums written	10 291	4 776		15 067
Net premiums written	9 156	4 501		13 657
Change in unearned premiums	36	32		68
<b>Premiums earned</b>	<b>9 192</b>	<b>4 533</b>		<b>13 725</b>
Fee income from policyholders	158			158
Net investment income – non-participating business	870	270		1 140
Net realised investment gains/losses – non-participating business	54	-12	403	445
Net investment result – unit-linked and with-profit business	-32			-32
Other revenues	3	1		4
<b>Total revenues</b>	<b>10 245</b>	<b>4 792</b>	<b>403</b>	<b>15 440</b>
<b>Expenses</b>				
Life and health benefits	-8 587	-3 617		-12 204
Return credited to policyholders	5			5
Acquisition costs	-1 309	-690		-1 999
Operating expenses	-522	-264		-786
<b>Total expenses before interest expenses</b>	<b>-10 413</b>	<b>-4 571</b>	<b>0</b>	<b>-14 984</b>
<b>Income/loss before interest and income tax expense</b>	<b>-168</b>	<b>221</b>	<b>403</b>	<b>456</b>
Interest expenses			-367	-367
<b>Income/loss before income tax expense</b>	<b>-168</b>	<b>221</b>	<b>36</b>	<b>89</b>
Management expense ratio <sup>1</sup> in %	5.1	5.5		5.2
Net operating margin <sup>2</sup> in %	-1.6	4.6		2.9

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

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

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

For the year ended 31 December

2021 USD millions	Life	Health	Unallocated	Total
<b>Revenues</b>				
Gross premiums written	11 318	4 753		16 071
Net premiums written	10 116	4 468		14 584
Change in unearned premiums	46	58		104
<b>Premiums earned</b>	10 162	4 526		14 688
Fee income from policyholders	180			180
Net investment income – non-participating business	821	223		1 044
Net realised investment gains/losses – non-participating business	-3		305	302
Net investment result – unit-linked and with-profit business	63			63
Other revenues	2	1		3
<b>Total revenues</b>	<b>11 225</b>	<b>4 750</b>	<b>305</b>	<b>16 280</b>
<b>Expenses</b>				
Life and health benefits	-10 320	-3 328		-13 648
Return credited to policyholders	-94			-94
Acquisition costs	-1 348	-666		-2 014
Operating expenses	-567	-297		-864
<b>Total expenses before interest expenses</b>	<b>-12 329</b>	<b>-4 291</b>	<b>0</b>	<b>-16 620</b>
<b>Income/loss before interest and income tax expense</b>	<b>-1 104</b>	<b>459</b>	<b>305</b>	<b>-340</b>
Interest expenses			-286	-286
<b>Income/loss before income tax expense</b>	<b>-1 104</b>	<b>459</b>	<b>19</b>	<b>-626</b>
Management expense ratio <sup>1</sup> in %	5.1	6.3		5.4
Net operating margin <sup>2</sup> in %	-9.9	9.7		-2.1

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

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

**d) Group items business segment**

For the year ended 31 December

2020 USD millions	iptiQ	Other	Total
<b>Revenues</b>			
Gross premiums written	804	111	915
Net premiums written	530	111	641
Change in unearned premiums	-7		-7
<b>Premiums earned</b>	<b>523</b>	<b>111</b>	<b>634</b>
Fee income from policyholders		86	86
Net investment income – non-participating business	37	446	483
Net realised investment gains/losses		436	436
Other revenues	1	407	408
<b>Total revenues</b>	<b>561</b>	<b>1 486</b>	<b>2 047</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	-2		-2
Life and health benefits	-431	-172	-603
Return credited to policyholders		-304	-304
Acquisition costs	-95	-83	-178
Operating expenses	-247	-776	-1 023
<b>Total expenses before interest expenses</b>	<b>-775</b>	<b>-1 335</b>	<b>-2 110</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>-214</b>	<b>151</b>	<b>-63</b>
Interest expenses	-1	-146	-147
<b>Income/loss before income tax expense/benefit</b>	<b>-215</b>	<b>5</b>	<b>-210</b>
Income tax expense/benefit		79	79
<b>Net income/loss</b>	<b>-215</b>	<b>84</b>	<b>-131</b>

**Group items business segment**

For the year ended 31 December

2021 USD millions	iptiQ	Other	Total
<b>Revenues</b>			
Gross premiums written	723	72	795
Net premiums written	466	72	538
Change in unearned premiums	-28		-28
<b>Premiums earned</b>	438	72	510
Fee income from policyholders		79	79
Net investment income – non-participating business	21	766	787
Net realised investment gains/losses	-4	-418	-422
Other revenues	2	410	412
<b>Total revenues</b>	<b>457</b>	<b>909</b>	<b>1 366</b>
<b>Expenses</b>			
Claims and claim adjustment expenses	-38		-38
Life and health benefits	-302	-114	-416
Return credited to policyholders		-337	-337
Acquisition costs	-105	-60	-165
Operating expenses	-290	-745	-1 035
<b>Total expenses before interest expenses</b>	<b>-735</b>	<b>-1 256</b>	<b>-1 991</b>
<b>Income/loss before interest and income tax expense/benefit</b>	<b>-278</b>	<b>-347</b>	<b>-625</b>
Interest expenses	-1	-154	-155
<b>Income/loss before income tax expense/benefit</b>	<b>-279</b>	<b>-501</b>	<b>-780</b>
Income tax expense/benefit	32	33	65
<b>Net income/loss</b>	<b>-247</b>	<b>-468</b>	<b>-715</b>

**e) Net premiums earned and fee income from policyholders by geography**

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

USD millions	2020	2021
Americas	19 462	20 984
Europe (including Middle East and Africa)	12 889	13 543
Asia-Pacific	8 419	8 199
<b>Total</b>	<b>40 770</b>	<b>42 726</b>

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

USD millions	2020	2021
United States	17 130	18 300
United Kingdom	3 793	3 963
Australia	1 865	2 055
China	2 133	1 847
Canada	1 341	1 509
Germany	1 336	1 450
Japan	1 677	1 288
Netherlands	1 325	1 131
France	968	1 022
Switzerland	1 205	990
Ireland	757	813
Other	7 240	8 358
<b>Total</b>	<b>40 770</b>	<b>42 726</b>

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



### 3 Insurance information

#### Premiums earned and fees assessed against policyholders

For the years ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
<b>Premiums earned, thereof:</b>						
Direct			5 245	300	788	6 333
Reinsurance	21 152	14 794	940		81	36 967
Intra-group transactions (assumed and ceded)	418	343	-411	-118	-232	0
<b>Premiums earned before retrocession to external parties</b>						
	21 570	15 137	5 774	182	637	43 300
Retrocession to external parties	-738	-1 412	-755	-71	-3	-2 979
<b>Net premiums earned</b>	<b>20 832</b>	<b>13 725</b>	<b>5 019</b>	<b>111</b>	<b>634</b>	<b>40 321</b>
<b>Fee income from policyholders, thereof:</b>						
Direct				205		205
Reinsurance		159			86	245
<b>Gross fee income before retrocession to external parties</b>						
		159		205	86	450
Retrocession to external parties		-1				-1
<b>Net fee income</b>	<b>0</b>	<b>158</b>	<b>0</b>	<b>205</b>	<b>86</b>	<b>449</b>

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group Items	Total
<b>Premiums earned, thereof:</b>						
Direct			5 816		624	6 440
Reinsurance	22 057	16 144	1 021		57	39 279
Intra-group transactions (assumed and ceded)	654	9	-501		-162	0
<b>Premiums earned before retrocession to external parties</b>						
	22 711	16 153	6 336		519	45 719
Retrocession to external parties	-785	-1 465	-993		-9	-3 252
<b>Net premiums earned</b>	<b>21 926</b>	<b>14 688</b>	<b>5 343</b>	<b>0</b>	<b>510</b>	<b>42 467</b>
<b>Fee income from policyholders, thereof:</b>						
Direct						0
Reinsurance		182			79	261
<b>Gross fee income before retrocession to external parties</b>						
		182			79	261
Retrocession to external parties		-2				-2
<b>Net fee income</b>	<b>0</b>	<b>180</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>259</b>

**Claims and claim adjustment expenses**

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
<b>Claims paid, thereof:</b>						
Gross claims paid to external parties	-12 225	-11 813	-4 031	-1 088	-900	-30 057
Intra-group transactions (assumed and ceded)	-553	-222	553	87	135	0
<b>Claims before receivables from retrocession to external parties</b>						
Retrocession to external parties	416	1 228	520	117	2	2 283
<b>Net claims paid</b>	<b>-12 362</b>	<b>-10 807</b>	<b>-2 958</b>	<b>-884</b>	<b>-763</b>	<b>-27 774</b>
<b>Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:</b>						
Gross – with external parties	-4 087	-1 474	-1 057	754	83	-5 781
Intra-group transactions (assumed and ceded)	278	-88	-284	18	76	0
<b>Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties</b>						
Retrocession to external parties	-232	165	-33	-111	-1	-212
<b>Net unpaid claims and claim adjustment expenses; life and health benefits</b>	<b>-4 041</b>	<b>-1 397</b>	<b>-1 374</b>	<b>661</b>	<b>158</b>	<b>-5 993</b>
<b>Claims and claim adjustment expenses; life and health benefits</b>	<b>-16 403</b>	<b>-12 204</b>	<b>-4 332</b>	<b>-223</b>	<b>-605</b>	<b>-33 767</b>

**Acquisition costs**

For the year ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
<b>Acquisition costs, thereof:</b>						
Gross acquisition costs with external parties	-5 142	-2 243	-850	-276	-199	-8 710
Intra-group transactions (assumed and ceded)	-68	-24	66	6	20	0
<b>Acquisition costs before impact of retrocession to external parties</b>						
Retrocession to external parties	106	268	104	-5	1	474
<b>Net acquisition costs</b>	<b>-5 104</b>	<b>-1 999</b>	<b>-680</b>	<b>-275</b>	<b>-178</b>	<b>-8 236</b>

**Claims and claim adjustment expenses**

For the year ended 31 December

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
<b>Claims paid, thereof:</b>						
Gross claims paid to external parties	-11 818	-13 967	-3 751		-768	-30 304
Intra-group transactions (assumed and ceded)	-561	-75	534		102	0
<b>Claims before receivables from retrocession to external parties</b>	-12 379	-14 042	-3 217		-666	-30 304
Retrocession to external parties	282	1 493	518		2	2 295
<b>Net claims paid</b>	<b>-12 097</b>	<b>-12 549</b>	<b>-2 699</b>	<b>0</b>	<b>-664</b>	<b>-28 009</b>
<b>Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:</b>						
Gross – with external parties	-2 903	-1 242	-696		179	-4 662
Intra-group transactions (assumed and ceded)	166	70	-265		29	0
<b>Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties</b>	-2 737	-1 172	-961		208	-4 662
Retrocession to external parties	61	73	362		2	498
<b>Net unpaid claims and claim adjustment expenses; life and health benefits</b>	<b>-2 676</b>	<b>-1 099</b>	<b>-599</b>	<b>0</b>	<b>210</b>	<b>-4 164</b>
<b>Claims and claim adjustment expenses; life and health benefits</b>	<b>-14 773</b>	<b>-13 648</b>	<b>-3 298</b>	<b>0</b>	<b>-454</b>	<b>-32 173</b>

**Acquisition costs**

For the year ended 31 December

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
<b>Acquisition costs, thereof:</b>						
Gross acquisition costs with external parties	-5 374	-2 290	-923		-196	-8 783
Intra-group transactions (assumed and ceded)	-112	-4	87		29	0
<b>Acquisition costs before impact of retrocession to external parties</b>	-5 486	-2 294	-836		-167	-8 783
Retrocession to external parties	127	280	146		2	555
<b>Net acquisition costs</b>	<b>-5 359</b>	<b>-2 014</b>	<b>-690</b>	<b>0</b>	<b>-165</b>	<b>-8 228</b>

**Reinsurance recoverable on unpaid claims and policy benefits**

As of 31 December 2020 and 2021, the Group had a reinsurance recoverable of USD 5 892 million and USD 6 482 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 30% and 26% of the Group's reinsurance recoverable as of year-end 2020 and 2021, respectively.

**Reinsurance receivables**

Reinsurance receivables as of 31 December were as follows:

USD millions	2020	2021
Premium receivables invoiced	3 960	4 835
Receivables invoiced from ceded re/insurance business	468	392
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	649	640
Recognised allowance	-73	-80

**Policyholder dividends**

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2020 and 2021 was nil. The amount of policyholder dividend expense in 2020 and 2021 was USD 42 million and USD 0 million, respectively.

## 4 Premiums written

For the years ended 31 December

2020 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
<b>Gross premiums written, thereof:</b>							
Direct			5 229	296	834		6 359
Reinsurance	20 871	14 732	908		81		36 592
Intra-group transactions (assumed)	641	335	48			-1 024	0
<b>Gross premiums written</b>	<b>21 512</b>	<b>15 067</b>	<b>6 185</b>	<b>296</b>	<b>915</b>	<b>-1 024</b>	<b>42 951</b>
Intra-group transactions (ceded)	-48		-589	-117	-270	1 024	0
<b>Gross premiums written before retrocession to external parties</b>							
Retrocession to external parties	-828	-1 410	-811	-71	-4		-3 124
<b>Net premiums written</b>	<b>20 636</b>	<b>13 657</b>	<b>4 785</b>	<b>108</b>	<b>641</b>	<b>0</b>	<b>39 827</b>

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
<b>Gross premiums written, thereof:</b>							
Direct			6 321		738		7 059
Reinsurance	22 424	16 062	1 056		57		39 599
Intra-group transactions (assumed)	822	9	115			-946	0
<b>Gross premiums written</b>	<b>23 246</b>	<b>16 071</b>	<b>7 492</b>		<b>795</b>	<b>-946</b>	<b>46 658</b>
Intra-group transactions (ceded)	-115		-585		-246	946	0
<b>Gross premiums written before retrocession to external parties</b>							
Retrocession to external parties	-750	-1 487	-1 190		-11		-3 438
<b>Net premiums written</b>	<b>22 381</b>	<b>14 584</b>	<b>5 717</b>	<b>0</b>	<b>538</b>	<b>0</b>	<b>43 220</b>

## 5 Unpaid claims and claim adjustment expenses

A reconciliation of the opening and closing reserve balances for unpaid claims and claim adjustment expenses for the years ended 31 December is presented as follows:

USD millions	2020	2021
Balance as of 1 January	72 373	81 258
Balance as of 1 January classified as held for sale	497	
Reinsurance recoverable	-3 732	-3 636
Deferred expense on retroactive reinsurance	-168	-191
<b>Net balance as of 1 January</b>	<b>68 970</b>	<b>77 431</b>
Incurred related to:		
Current year	34 064	32 656
Prior year	166	-727
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	-36	8
Total incurred	34 194	<b>31 937</b>
Paid related to:		
Current year	-10 329	-9 570
Prior year	-17 445	-18 439
Total paid	-27 774	<b>-28 009</b>
Foreign exchange	2 149	-1 686
Effect of acquisitions, disposals, new retroactive reinsurance and other items	-108	283
<b>Net balance as of period end</b>	<b>77 431</b>	<b>79 956</b>
Reinsurance recoverable	3 636	3 975
Deferred expense on retroactive reinsurance	191	165
<b>Balance as of period end</b>	<b>81 258</b>	<b>84 096</b>

### Prior-year development

Non-life claims development on prior years in the year ended 31 December 2021 is mainly driven by favourable property experience partly offset by adverse casualty experience. Development in property is principally due to reserve releases related to natural catastrophe events and lower than expected claims activity, mostly in North America and Asia. The deterioration for casualty mainly comes from adverse development for liability in North America and cyber, partly offset by favourable development in workers' compensation. Specialty was impacted by positive claims experience mainly in credit and engineering, partly offset by adverse development in marine and aviation.

For life and health lines of business, development on prior years' unpaid claims in the year ended 31 December 2021 is favourable. For life business, there is favourable development in Continental Europe and the UK. For health business, there is unfavourable development in disability portfolios in the US and Australia driven by adverse experience and strengthening of claim reserves. Claims development related to prior years for disability portfolios also includes an element of interest accretion for unpaid claims reported at an estimated present value.

A summary of prior year net claims and claim adjustment expenses development by lines of business for the years ended 31 December is shown below<sup>1</sup>:

USD millions	2020	2021
Line of business:		
Property	-582	-918
Casualty	456	473
Specialty	26	-255
Life and health	266	-27
<b>Total</b>	<b>166</b>	<b>-727</b>

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

### US asbestos and environmental claims exposure

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

At the end of 2021, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 430 million. During 2021, the Group incurred net losses of USD 106 million and net paid losses of USD 102 million in relation to these liabilities. These amounts include unallocated loss adjustment expenses.

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

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

As of 31 December, the DAC were as follows:

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

2021 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
Opening balance as of 1 January	2 576	4 900	426		328	8 230
Deferred	5 367	501	738		250	6 856
Effect of acquisitions/disposals and retrocessions		-38				-38
Amortisation	-5 359	-496	-679		-164	-6 698
Effect of foreign currency translation and other changes	-46	-150	-5		-7	-208
<b>Closing balance</b>	<b>2 538</b>	<b>4 717</b>	<b>480</b>	<b>0</b>	<b>407</b>	<b>8 142</b>

Retroceded DAC arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation.

As of 31 December, the PVFP was as follows:

2020 USD millions	Life & Health Reinsurance	Life Capital		Group items	Total
		Positive PVFP	Negative PVFP		
Opening balance as of 1 January	577			465	1 042
Opening balance as of 1 January classified as held for sale		1 156	-476	680	680
Effect of acquisitions/disposals and retrocessions		-912	444	-468	-470
Amortisation	-99	-254	33	-221	-394
Interest accrued on unamortised PVFP	28	36	-10	26	91
Effect of change in unrealised gains/losses				-8	-8
Effect of foreign currency translation	4	-26	9	-17	-13
<b>Closing balance</b>	<b>510</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>928</b>

2021 USD millions	Life & Health Reinsurance	Life Capital		Group items	Total
		Positive PVFP	Negative PVFP		
Opening balance as of 1 January	510			418	928
Effect of acquisitions/disposals and retrocessions	-7				-7
Amortisation	-76			-55	-131
Interest accrued on unamortised PVFP	5			37	42
Effect of change in unrealised gains/losses				5	5
Effect of foreign currency translation	-1				-1
<b>Closing balance</b>	<b>431</b>	<b>0</b>	<b>0</b>	<b>405</b>	<b>836</b>

Retroceded PVFP arises on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation.

The percentage of PVFP which is expected to be amortised in each of the next five years is 14%, 13%, 13%, 12% and 11%.



## 7 Investments

### Investment income

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

USD millions	2020	2021
Fixed income securities	2 251	1 787
Equity securities	92	133
Policy loans, mortgages and other loans	127	132
Investment real estate	241	246
Short-term investments	36	19
Other current investments	103	141
Share in earnings of equity-accounted investees	-51	806
Cash and cash equivalents	25	
Net result from deposit-accounted contracts	128	20
Deposits with ceding companies	421	482
<b>Gross investment income</b>	<b>3 373</b>	<b>3 766</b>
Investment expenses	-378	-391
Interest charged for funds held	-7	-2
<b>Net investment income – non-participating business</b>	<b>2 988</b>	<b>3 373</b>

Dividends received from investments accounted for using the equity method were USD 124 million and USD 236 million for 2020 and 2021, respectively.

Share in earnings of equity-accounted investees included impairments of the carrying amount of equity-accounted investees of USD 5 million and nil for 2020 and 2021, respectively.

### Realised gains and losses

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

USD millions	2020	2021
Fixed income securities available-for-sale:		
Gross realised gains	1 676	599
Gross realised losses	-256	-271
Other-than-temporary impairments	-29	-1
Net realised investment gains/losses on equity securities	-87	47
Change in net unrealised investment gains/losses on equity securities	782	-33
Net realised investment gains/losses on trading securities	86	-53
Change in net unrealised investment gains/losses on trading securities	-33	-102
Net realised/unrealised gains/losses on other investments	-41	365
Net realised/unrealised gains/losses on insurance-related activities	40	20
Foreign exchange gains/losses	-163	-34
Loss related to sale of ReAssure	-245	
<b>Net realised investment gains/losses – non-participating business</b>	<b>1 730</b>	<b>537</b>

Net realised/unrealised gains/losses on insurance-related activities included impairments of nil and USD 9 million for 2020 and 2021, respectively.

### Investment result – unit-linked and with-profit business

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

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

USD millions	2020		2021	
	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	29	50		
Investment income – equity securities	401	27	23	
Investment income – other	5	3	–1	
<b>Total investment income – unit-linked and with-profit business</b>	<b>435</b>	<b>80</b>	<b>22</b>	<b>0</b>
Realised gains/losses – fixed income securities	92	72		
Realised gains/losses – equity securities	–2 566	–283	41	
Realised gains/losses – other	–8	–9		
<b>Total realised gains/losses – unit-linked and with-profit business</b>	<b>–2 482</b>	<b>–220</b>	<b>41</b>	<b>0</b>
<b>Total net investment result – unit-linked and with-profit business</b>	<b>–2 047</b>	<b>–140</b>	<b>63</b>	<b>0</b>

### 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 was as follows:

USD millions	2020	2021
Balance as of 1 January	61	46
Credit losses for which an other-than-temporary impairment was not previously recognised	18	5
Reductions for securities sold during the period	–32	–10
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		5
Impact of increase in cash flows expected to be collected	–2	–1
Impact of foreign exchange movements	1	–1
<b>Balance as of 31 December</b>	<b>46</b>	<b>44</b>

**Investments available-for-sale**

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

2020 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	10 915	693	-18		11 590
US Agency securitised products	6 575	214	-10		6 779
States of the United States and political subdivisions of the states	1 444	248			1 692
United Kingdom	4 206	841	-5		5 042
Germany	3 038	494	-1		3 531
Canada	2 179	223	-13		2 389
France	2 551	570	-1		3 120
China	1 704	23	-6		1 721
Other	10 571	821	-38		11 354
<b>Total</b>	<b>43 183</b>	<b>4 127</b>	<b>-92</b>		<b>47 218</b>
Corporate debt securities	27 538	3 084	-35		30 587
Mortgage- and asset-backed securities	3 141	157	-22	-1	3 275
<b>Fixed income securities available-for-sale</b>	<b>73 862</b>	<b>7 368</b>	<b>-149</b>	<b>-1</b>	<b>81 080</b>

2021 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	14 969	360	-98		15 231
US Agency securitised products	2 981	46	-25		3 002
States of the United States and political subdivisions of the states	1 306	203			1 509
United Kingdom	4 158	367	-62		4 463
Germany	2 758	275	-23		3 010
Canada	2 874	120	-12		2 982
France	2 403	205	-49		2 559
China	2 286	26			2 312
Other	10 603	376	-114		10 865
<b>Total</b>	<b>44 338</b>	<b>1 978</b>	<b>-383</b>		<b>45 933</b>
Corporate debt securities	33 952	2 019	-220	-1	35 750
Mortgage- and asset-backed securities	3 940	91	-22	-7	4 002
<b>Fixed income securities available-for-sale</b>	<b>82 230</b>	<b>4 088</b>	<b>-625</b>	<b>-8</b>	<b>85 685</b>

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

**Unrealised losses on securities available-for-sale**

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

2020 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	1 315	18			1 315	18
US Agency securitised products	382	10	9	0	391	10
States of the United States and political subdivisions of the states	8	0			8	0
United Kingdom	230	5			230	5
Germany	13	0	27	1	40	1
Canada	61	8	66	5	127	13
France	41	0	28	1	69	1
China	738	6			738	6
Other	1 642	29	108	9	1 750	38
<b>Total</b>	<b>4 430</b>	<b>76</b>	<b>238</b>	<b>16</b>	<b>4 668</b>	<b>92</b>
Corporate debt securities	1 072	31	147	4	1 219	35
Mortgage- and asset-backed securities	402	9	173	14	575	23
<b>Total</b>	<b>5 904</b>	<b>116</b>	<b>558</b>	<b>34</b>	<b>6 462</b>	<b>150</b>

2021 USD millions	Less than 12 months		12 months or more		Total	
	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	9 635	74	582	24	10 217	98
US Agency securitised products	1 325	24	36	1	1 361	25
States of the United States and political subdivisions of the states	20	0			20	0
United Kingdom	830	25	388	37	1 218	62
Germany	766	20	39	3	805	23
Canada	1 633	10	40	2	1 673	12
France	1 130	45	48	4	1 178	49
China	20	0	39	0	59	0
Other	4 612	66	636	48	5 248	114
<b>Total</b>	<b>19 971</b>	<b>264</b>	<b>1 808</b>	<b>119</b>	<b>21 779</b>	<b>383</b>
Corporate debt securities	12 181	188	701	33	12 882	221
Mortgage- and asset-backed securities	1 349	16	70	13	1 419	29
<b>Total</b>	<b>33 501</b>	<b>468</b>	<b>2 579</b>	<b>165</b>	<b>36 080</b>	<b>633</b>

**Maturity of fixed income securities available-for-sale**

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2020 and 2021, USD 20 219 million and USD 25 004 million, respectively, of fixed income securities available-for-sale were callable.

USD millions	Amortised cost or cost	2020	Amortised cost or cost	2021
		Estimated fair value		Estimated fair value
Due in one year or less	8 806	8 863	6 119	6 142
Due after one year through five years	18 298	19 040	34 770	35 028
Due after five years through ten years	14 512	15 696	13 612	14 171
Due after ten years	29 942	35 035	24 668	27 216
Mortgage- and asset-backed securities with no fixed maturity	2 304	2 446	3 061	3 128
<b>Total fixed income securities available-for-sale</b>	<b>73 862</b>	<b>81 080</b>	<b>82 230</b>	<b>85 685</b>

### Investments trading and at fair value through earnings

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

USD millions	2020	2021
Debt securities issued by governments and government agencies	1 907	1 272
Mortgage- and asset-backed securities	31	28
<b>Fixed income securities trading – non-participating business</b>	<b>1 938</b>	<b>1 300</b>
<b>Equity securities at fair value through earnings – non-participating business</b>	<b>4 899</b>	<b>3 978</b>

### Investments held for unit-linked and with-profit business

As of 31 December 2020 and 31 December 2021, the carrying amounts of investments held for unit-linked business consist of equity securities at fair value through earnings of USD 463 million and USD 468 million.

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

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

USD millions	2020		2021	
	Carrying value	Fair value	Carrying value	Fair value
Policy loans	43	43	34	34
Mortgage loans	1 410	1 458	1 645	1 672
Other loans	1 862	1 906	2 264	2 302
Investment real estate	2 602	5 118	2 871	5 544

Depreciation expense related to investment real estate was USD 67 million and USD 63 million for 2020 and 2021, respectively. Accumulated depreciation on investment real estate totalled USD 779 million and USD 786 million as of 31 December 2020 and 2021, respectively. Investment real estate held by the Group includes residential and commercial investment real estate.

Substantially all mortgage, policy and other loan receivables are secured by buildings, land or the underlying policies. The loans are spread across numerous counterparties largely based in the US and UK with no specific high risk regarding credit concentration.

### Maturity of lessor cash flows

As of 31 December 2021, the total undiscounted cash flows to be received from operating leases of investment real estate for the next five years and thereafter were as follows:

USD millions	Operating leases
Less than one year	211
Between one year and two years	188
Between two years and three years	158
Between three years and four years	129
Between four years and five years	99
After five years	398
<b>Total cash flows</b>	<b>1 183</b>

The Group manages risk associated with the residual value of its leased properties through careful property selection as well as diversification by geographical region and property type. Lease contracts for residential real estate in Switzerland and Germany are usually open-ended. Cash flows for such contracts have been projected taking into consideration the average turnover rate in the region. Lease contracts for residential real estate in the US with a lease term of one year or less have been excluded from the projected cash flows in the table above. Rental income for those leases for the year ended 31 December 2020 and 2021 was USD 27 million and USD 25 million, respectively.

**Other financial assets and liabilities by measurement category**

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

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

2021 USD millions	Fair value	Investments measured at net asset value as practical expedient	Amortised cost or cost	Equity-accounted	Not in scope <sup>1</sup>	Total
<b>Other invested assets</b>						
Derivative financial instruments	164					164
Reverse repurchase agreements			2 336			2 336
Securities lending/borrowing	1 333		122			1 455
Equity-accounted investments	398			2 717		3 115
Other	376	1 470	963			2 809
<b>Other invested assets</b>	<b>2 271</b>	<b>1 470</b>	<b>3 421</b>	<b>2 717</b>	<b>0</b>	<b>9 879</b>
<b>Accrued expenses and other liabilities</b>						
Derivative financial instruments	435					435
Repurchase agreements			11			11
Securities lending	1 334		86			1 420
Securities sold short	1 032					1 032
Other			1 512		2 390	3 902
<b>Accrued expenses and other liabilities</b>	<b>2 801</b>	<b>0</b>	<b>1 609</b>	<b>0</b>	<b>2 390</b>	<b>6 800</b>

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

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

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

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

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

2021 USD millions	Gross amounts of recognised financial assets	Amounts set-off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – assets	1 371	-1 207	164		<b>164</b>
Reverse repurchase agreements	4 398	-2 062	2 336	-2 336	<b>0</b>
Securities borrowing	260	-138	122	-122	<b>0</b>
<b>Total</b>	<b>6 029</b>	<b>-3 407</b>	<b>2 622</b>	<b>-2 458</b>	<b>164</b>

2021 USD millions	Gross amounts of recognised financial liabilities	Amounts set-off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – liabilities	-1 550	1 115	-435	181	<b>-254</b>
Repurchase agreements	-1 778	1 767	-11	11	<b>0</b>
Securities lending	-1 853	433	-1 420	1 351	<b>-69</b>
<b>Total</b>	<b>-5 181</b>	<b>3 315</b>	<b>-1 866</b>	<b>1 543</b>	<b>-323</b>

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

**Assets pledged**

As of 31 December 2020 and 2021, investments with a carrying value of USD 5 858 million and USD 5 974 million, respectively, were on deposit with regulatory agencies in accordance with local requirements, of which USD 249 million and USD 244 million, respectively, were cash and cash equivalents. As of 31 December 2020 and 2021, investments with a carrying value of USD 15 424 million and USD 15 006 million, respectively, were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries, of which USD 259 million and USD 119 million, respectively, were cash and cash equivalents. Cash and cash equivalents pledged include some instances where cash is legally restricted from usage or withdrawal.

As of 31 December 2020 and 2021, investments with a carrying value of USD 795 million and USD 463 million, respectively, were placed on deposit or pledged to secure certain derivative and debt liabilities.

As of 31 December 2020 and 2021, securities of USD 13 787 million and USD 16 775 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 970 million and USD 1 431 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or reuse.

As of 31 December 2020 and 2021, a real estate portfolio with a carrying value of USD 200 million and USD 190 million, respectively, served as collateral for a credit facility, allowing the Group to withdraw funds up to CHF 500 million.

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

As of 31 December 2020 and 2021, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 4 837 million and USD 5 494 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2020 and 2021 was USD 1 341 million and USD 1 002 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

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

As of 31 December 2020 and 2021, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below.

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

2021 USD millions	Remaining contractual maturity of the agreements				Total
	Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	
<b>Repurchase agreements</b>					
Debt securities issued by governments and government agencies	2	1 614			1 616
Corporate debt securities	2	160			162
<b>Total repurchase agreements</b>	<b>4</b>	<b>1 774</b>	<b>0</b>	<b>0</b>	<b>1 778</b>
<b>Securities lending</b>					
Debt securities issued by governments and government agencies	794		445	402	1 641
Corporate debt securities	73	139			212
<b>Total securities lending</b>	<b>867</b>	<b>139</b>	<b>445</b>	<b>402</b>	<b>1 853</b>
<b>Gross amount of recognised liabilities for repurchase agreements and securities lending</b>					<b>3 631</b>

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



## 8 Fair value disclosures

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

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

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

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

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

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

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

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

### Valuation techniques

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

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

Values of mortgage- and asset-backed securities are obtained both from third party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain ABS for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific

information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in 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. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators, both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as a practical expedient.

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

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

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

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

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

Financial statements (unaudited)

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

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

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

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

2021 USD millions	Quoted prices in active markets for identical assets and liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Impact of netting <sup>1</sup>	Total
<b>Assets</b>					
Fixed income securities held for proprietary investment purposes	14 998	70 675	1 312		86 985
Debt securities issued by US government and government agencies	14 998	1 939			16 937
US Agency securitised products		3 100			3 100
Debt securities issued by non-US governments and government agencies		27 168			27 168
Corporate debt securities		34 438	1 312		35 750
Mortgage- and asset-backed securities		4 030			4 030
Equity securities held for proprietary investment purposes	3 358	620			3 978
Equity securities backing unit-linked and with-profit business	468				468
Short-term investments held for proprietary investment purposes	2 495	5 967			8 462
Derivative financial instruments	12	1 273	86	-1 207	164
Interest rate contracts	1	433			434
Foreign exchange contracts		331			331
Equity contracts	9	504	60		573
Credit contracts		5			5
Other contracts	2		26		28
Other invested assets	1 114	486	507		2 107
Funds held by ceding companies		172			172
<b>Total assets at fair value</b>	<b>22 445</b>	<b>79 193</b>	<b>1 905</b>	<b>-1 207</b>	<b>102 336</b>
<b>Liabilities</b>					
Derivative financial instruments	-3	-1 275	-272	1 115	-435
Interest rate contracts		-459	-2		-461
Foreign exchange contracts		-421			-421
Equity contracts	-1	-302	-9		-312
Credit contracts		-93			-93
Other contracts	-2		-261		-263
Liabilities for life and health policy benefits			-83		-83
Accrued expenses and other liabilities	-1 080	-1 285			-2 365
<b>Total liabilities at fair value</b>	<b>-1 083</b>	<b>-2 560</b>	<b>-355</b>	<b>1 115</b>	<b>-2 883</b>

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

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

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

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

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

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

2021 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
<b>Assets and liabilities</b>									
Balance as of 1 January	1 183	0	232	0	588	2 003	-341	-98	-439
Realised/unrealised gains/losses:									
Included in net income <sup>1</sup>	1		-93		-7	-99	121	16	137
Included in other comprehensive income <sup>2</sup>	-42					-42		-1	-1
Purchases	202		3		81	286			0
Issuances						0	-86		-86
Sales	-2		-3		-147	-152	1		1
Settlements	-20		-53			-73	33		33
Transfers into level 3						0			0
Transfers out of level 3					-8	-8			0
Disposals						0			0
Impact of foreign exchange movements	-10					-10			0
<b>Closing balance as of 31 December</b>	<b>1 312</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>507</b>	<b>1 905</b>	<b>-272</b>	<b>-83</b>	<b>-355</b>

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

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

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

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

USD millions	2020	2021
Gains/losses included in net income for the period	69	38
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	-16	-12

### Quantitative information about level 3 fair value measurements

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

USD millions	2020 Fair value	2021 Fair value	Valuation technique	Unobservable input	Range (weighted average <sup>1</sup> )
<b>Assets</b>					
Corporate debt securities	1 183	<b>1 312</b>			
Infrastructure loans	701	779	Discounted cash flow model	Valuation spread	65–305 bps (203 bps)
Private placement corporate debt	440	491	Corporate spread matrix	Credit spread	39–196 bps (99 bps)
Private placement credit tenant leases	42	36	Discounted cash flow model	Illiquidity premium	125–150 bps (146 bps)
Derivative equity contracts	201	<b>60</b>			
OTC equity option referencing correlated equity indices	201	60	Proprietary option model	Correlation	-20–50% (33%)
<b>Liabilities</b>					
Derivative equity contracts	-23	<b>-9</b>			
OTC equity option referencing correlated equity indices	-23	-9	Proprietary option model	Correlation	-20–95% (39.3%)
Other derivative contracts and liabilities for life and health policy benefits	-414	<b>-344</b>			
Variable annuity and fair valued GMDB contracts	-355	-261	Discounted cash flow model	Risk margin	4% (n/a)
				Volatility	10.7–70.8%
				Lapse	1–10%
				Mortality improvement	0–1.5%
				Withdrawal rate	0–90%
Weather contracts	-30	-66	Proprietary option model	Risk margin	7–18% (13.5%)
				Correlation	-26%–48% (-0.7%)
				Volatility (power/gas)	39–179% (120.9%)
				Volatility (temperature)	50–149 (119) HDD/CAT <sup>2</sup>
				Index value (temperature)	1 133–7 379 (1 508) HDD/CAT <sup>2</sup>

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

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

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

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

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

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

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



**Other invested assets measured at net asset value**

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

USD millions	2020 Fair value	2021 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	763	1 302	714	non-redeemable	n/a
Hedge funds	2	1		redeemable <sup>1</sup>	90 days <sup>2</sup>
Private equity direct	259	165	110	non-redeemable	n/a
Real estate funds	2	2	15	non-redeemable	n/a
<b>Total</b>	<b>1 026</b>	<b>1 470</b>	<b>839</b>		

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

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

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

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

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

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

**Fair value option**

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

**Other invested assets**

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

**Funds held by ceding companies**

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

**Liabilities for life and health policy benefits**

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

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

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

USD millions	2020	2021
<b>Assets</b>		
Other invested assets	10 314	9 879
of which at fair value pursuant to the fair value option	287	398
Funds held by ceding companies	10 726	12 532
of which at fair value pursuant to the fair value option	172	172
<b>Liabilities</b>		
Liabilities for life and health policy benefits	-22 456	-22 196
of which at fair value pursuant to the fair value option	-98	-83

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

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

USD millions	2020	2021
Other invested assets	-24	54
Funds held by ceding companies	6	
Liabilities for life and health policy benefits	-8	16
<b>Total</b>	<b>-26</b>	<b>70</b>

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

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

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

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

2021 USD millions	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
<b>Assets</b>			
Policy loans		34	34
Mortgage loans		1 672	1 672
Other loans		2 302	2 302
Investment real estate		5 544	5 544
<b>Total assets</b>	0	9 552	9 552
<b>Liabilities</b>			
Debt	-10 058	-3 407	-13 465
<b>Total liabilities</b>	-10 058	-3 407	-13 465

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

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

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

## 9 Derivative financial instruments

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

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

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

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

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

2021 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts	24 144	433	-408	25
Foreign exchange contracts	29 157	304	-222	82
Equity contracts	16 067	573	-312	261
Credit contracts	9 007	5	-93	-88
Other contracts	9 091	28	-263	-235
<b>Total</b>	<b>87 466</b>	<b>1 343</b>	<b>-1 298</b>	<b>45</b>
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts	3 730	1	-53	-52
Foreign exchange contracts	19 057	27	-199	-172
<b>Total</b>	<b>22 787</b>	<b>28</b>	<b>-252</b>	<b>-224</b>
<b>Total derivative financial instruments</b>	<b>110 253</b>	<b>1 371</b>	<b>-1 550</b>	<b>-179</b>
<b>Amount offset</b>				
Where a right of set-off exists		-788	788	
Due to cash collateral		-419	327	
<b>Total net amount of derivative financial instruments</b>		<b>164</b>	<b>-435</b>	<b>-271</b>

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

### Non-hedging activities

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

For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2020	2021
<b>Derivatives not designated as hedging instruments</b>		
Interest rate contracts	145	52
Foreign exchange contracts	970	-907
Equity contracts	-114	-209
Credit contracts	-93	-43
Other contracts		162
<b>Total gains/losses recognised in income</b>	<b>908</b>	<b>-945</b>

### Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2020 and 2021, the following hedging relationships were outstanding:

#### Fair value hedges

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

For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

USD millions	Net realised investment gains/losses – non-participating business	Interest expenses	2020 Other comprehensive income - Net unrealised investment gains/losses	Net realised investment gains/losses – non-participating business	Interest expenses	2021 Other comprehensive income - Net unrealised investment gains/losses <sup>1</sup>
<b>Total amounts of income and expense line items</b>	1 730	-588	2 741	537	-571	-2 951
<b>Foreign exchange contracts</b>						
Gains/losses on derivatives	-852			678		
Gains/losses on hedged items	852			-678		
Amounts excluded from the effectiveness assessment						
<b>Interest rate contracts</b>						
Gains/losses on derivatives		30			-64	
Gains/losses on hedged items		-30			65	

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

USD millions	Carrying value	2020 Cumulative basis adjustment	Carrying value	2021 Cumulative basis adjustment
<b>Assets</b>				
Fixed income securities available-for-sale	13 083		15 248	
<b>Liabilities</b>				
Short-term debt			-562	1
Long-term debt	-3 968	-10	-3 090	54

**Cash flow hedges**

The Group entered into cross-currency swaps to reduce the exposure to foreign exchange volatility for a long-term debt instrument issued in the second quarter of 2016. These derivative instruments were designated as cash flow hedging instruments, until the hedge was discontinued in the second quarter of 2020. As of 31 December 2021 the Group had no derivative instruments designated as cash flow hedging instruments outstanding.

For the years ended 31 December, the gains and losses recorded in accumulated other comprehensive income, and reclassified into income were as follows:

USD millions	Net realised investment gains/losses – non-participating business	2020 Other comprehensive income - Cash flow hedges
<b>Total amounts of income and expense line items</b>	1 730	2
<b>Foreign exchange contracts</b>		
Gains/losses on derivatives	15 <sup>1</sup>	2

<sup>1</sup> Includes a loss of USD 11 million that was reclassified into earnings, as a result of cash flow hedge discontinuance.

**Hedges of the net investment in foreign operations**

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

As of 31 December 2020 and 2021, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 248 million and USD 594 million, respectively, in "Other comprehensive income - Foreign currency translation". These offset translation gains and losses on the hedged net investment.

**Maximum potential loss**

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2020 and 2021 was approximately USD 956 million and USD 583 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

**Credit risk-related contingent features**

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

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 71 million and USD 63 million as of 31 December 2020 and 2021, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of USD 48 million and USD 36 million as of 31 December 2020 and 2021, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 30 million additional collateral would have had to be posted as of 31 December 2021. The total equals the amount needed to settle the instruments immediately as of 31 December 2021.

## 10 Disposals

### **ReAssure Group Plc**

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

Swiss Re received a cash payment of USD 1.6 billion, and shares in Phoenix representing a 13.3% stake. ReAssure's minority shareholder, MS&AD Insurance Group Holdings, Inc. received shares in Phoenix representing a 14.5% stake. Swiss Re sold part of its stake in June 2021 and the remaining stake in January 2022, see Note 17 Subsequent events for further details.

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



## 11 Assets held for sale

### **Elips Life AG**

The Group announced on the 10 December 2021, that it has agreed to sell its life insurance subsidiary Elips Life AG (elipsLife), which is part of the Corporate Solutions business segment, to Swiss Life International and to enter into a long-term reinsurance partnership for elipsLife's in-force and new business.

As part of the agreement, Swiss Life will take over elipsLife, excluding the medical business of Elips Versicherungen AG in Ireland, which will remain with the Group. The transaction is expected to close around the middle of 2022, subject to several closing conditions, including regulatory approval and merger control clearance by the applicable authorities.

## 1.2 Debt and contingent capital instruments

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

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

USD millions	2020	2021
Senior financial debt		300
Senior operational debt	153	
Subordinated financial debt		562
<b>Short-term debt</b>	<b>153</b>	<b>862</b>
Senior financial debt	2 919	2 578
Senior operational debt	95	99
Subordinated financial debt	6 147	5 290
Subordinated operational debt	1 927	1 859
Contingent capital instruments classified as financial debt	496	497
<b>Long-term debt</b>	<b>11 584</b>	<b>10 323</b>
<b>Total carrying value</b>	<b>11 737</b>	<b>11 185</b>
<b>Total fair value</b>	<b>14 749</b>	<b>13 465</b>

As of 31 December 2020 and 2021, operational debt, ie debt related to operational leverage, amounted to USD 2.2 billion (thereof USD 1.9 billion limited- or non-recourse) and USD 2 billion (thereof USD 1.9 billion limited- or non-recourse), respectively. Operational leverage is subject to asset/liability matching and is excluded from rating agency financial leverage calculations.

### Maturity of long-term debt

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

USD millions	2020	2021
Due in 2022	856	
Due in 2023	916	851
Due in 2024	2 271	2 264
Due in 2025	1 157	1 083
Due in 2026	464	461
Due after 2026	5 920	5 664
<b>Total carrying value</b>	<b>11 584</b>	<b>10 323</b>

**Senior long-term debt**

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2023	Senior notes	2016	EUR	750	1.38%	849
2024	EMTN	2014	CHF	250	1.00%	272
2026	Senior notes <sup>1</sup>	1996	USD	397	7.00%	449
2027	EMTN	2015	CHF	250	0.75%	271
2030	Senior notes <sup>1</sup>	2000	USD	193	7.75%	247
2042	Senior notes	2012	USD	500	4.25%	490
Various	Payment undertaking agreements	Various	USD	90	Various	99
<b>Total senior long-term debt as of 31 December 2021</b>						<b>2 677</b>
Total senior long-term debt as of 31 December 2020						3 014

<sup>1</sup> Assumed in the acquisition of GE Insurance Solutions.

**Subordinated long-term debt**

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2035	Subordinated fixed rate resettable callable loan note	2020	SGD	350	3.13%	2025	258
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	499
2049	Subordinated fixed rate reset step-up callable loan note	2019	USD	1 000	5.00%	2029	992
2050	Subordinated fixed rate reset step-up callable loan note	2019	EUR	750	2.53%	2030	849
2052	Subordinated fixed rate reset step-up callable loan note	2020	EUR	800	2.71%	2032	876
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 372	6.25%	-	1 858
Perpetual	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	822
Perpetual	Perpetual subordinated fixed spread callable note	2019	USD	1 000	4.25%	2024	995
<b>Total subordinated long-term debt as of 31 December 2021</b>						<b>7 149</b>	
Total subordinated long-term debt as of 31 December 2020						8 074	

**Contingent capital instruments classified as long-term debt**

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2024	Senior unsecured exchangeable instrument with issuer stock settlement	2018	USD	500	3.25%	497
<b>Total contingent capital instruments classified as long-term debt as of 31 December 2021</b>						<b>497</b>
Total contingent capital instruments classified as long-term debt as of 31 December 2020						496

**Interest expense on long-term debt and contingent capital instruments**

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

USD millions	2020	2021
Senior financial debt	88	88
Senior operational debt	7	3
Subordinated financial debt	263	227
Subordinated operational debt	112	119
Contingent capital instruments classified as financial debt	17	17
<b>Total</b>	<b>487</b>	<b>454</b>

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

**Convertible debt**

In June 2018, SRL issued six-year senior unsecured exchangeable notes with issuer stock settlement. The notes have a face value of USD 500 million, with a fixed coupon of 3.25% per annum, payable semi-annually in arrear until the maturity date (13 June 2024). Subject to the conditions of the notes, noteholders may exchange their notes for ordinary shares of SRL at an exchange price of USD 102.2844 (adjusted from the initial exchange price of USD 115.2593). The exchange price is subject to further adjustment in certain circumstances described in the conditions of the notes. The issuer may elect to settle a noteholder-initiated exchange in cash or SRL shares. To economically offset the settlement of a noteholder-initiated exchange, SRL purchased matching call options on SRL shares with a portion of the proceeds. Consequently, no new SRL shares will be issued upon a noteholder-initiated exchange. Assuming that all of the notes are exchanged at the request of noteholders, and subject to further adjustments to the exchange price as described in the conditions of the notes, 4 888 331 registered shares of SRL would have to be delivered to noteholders. Both the noteholder-initiated exchange option and the matching call options are accounted as equity within these financial statements.

**Long-term debt issued in 2021**

No long-term debt was issued in the year ended 31 December 2021.

## 13 Leases

As part of its normal business operations, the Group as a lessee enters into a number of lease agreements mainly for office space. Certain lease agreements include rental payments adjusted periodically for inflation. Renewal or termination options that are reasonably certain of exercise by the lessee are included in the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

### Lease liabilities and right-of-use assets

Lease liabilities and right-of-use assets for operating leases as of 31 December were as follows:

USD millions	2020	2021
Operating lease right-of-use assets	471	426
Operating lease liabilities	524	478

Operating lease right-of-use assets are included in "Other assets" and operating lease liabilities are included in "Accrued expenses and other liabilities" on the balance sheet.

### Maturity of lease liabilities

As of 31 December, the total undiscounted cash flows due to operating leases for the next five years and thereafter were as follows:

USD millions	2020	2021
Less than one year	90	86
Between one year and two years	80	74
Between two years and three years	73	66
Between three years and four years	63	53
Between four years and five years	51	48
After five years	232	209
<b>Total undiscounted cash flows</b>	<b>589</b>	<b>536</b>
Less imputed interest	-65	-58
<b>Total lease liability</b>	<b>524</b>	<b>478</b>

As of 31 December 2021, undiscounted sublease cash flows over the next ten years were USD 54 million.

The discount rates used to determine the lease liability reflect the collateralised borrowing rates for the Group, where the underlying collateral is assumed to be real estate.

The weighted average discount rate for operating leases as of 31 December 2020 and 2021 was 2.4% and 2.1%, respectively. The weighted average remaining lease term for operating leases as of 31 December 2020 and 2021 was 9.3 years and 9.9 years, respectively.

### Lease cost

The composition of total lease cost for all operating leases for the year ended 31 December was as follows:

USD millions	2020	2021
Fixed operating lease cost	89	85
Other lease cost <sup>1</sup>	5	5
<b>Total operating lease cost</b>	<b>94</b>	<b>90</b>
Less sublease income from operating leases	-10	-6
<b>Total lease cost</b>	<b>84</b>	<b>84</b>

<sup>1</sup> "Other lease cost" includes variable lease cost.

### Other information

For the year ended 31 December 2020 and 2021, cash paid for amounts included in the measurement of operating lease liabilities was USD 93 million and USD 89 million, respectively. Right-of-use assets obtained in exchange for new operating lease liabilities in 2020 and 2021 were USD 51 million and USD 51 million, respectively.

## 14 Earnings per share

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

USD millions (except share data)	2020	2021
<b>Basic earnings per share</b>		
Net income/loss	-824	1 437
Non-controlling interests	-54	
Net income/loss attributable to common shareholders	-878	<b>1 437</b>
Weighted average common shares outstanding	289 126 570	288 952 702
<b>Net income/loss per share in USD</b>	-3.04	<b>4.97</b>
<b>Net income/loss per share in CHF<sup>1</sup></b>	-2.97	<b>4.52</b>
<b>Effect of dilutive securities</b>		
Change in income available to common shares due to convertible debt		14
Change in average number of shares due to convertible debt		14 072 893
Change in average number of shares due to employee options		506 107
<b>Diluted earnings per share</b>		
Net income assuming debt conversion and exercise of options		<b>1 451</b>
Weighted average common shares outstanding		303 531 702
<b>Net income/loss per share in USD</b>	-3.04	<b>4.78</b>
<b>Net income/loss per share in CHF<sup>1</sup></b>	-2.97	<b>4.35</b>

<sup>1</sup> 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 years ended 31 December 2020 and 2021, the parent company of the Group (Swiss Re Ltd) paid dividends per share of CHF 5.90, respectively.

Net of tax expense effects of debt conversion, totalling USD 14 million in 2020, and the potential impact of this debt conversion as well as the issuance of employee options on the weighted average number of shares, of 14 303 549 shares, have not been included in the diluted earnings per share calculation because the impact of such an inclusion was antidilutive.

## 15 Commitments and contingent liabilities

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to ten years. The total commitments remaining uncalled as of 31 December 2021 were USD 1 607 million.

The Group has entered into various real estate construction contracts. The commitments under the contracts amount to USD 83 million over the next six years.

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

### **Legal proceedings**

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

## 16 Variable interest entities

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

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

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

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

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

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

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

### Insurance-linked securitisations

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

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

### Life and health funding vehicles

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

### Swaps in trusts

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

### Debt financing vehicles

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



### Investment vehicles

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

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

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

### Investment vehicles for unit-linked business

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

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

### Senior commercial mortgage and infrastructure loans

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

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

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

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

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

### Other

The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

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

**Consolidated VIEs**

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

USD millions	2020	2021
Fixed income securities available-for-sale	3 807	3 362
Short-term investments	59	42
Cash and cash equivalents	20	77
Accrued investment income	30	29
Premiums and other receivables	35	22
Funds held by ceding companies	1	4
Deferred acquisition costs	5	7
Deferred tax assets	191	126
Other assets	14	19
<b>Total assets</b>	<b>4 162</b>	<b>3 688</b>
Unpaid claims and claim adjustment expenses	59	89
Unearned premiums	16	25
Funds held under reinsurance treaties	4	4
Reinsurance balances payable	22	24
Deferred and other non-current tax liabilities	166	109
Accrued expenses and other liabilities	18	7
Long-term debt	1 926	1 859
<b>Total liabilities</b>	<b>2 211</b>	<b>2 117</b>

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

**Non-consolidated VIEs**

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

USD millions	2020	2021
Fixed income securities available-for-sale	1 322 <sup>1</sup>	1 465
Equity securities at fair value through earnings	100	114
Policy loans, mortgages and other loans	1 518	1 774
Other invested assets	2 359	3 190
Investments for unit-linked and with-profit business	145	142
Funds held by ceding companies	25	
<b>Total assets</b>	<b>5 469</b>	<b>6 685</b>
Unpaid claims and claim adjustment expenses	19	
Accrued expenses and other liabilities	52	35
<b>Total liabilities</b>	<b>71</b>	<b>35</b>

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

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

USD millions	Total assets	Total liabilities	2020 Maximum exposure to loss <sup>1</sup>	Total assets	Total liabilities	2021 Maximum exposure to loss <sup>1</sup>
Insurance-linked securitisations	783 <sup>3</sup>		796 <sup>3</sup>	837		855
Life and health funding vehicles	20		2 377	16		2 392
Swaps in trusts	14	52	- <sup>2</sup>	60	35	- <sup>2</sup>
Investment vehicles	2 435		2 435	3 244		3 244
Investment vehicles for unit-linked business	145			142		
Senior commercial mortgage and infrastructure loans	2 047		2 047	2 386		2 386
Other	25	19				
<b>Total</b>	<b>5 469</b>	<b>71</b>	<b>-<sup>2</sup></b>	<b>6 685</b>	<b>35</b>	<b>-<sup>2</sup></b>

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

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

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

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

## 17 Subsequent events

### **Sale of stake in Phoenix Group Holdings Plc.**

In January 2022, Swiss Re sold its remaining 6.6% stake in Phoenix Group Holdings Plc.

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

Financial statements (unaudited)

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

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

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

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

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

# Note on risk factors

The operations, investments and other activities of Swiss Reinsurance Company Ltd and its subsidiaries (collectively, the “Group”) are subject to a range of risks that could adversely impact the Group’s business, financial condition, results of operations, liquidity and cash flows. The Group is part of the broader Swiss Re group (collectively, “Swiss Re”), the holding company for which is Swiss Re Ltd. References to the Group give effect to the legal entity realignment of Swiss Re.

## Coronavirus

The global spread of the novel coronavirus and the disease it causes (“COVID-19”), and the actions taken to slow the spread of the pandemic, have had an adverse impact on communities, social and business interactions, economic activity and economies across the globe. Following the impressive contractions of 2020, economic growth momentum is expected to carry over into 2022. However, the expectation of post-crisis global growth and the recovery remains fragile and uneven across economies. This remains especially true given the lower level of global economic resilience after the pandemic which renders economies much more vulnerable in the face of any subsequent shocks and/or challenges. The recovery of individual economies remains highly exposed to developments around the coronavirus, including: new strains of the virus which risk becoming vaccine-resistant or for which vaccines provide less protection against severe illness, drop in vaccine-acceptance rate (including for multiple doses) making herd immunity increasingly difficult to reach, and slow vaccination rollout in a number of emerging market economies. Despite the impact of the pandemic on the global economy, the global insurance markets (as measured by premium growth) were less severely impacted in 2021 than expected (although the life market was more adversely affected than the non-life market). Premium growth recovered in 2021 and is expected to continue to recover, alongside recovery of the global economy, in 2022 and 2023, supported by rate hardening. Growth is expected to be led by China and, to a lesser extent, by other markets in Asia, aided in the case of life business by greater awareness of the importance post-pandemic of mortality and health coverage, as well as digital insurance penetration.

In Property & Casualty, the COVID-19 crisis (in particular the impact on businesses and business activity) had the greatest impact on event cancellation, non-damage business interruption covers, and credit and surety (this was particularly true for 2020, whereas in 2021 Property & Casualty business was not materially impacted by COVID-19). In Life & Health Reinsurance, the COVID-19 crisis had the greatest impact on mortality exposures. The majority of losses in 2021 were incurred in the first, third and fourth quarters, largely driven by excess mortality, and reported losses to date continue to reflect high levels of incurred but not reported (IBNR) claims.

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

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



### General impact of adverse market conditions

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

### Regulatory changes

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

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

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

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

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

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

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

### Sustainability and ESG activities and disclosures

Investors, shareholders, business partners, customers and other third parties, including regulators and public authorities, are increasingly focusing on environmental, social and governance (“ESG”), sustainability and corporate social responsibility endeavours and reporting. Swiss Re’s Group Sustainability Strategy, of which climate change is an essential element, focuses on three key principles: embedding sustainability in a number of activities throughout the re/insurance value chain, leading sustainability-linked solutions and quantifying sustainability performance, including the impact Swiss Re has on society and the environment. In addition, Swiss Re addresses sustainability risks through its ESG Risk Framework which includes policies and guidelines that apply to a number of activities throughout the re/insurance value chain.

While Swiss Re’s sustainability strategy and practices, ESG Risk Framework and the level of transparency with which the company is approaching them are foundational to Swiss Re’s business, they expose the company to several risks, including:

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

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

### **Market risk**

Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, low interest rates continue to pose significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns can be offset by lower combined ratios or higher returns from other asset classes. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

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

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

### **Credit risk**

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

**Liquidity risks**

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

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

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

### Counterparty risks

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

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

### Risks relating to credit rating downgrades

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

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

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

### **Legal and regulatory risks**

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

The Group could in the future be involved in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. These investigations and proceedings could relate to insurance or reinsurance matters, or could involve broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions, competition law and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to litigation or enforcement actions arising from potential employee misconduct, including non-compliance with internal policies and procedures, negligence and malfeasance, such as undertaking or facilitating cyber-attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

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

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may continue to emerge. Such issues have adversely affected, and may in the future adversely affect, the Group's business by either requiring it to extend coverage beyond its underwriting intent or by increasing the number or size of claims against the Group. For example, the trend of social inflation has increased liability claims against the Group in recent years. There has been an increase in severity of awards and settlements affecting excess and umbrella layers, particular in the US, as well as an increase in commercial automotive and general liability claims. The Group has continued to pro-actively strengthen its reserves and has considered the latest information and outlook related to such claims, including in relation to economic and social inflation when making its reserve decisions. The Group believes that it has adequate reserves to address the uncertainty related to conditions such as social inflation. In addition, the Group closely monitors the intersection between social inflation, economic inflation and loss trend and adjusts its pricing accordingly. The Group continued to manage its exposure to large corporate risks due to ongoing volatility related to social inflation in 2021 and materially reduced its exposure. Despite the Group's various measures to address these issues, there remains uncertainty on how these unintended issues related to claims and coverage may impact the Group's business. If the Group's reserving and pricing is not adequate to cover these issues, there could be an additional adverse effect for the Group's business, financial condition or results of operations.

### **Insurance, operational and other risks**

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



### **Use of models; accounting matters**

The Group is subject to risks relating to the preparation of estimates and assumptions that its management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements (such as assumptions related to the Group's capital requirements and anticipated liabilities), including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates (and could be adversely affected if premiums turn out to be lower, while claims stay the same). In addition, particularly with respect to large natural catastrophes and pandemics, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations (in the case of accounting judgments), and such impact could be material.

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

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

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# Corporate calendar

## 2022

13 April 2022

158th Annual General Meeting

05 May 2022

First quarter 2022 key financial data

29 July 2022

Half-year 2022 results

28 October 2022

Nine months 2022 key financial data

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